



**Suncorp-Metway Limited**  
ABN 66 010 831 722

Corporate Secretary's Office  
Suncorp Centre  
36 Wickham Terrace  
BRISBANE QLD 4000

GPO Box 1453,  
Brisbane QLD 4001

13 February 2009

Company Announcements Office  
Australian Stock Exchange  
Level 4, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir

**Suncorp Retail Entitlement Offer**

I attach the following documents relating to the Retail Entitlement Offer announced on 5 February 2009, which will be mailed to eligible retail shareholders by the close of business on Monday, 16 February 2009:

1. Retail Entitlement Offer booklet; and
2. sample Entitlement and Acceptance Form

A notification to ineligible retail shareholders will be released to ASX separately.

Yours faithfully

A handwritten signature in black ink, appearing to read "C R Chuter".

C R Chuter  
Corporate Secretary

For personal use only



# Retail Entitlement Offer

1 for 5 non-renounceable retail entitlement offer of Suncorp ordinary shares at an offer price of \$4.50 per new share  
Offer closes 5.00pm (AEDT) Friday 13 March 2009

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO U.S. PERSONS**

This is an important document which is accompanied by an Entitlement and Acceptance Form and both should be read in their entirety. Please call your professional adviser or the Suncorp Entitlement Offer Information Line if you have any questions.

For personal use on





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**Issuer**

Suncorp-Metway Limited  
Level 18  
36 Wickham Terrace  
Brisbane QLD 4000

**Registry**

Link Market Services Limited  
Level 12  
300 Queen Street  
Brisbane QLD 4000

**Enquiries**

Suncorp Entitlement Offer Information Line  
1300 851 394 (within Australia)  
+61 2 8280 7912 (outside Australia)  
(Monday to Friday – 8.30am to 5.00pm AEDT)

**Website**

[www.suncorpentitlementsoffer.com.au](http://www.suncorpentitlementsoffer.com.au)

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO U.S. PERSONS**

13 February 2009

Dear Shareholder

**Suncorp Capital Raising – Retail Entitlement Offer**

On behalf of Suncorp-Metway Limited ("Suncorp"), I invite you to participate in a 1 for 5 non-renounceable pro-rata entitlement offer of Suncorp ordinary shares ("New Shares") at an issue price of \$4.50 per New Share (the "Entitlement Offer").

On 5 February 2009, Suncorp announced its intention to raise a minimum \$900 million<sup>1</sup> ("Capital Raising") via:

- a \$390 million underwritten institutional placement ("Placement");
- a 1 for 5 accelerated non-renounceable entitlement offer ("Entitlement Offer"), of which the underwritten institutional component ("Institutional Entitlement Offer") will raise approximately \$410 million; and
- the underwriting of the 1H09 dividend reinvestment plan ("DRP") up to \$100 million.

The retail component of the Entitlement Offer ("Retail Entitlement Offer") will raise up to approximately \$502 million. The underwritten DRP component of the raising will be reduced dollar for dollar with participation in the Retail Entitlement Offer. This means that the DRP underwrite will not proceed if take-up under the Retail Entitlement Offer is greater than \$100 million. The Retail Entitlement Offer is not underwritten.

This letter relates to the Retail Entitlement Offer.

The past year has been characterised by unprecedented volatility in global financial markets. The companies that will work their way through these circumstances and emerge stronger will be those that adopt conservative positions and build sufficient buffers, particularly when it comes to capital management. It is with this prudent approach to capital management in mind that the Board has decided to proceed with this Capital Raising. The proceeds will, in turn, be used to strengthen Suncorp's capital position and balance sheet and will result in our key capital ratios being well above internal targets and regulatory requirements.

In conjunction with the Capital Raising, the Board has decided to revise its dividend policy in order to further support the Group capital position. Suncorp intends to declare an interim dividend of 20 cents per share, fully franked, and is also targeting a final dividend of 20 cents per share, fully franked, subject to the Group achieving its forecast earnings guidance and any necessary regulatory approvals. I accept that this is substantially below the levels you have recently received from our company. You can be assured, however, that we have arrived at this outcome after much debate and discussion – convinced that by taking this action we will place the Group in a substantially enhanced position. Beyond the current financial year, Suncorp will target a dividend payout ratio of 50-60% of cash earnings<sup>2</sup>.

New Shares issued under the Capital Raising will not be entitled to the 20 cents per share interim dividend payable by Suncorp in respect of the half year ended 31 December 2008.

Recently, the Board and our Chief Executive John Mulcahy agreed that after six years leading the company it was an appropriate time for Suncorp to transition to a new CEO. On behalf of the Board I want to acknowledge the enormous contribution John has made to our company. As a consequence of his leadership and vision, the resources and capability of the organisation are immeasurably stronger. John has agreed to continue to lead the company during the recruitment phase.

<sup>1</sup> Subject to no termination rights arising under the underwriting agreements prior to settlement on 18 February 2009.

<sup>2</sup> Dividend guidance is subject to the capital requirements of the business, regulatory approvals and general business and economic conditions.

You will find enclosed with this letter a number of important documents, including:

- instructions on "How to Apply" setting out how to accept all or part of your entitlement in the Retail Entitlement Offer if you choose to do so, including a timetable of Key Offer Dates;
- important legal information;
- an Entitlement and Acceptance Form which details your entitlement, to be completed in accordance with the instructions provided on the form and the instructions on "How to Apply"; and
- an Investor Presentation and ASX releases, which were released to Australian Securities Exchange ("ASX") on 5 February 2009 providing more information on Suncorp and key risks for you to consider.

It is important to note that the Retail Entitlement Offer closes at 5.00pm (AEDT<sup>3</sup>) on 13 March 2009. To participate, you need to ensure that your completed Entitlement and Acceptance Form is received by Suncorp before this time and date OR you have paid your application monies via BPay<sup>®</sup> pursuant to the instructions that are set out on the Entitlement and Acceptance Form. Please refer to the instructions on "How to Apply" that accompany this letter for further information.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their entitlements in full will not receive any value in respect of those entitlements they do not take up and your percentage shareholding in Suncorp will be reduced following the issue of all New Shares under the Capital Raising.

You should obtain any professional advice you require to evaluate whether or not to participate in the Retail Entitlement Offer.

For further information regarding the Retail Entitlement Offer, please call the Suncorp Entitlement Offer Information Line on 1300 851 394 (within Australia) or +61 2 8280 7912 (outside Australia) or visit our website at [www.suncorp.com.au](http://www.suncorp.com.au).

On behalf of the Board of Suncorp, I thank you for your continued support as a Suncorp shareholder and I invite you to consider this investment opportunity.

Yours sincerely



**John Story**  
Chairman

This letter and the attached materials contain forward-looking statements, including statements regarding Suncorp's results for the six months to 31 December 2008, loan impairment and provisions for bad debts, expected reinsurance recoveries, economic conditions, lending growth, funding costs, growth in insurance premiums, costs and expenses, dividends and capital adequacy. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this letter and the attached materials. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to Suncorp as of the date of this letter. Except as required by law or regulation (including the ASX Listing Rules) Suncorp undertakes no obligation to update these forward-looking statements.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any "U.S. person" (as defined in Regulation S under the U.S. Securities Act of 1933, as amended ("U.S. Person")). Shares may not be offered or sold in the United States or to, or for the account or benefit of, any U.S. Person absent registration or an exemption from the shares referred to in this letter and the attached materials registration. This letter and the attached materials have been prepared for publication only in Australia and New Zealand, and may not be released elsewhere.

<sup>3</sup> Australian Eastern Daylight Time

## How to apply

### Key dates for the offer<sup>4</sup>

Record Date	7.00pm (AEDT) Tuesday, 10 February 2009
Retail Entitlement Offer opens	Monday, 16 February 2009
Retail Entitlement Offer closes	5.00pm (AEDT) Friday, 13 March 2009
Allotment of Retail Entitlement Offer New Shares	Monday, 23 March 2009
Retail Entitlement Offer New Shares commence trading on ASX	Tuesday, 24 March 2009

Applicants are encouraged to submit their Entitlement and Acceptance Forms as soon as possible after the Retail Entitlement Offer opens. Suncorp reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws to vary the dates of the Offer, including extending the Offer or accepting late applications, either generally or in particular cases, without notice. You cannot, in most circumstances, withdraw your application once it has been accepted.

### Enquiries

If you have any questions, please call the Suncorp Entitlement Offer Information Line on 1300 851 394 (within Australia) or +61 2 8280 7912 (outside Australia) at any time between 8.30am and 5.00pm (AEDT) Monday to Friday during the offer period, or consult your stockbroker, accountant or other professional adviser.

[www.suncorp.com.au](http://www.suncorp.com.au)

<sup>4</sup> All times and dates refer to Australian Eastern Daylight Time (AEDT) and are subject to change

### **1. Please read carefully the attached Chairman's Letter, Investor Presentation, Important Information, Entitlement and Acceptance Form and other public information made available**

The Entitlement Offer is being made in line with changes to the Corporations Act that allow rights issues to be offered by providing certain confirmations to the market without the need for a prospectus. Consequently, before accepting your entitlement of New Shares ("Entitlement"), you should carefully read and understand the publicly available information on Suncorp and the Entitlement Offer, including the attached materials, 2008 Annual Results, 2008 Annual Results Presentation, the transcript of the investor briefing held on 5 February 2009 and other announcements that have been made available at [www.suncorp.com.au](http://www.suncorp.com.au) or [www.asx.com.au](http://www.asx.com.au).

### **2. Consider the Entitlement Offer in light of your particular investment objectives and circumstances**

If you have any queries or are uncertain about any aspects of the Entitlement Offer, consult with your stockbroker, accountant or other professional adviser. **Please ensure that you review carefully the "Key Risks" section of the attached Investor Presentation.**

### **3. Complete and return the accompanying Entitlement and Acceptance Form**

You may apply for New Shares in excess of your Entitlement ("Additional New Shares"). Please note that New Shares in excess of Entitlements will only be allocated to you if there are sufficient New Shares from eligible retail shareholders who do not take up their full Entitlements or from New Shares that would have been offered to ineligible retail shareholders if they had been entitled to participate in the Retail Entitlement Offer, subject to any scale-back that Suncorp may apply (in its absolute discretion).

If you decide to take up all or part of your Entitlement or apply for Additional New Shares, complete and return the Entitlement and Acceptance Form with your payment

or pay your application monies via BPay<sup>®</sup> pursuant to the instructions that are set out on the Entitlement and Acceptance Form.

Suncorp will treat you as applying for as many New Shares as your payment will pay for. Any amount received by Suncorp in excess of the amount required to be paid by you to apply for your Entitlement ("Excess Amount") may be treated by Suncorp as an application for as many Additional New Shares as your Excess Amount will pay for.

Entitlements are non-renounceable and will not be tradeable on the ASX or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any value in respect of those Entitlements they do not take up and their percentage shareholding in Suncorp will be reduced following the issue of all New Shares under the Capital Raising.

Your Entitlement is set out on the accompanying Suncorp Entitlement and Acceptance Form and has been calculated as 1 New Share for every 5 Suncorp shares you held as at the record date of 7.00pm (AEDT) on 10 February 2009, rounded down to the nearest whole share. If you have more than one holding of Suncorp shares you will receive more than one Entitlement and Acceptance Form and you will have separate Entitlements for each holding.

If you accept and pay for all or part of your Entitlement before the close of the Retail Entitlement Offer at 5.00pm (AEDT) on 13 March 2009, you will be allotted your New Shares on 23 March 2009.

If you request Additional New Shares then, subject to Suncorp's absolute discretion to scale back your allocation of Additional New Shares (in whole or part), you will be issued these on 23 March 2009. The decision of Suncorp on the number of New Shares to be allocated to you will be final. Suncorp also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to eligible retail shareholders, or persons claiming to be eligible retail shareholders, if their claims prove to be overstated or if they or their nominees fail to provide information to substantiate their claims.

### 4. Acceptance of the Entitlement Offer

You may subscribe for all or part of your Entitlement by completing the Entitlement and Acceptance Form and attaching payment or by paying by BPay® (see below for more details). Any surplus application monies received for more than your final allocation of New Shares and Additional New Shares will be refunded. No interest will be paid on any application monies received or returned.

The method of acceptance of the Entitlement Offer will depend on your method of payment, being:

1. Should you wish to pay by cheque, bank draft or money order, then this should accompany your completed Entitlement and Acceptance Form.

Your cheque, bank draft or money order must be:

- in Australian currency, made payable to "Suncorp-Metway Ltd – Entitlement Offer Account" and crossed "Not Negotiable";
- in respect of the full Application Monies (being \$4.50 multiplied by the number of New Shares applied for); and
- drawn on an Australian branch of a financial institution;

or

2. Should you wish to pay by BPay®:
  - Please follow the instructions on the Entitlement and Acceptance Form. Your BPay® payment must be received by no later than 5.00pm (AEDT) on 13 March 2009. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPay® are received by this time; and
  - For payment by BPay®, you do not need to lodge your Entitlement and Acceptance Form with the Registry, however, by making a payment through BPay®, you will be deemed to have made the declarations set out in the Entitlement and Acceptance Form.

### 5. Mail or delivery

To participate in the Entitlement Offer, your payment must be received no later than 5.00pm (AEDT) on 13 March 2009. If not paying by BPay®, your completed Entitlement and Acceptance Form, together with application monies, should be mailed or hand delivered to:

#### Mail to:

Suncorp Entitlement Offer  
c/o Link Market Services Limited  
Locked Bag 3415  
Brisbane QLD 4001  
Australia

#### Hand deliver to:

Suncorp Entitlement Offer  
c/o Link Market Services Limited  
Level 12, 300 Queen Street  
Brisbane QLD 4000  
Australia

Hand delivered applications and payments will not be accepted at any other location, including Suncorp branches.

### No Entitlements trading

Entitlements are non-renounceable and will not be tradeable on the ASX or otherwise transferable. Shareholders who do not take up their Entitlement in full will not receive any value in respect of those Entitlements that they do not take up. Furthermore, you cannot, in most circumstances, withdraw the application once it has been accepted.

### Not investment advice

The Entitlement Offer to which this Information relates complies with the requirements of section 708AA of the Corporations Act as notionally modified by Australian Securities & Investments Commission ("ASIC") Class Order 08/35.

The Information is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Suncorp is not licensed to provide financial product advice in respect of the New Shares.

The Information does not purport to contain all the information that you may require to evaluate a possible application for New Shares or Additional New Shares and does not take into account the investment objectives, financial situation or needs of you or any particular investor. You should conduct your own independent review, investigation and analysis of Suncorp shares the subject of the Entitlement Offer. You should obtain any professional advice you require to evaluate the merits and risks of an investment in Suncorp before making any investment decision based on your investment objectives.

### Foreign jurisdictions

Pursuant to the ASX Listing Rules, this Information is being sent to all eligible retail shareholders with a registered address in Australia or New Zealand on the register of Suncorp at 7.00pm (AEDT) on 10 February 2009.

This Information is not intended to and does not constitute an offer of securities in any jurisdiction in which, or to any person to whom it would not be lawful to make such an offer and no action has been taken to register shares of Suncorp or otherwise permit a public offering of the shares in any jurisdiction outside of Australia and New Zealand. Return of the Entitlement and Acceptance Form or your BPay® payment shall be taken by Suncorp to constitute a representation by you that there has been no breach of any such laws. Eligible shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how to proceed.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any U.S. Person. Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons absent registration or an exemption from registration. The New Shares to be offered and sold in the Offer have not been, and will not be, registered under the Securities Act, or under the securities laws of any state or other jurisdiction of the United States and accordingly, the New Shares may only be offered and sold: (i) within the United States or to, or for the account or benefit of, any U.S. Person, to a limited number of approved institutional investors that are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBs"), in transactions exempt from, or not subject to, the registration requirements of the Securities Act; or (ii) outside the United States, to persons that are not U.S. Persons and are not acting for the account or benefit of U.S. Persons in offshore transactions in compliance with Regulation S under the Securities Act.

The distribution of this document outside Australia and New Zealand may be restricted by law. In particular, this document or any copy of it must not be taken into or distributed or released in the United States or distributed or released to any U.S. Person. Persons who come into possession of this document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable shares laws.

## How to apply

### Taxation

Taxation implications will vary depending upon the individual circumstances of individual eligible shareholders. Eligible retail shareholders should obtain their own professional advice before deciding whether to invest.

### Governing law

This Information, the Entitlement Offer and the contracts formed on acceptance of an application for New Shares or Additional New Shares are governed by the law applicable in Queensland, Australia. Each shareholder who applies for New Shares or additional New Shares submits to the jurisdiction of the courts of Queensland, Australia.

### Financial Data

All dollar values in this Information are in Australian dollars (A\$). The pro forma historical financial information included in this Information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.

### Underwriting

Suncorp has entered into an underwriting agreement with an underwriter who has agreed to fully underwrite the institutional component of the Entitlement Offer. The underwriting agreement includes a number of termination events, including material disruptions in financial conditions or markets.

### Future performance

The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward looking statements. Forward looking statements, opinions and estimates provided in this Information are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

An investment in Suncorp shares is subject to investment and other known and unknown risks, some of which are beyond the control of Suncorp. Suncorp does not guarantee any particular rate of return or the performance of Suncorp nor does it guarantee the repayment of capital from Suncorp or any particular tax treatment. You should also have regard to the "Key Risks" section of the attached Investor Presentation.

### Past performance

Past performance information given in this Information is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

News Release

5 February 2009

## **SUNCORP TO COMMENCE CEO TRANSITION**

Suncorp CEO John Mulcahy today announced that, after six years leading the Group, he has agreed with the Board to step down from his current role. Mr Mulcahy has also agreed to continue his leadership as the company transitions to a new CEO.

"I am very proud of what the Group has achieved since 2003. Our achievements include the transformation of Suncorp through the integration of GIO and, more recently, the acquisition and successful integration of Promina," Mr Mulcahy said.

"Our businesses are well placed to meet the challenges ahead and integration benefits from Promina are already flowing through to the Group. The capital raising we have announced today will further strengthen the Group and enable it to take advantage of the changes underway in the financial service sector."

"With the capital raising under way, it is an appropriate time for the Board to advise the market of our intention to commence the transition of leadership to focus on the next phase of the Group's development."

On behalf of the Board, Suncorp Chairman John Story thanked Mr Mulcahy for his contribution to the Group.

"I wish to acknowledge the enormous contribution that has been made by John during his period as CEO. As a consequence of his leadership and vision, the resources and capacities of the organisation, in every respect, are immeasurably stronger," Mr Story said.

Throughout his time, John has demonstrated an absolute dedication and commitment to the best interests of Suncorp and its people. We look forward to working with him through the transitional phase, and wish him all the best in his future endeavours."

Mr Mulcahy will continue to be a director of the company until he ceases to be the CEO.

For more information:

Analysts / investors should contact:

Mark Ley – 07 3835 5639 or 0411 139 134

Media should contact:

Jamin Smith – 07 3835 5183 or 0409 170 035

Ron Burke – 0419 334 452

## Suncorp Market Update

**Disclaimer: Not for distribution or release in the United States or to U.S. persons**

5 February 2009

Suncorp today announced its preliminary expected results for the six months to 31 December 2008, and outlined initiatives to provide significant additional capital buffers against further deterioration in economic conditions.

The Group's first half results demonstrated the resilience of each of its business lines in difficult market conditions:

- the Bank achieved strong underlying profit growth offset by higher impairment charges;
- in General Insurance, healthy gross written premium growth was impacted by weather events costing more than the Group's normal allowances and widening credit spreads; and
- Wealth Management's underlying profit was supported by strong life risk sales.

The guidance provided in this update is subject to finalisation of the Group's financial statements, and completion of the review by external auditors. As such, actual results for the six months to 31 December 2008 may differ from the guidance contained in this update.

The guidance is also subject to the reinsurance recoveries available from the storms that affected south-east Queensland in November 2008, a matter the Group is working to finalise before its half year results announcement on 24 February 2009.

Suncorp is of the view that reinsurance recoveries relating to these storms of approximately \$73 million<sup>1</sup> are available under the Group's catastrophe cover program although, where relevant, the impact on earnings should a minimum reinsurance recovery outcome occur has also been clearly indicated.

For further details, please refer to 'Important Notes' at the end of this update.

### Group result

**Underlying business performance resilient; conservatively managing capital**

Suncorp expects that Group profit before tax and Promina acquisition items for the six months to 31 December 2008 will be in the range of \$470 to \$500 million<sup>2</sup>. Net profit after tax, Promina acquisition items and minority interests is expected to be in the range of \$250 to \$270 million<sup>3</sup>.

Chief executive John Mulcahy said underlying performance for the half year demonstrated the measures Suncorp's businesses put in place to withstand further deterioration in the economic climate have been appropriate.

Mr Mulcahy also said that, given ongoing volatility in the global financial sector, it was important the Group continued to conservatively manage its capital position and took a prudent approach to bad debt provisioning.

Preliminary unaudited results for the Group's businesses for the six months to 31 December 2008 were:

### Banking

**Strong underlying profit growth offset by significantly higher impairment charges**

The Bank's profit before tax for the six months to 31 December 2008 is expected to be in the range of \$90 to \$100 million with strong underlying profit growth expected to be offset by significantly higher impairment charges.

Profit before tax and impairment charges is expected to be in the range of \$445 to \$455 million, well ahead of the prior corresponding period. This increase was largely attributable to higher net interest margins resulting from pricing adjustments applied to higher average receivables, as well as a focus on expense management during the half.

<sup>1</sup> Based on current forecast of expected gross claims costs.

<sup>2</sup> Group profit before tax and Promina acquisition items is expected to be in the range of \$410 million to \$440 million if Suncorp's reinsurance position is not accepted by all reinsurers.

<sup>3</sup> Net profit after tax, Promina acquisition items and minority interest is expected to be in the range of \$210 million to \$230 million if Suncorp's reinsurance position is not accepted by all reinsurers.

## Lending

### Lending slowed in response to volatile market conditions

The Bank continued to adapt its strategy to help counter worsening market conditions and significant fluctuations in the cost of funding.

The decision to reduce lending in non-core segments, along with the slowing in the Australian economy, resulted in lending growth slowing over the six months to 31 December 2008. Gross loans, advances and other receivables finished the half at just over \$55 billion.

Accordingly, as the Bank continues its strategy of focusing predominantly on core segments, total lending is expected to be flat for the year to 30 June 2009.

## Retail/wholesale funding

### Balance sheet strengthened by strong deposit gathering and term debt raisings above previous forecasts

A focus on deposit gathering, particularly from business customers, increased total retail funding to over \$23 billion at 31 December 2008, an increase of more than 10% over the 31 December 2007 total.

Suncorp raised approximately \$5 billion of three-year term debt over the six months to 31 December 2008, well above the previously forecast \$3.0 billion to \$3.5 billion required to fund asset growth and satisfy term maturities for the 2008/09 financial year.

As a result of these initiatives, the weighted average term of balance sheet liabilities (including securitisation) increased to 0.98 years at 31 December 2008, compared to 0.69 years at 30 June 2008.

Additionally, the Bank raised \$1.2 billion in a five-year benchmark transaction during January 2009 and will continue to seek opportunities to further strengthen the balance sheet by raising term debt.

## Net interest income

### Improved margins

Suncorp's margins improved over the half year as the Bank passed on additional funding costs and repriced for risk to reflect market conditions. The net interest margin for the six months to 31 December 2008 was 1.84%, up from 1.81% for the six months to 30 June 2008. The margin was also favourably impacted by the fall in the spread of the bank bill swap rate (BBSW) over the cash rate.

## Expenses

### Operating expenses flat against June 2008

The Bank's expenses are likely to be in the range of \$290 to \$300 million for the half year. First half expenses included \$25 million in restructuring costs, largely as a result of the merging of the retail and business divisions. The cost to income ratio for the first half is expected to be approximately 40%.

## Bad debts

### Significantly increased due to impact of ongoing economic deterioration on impaired assets and property valuations; prudent approach to provisioning

It is expected the Bank's first half bad debt expense will rise to \$355 million, significantly above previous forecasts. This includes a charge of \$177 million for increased specific provisions and write-offs and a total increase of \$171 million in the collective provision.

The Group's specific provision increase included a \$79 million provision for Babcock & Brown, where Suncorp is one of 25 members in the consortium of lenders.

Specific provisions were also increased for previously identified exposures, including Raptis, Sunleisure and a south east Queensland property developer, as a result of ongoing reviews of property valuations, which became apparent in December and into the New Year.

The Group increased its collective provision by \$171 million. This included \$96 million to reflect increased watch list balances following an ongoing portfolio credit review process. In addition, a \$75 million allowance was included in the collective provision as an economic overlay to reflect ongoing economic deterioration.

Ignoring the economic overlay, the bad debt write-offs in the first half were 50 basis points on gross loans and advances.

As a result of the additional provisioning, the ratio of total impairment provisions (excluding the general reserve for credit losses) to total loans has increased to 86 basis points, from 28 basis points in June 2008.

In the three months to 31 December 2008, impaired assets increased to \$986 million from \$788 million (as reported to the market on 24 November 2008). \$133 million of this increase was attributable to Babcock & Brown.

## General Insurance

### GWP growth offset by weather events and accounting treatments

The General Insurance business is expected to achieve a before tax contribution of \$240 to \$260 million<sup>4</sup> for the six months to 31 December 2008.

The half year result featured healthy gross written premium (GWP) growth offset by a series of major weather events that cost more than the Group's normal allowances.

The result was also affected by a number of accounting issues including widening credit spreads, which created mark to market losses across the Group's approximately \$8 billion technical reserves portfolio. This is purely a timing issue and will reverse as fixed interest investments mature or as credit spreads narrow.

This is expected to result in a reported first half insurance trading ratio (ITR) in the range of 4.5% to 5.5%<sup>5</sup>, including integration benefits.

### Gross Written Premiums (GWP)

Healthy growth in gross written premiums; all brands continue to perform strongly

GWP increased to approximately \$3.3 billion for the six months to 31 December 2008, up 5.9% over the prior corresponding period. Contributors to this increase were home insurance (up approximately 9%), motor insurance (up approximately 4%) and commercial insurance (up approximately 9%).

Personal lines premium increases introduced following recent severe weather activity have not resulted in any significant increase in customer attrition, although some customers are responding to the slowing economy and premium increases by raising their excesses. All brands continue to perform strongly.

The commercial lines premium increase demonstrates the hardening of both short and long tail classes.

### Storms and reinsurance

#### First half event costs ahead of allowances

Following detailed analysis of weather systems and expert meteorological advice in relation to the south-east Queensland storms, Suncorp is of the view that reinsurance

recoveries of approximately \$73 million are available under the Group's catastrophe cover program.

This position has received support from a majority of the reinsurance panel, although one reinsurer disputes Suncorp's analysis and calculation of available recoveries.

The minimum reinsurance recovery of \$13 million would result in a \$60 million negative impact on the Group's profit before tax for the half year. Under this scenario, however, the Group would be closer to triggering its aggregate reinsurance cover which starts at \$250 million.

Suncorp's meteorological advice, if accepted by all reinsurers, would result in the following net claims costs:

Event	Cost net of reinsurance recoveries (A\$m)
New Zealand – July	15
Ipswich – September	30
Gold Coast/Byron Bay – October	10
South East Queensland (16 -21 November)	125
<b>Total</b>	<b>180</b>

Although, the final reinsurance outcome of the storms events is still being finalised, the total costs under either scenario are well above the Group's allowance for major weather events of \$120 million per half year.

### Long-tail claims expense

#### Claims provision offset by current accident period and risk margins strains

During the six months to 31 December 2008, discount rates reduced dramatically. As a result of these changes, the valuation of outstanding claims increased by approximately \$550 million with a corresponding notional increase in the capital value of matched fixed interest investments.

Actuarial calculations are currently being finalised but it is anticipated central estimate releases from the outstanding claims provision will be offset by current accident period and risk margins strains.

<sup>4</sup> General Insurance contribution before tax is expected to be \$180 million to \$200 million if Suncorp's reinsurance position is not accepted by all reinsurers.

<sup>5</sup> The General Insurance ITR is likely to be in the range of 3% to 4% if Suncorp's reinsurance position is not accepted by all reinsurers.

Consistent with widespread forecasts for a slowing Australian economy in the coming years, Suncorp has reduced its assumption for wage inflation to 4.0% from 4.5%. This resulted in a benefit of around \$80 million.

General insurance technical reserve portfolios are likely to return between \$180 and \$200 million. This result was negatively impacted by around \$200 million due to the significant increase in credit spreads and the impact on market-to-market valuations in the fixed interest portfolio.

The General Insurance shareholders funds, which eliminated exposure to equity investments during the first quarter of 2008/09, are likely to generate a return of approximately \$150 million.

## Wealth Management

### Strong life risk sales and expense management

The Wealth Management business' contribution after tax for the six months to 31 December 2008 is expected to be in the range of \$120 to \$140 million.

Key contributors to this result were strong life risk sales and expense management, offset by falling funds under management. The impact of falling equity markets was largely offset by the reduction in discount rates.

## Integration

### Synergy realisation ahead of schedule

Integration of the Suncorp and Promina businesses remains firmly on track. Synergy realisation is expected to remain ahead of schedule as at 31 December 2008, while costs are in line with previous estimates.

## Additional capital buffers

### Capital position strengthened by capital raising, reduced dividends and prudent provisioning

Based on preliminary expected results for the six months to 31 December 2008 (and prior to the initiatives referred to above), the Tier 1 ratio is likely to be around 8.8% with a capital adequacy ratio of 10.7%. The ACE ratio is expected to be 3.9%, below the Group's internal target of 4.5% to 5.0%.

The reduction in the ACE ratio during the last three months of 2008 resulted from lower profitability caused by increased impairment charges and the impact of November's weather events in south-east Queensland.

Additionally, valuation changes in treasury assets and the increase in credit impairment provisions created a significant deferred tax asset that, although recognised for accounting purposes, had to be deducted from Suncorp's capital ratios. The reduction in Suncorp's capital ratios attributable to the deferred tax asset was around 0.5%.

Suncorp today announced a strengthening of its balance sheet through two capital management initiatives:

- A reduction in dividends; and
- A minimum \$900 million capital raising.

## Dividends

The Board intends to declare an interim dividend of 20 cents per share fully franked. It is also targeting a final dividend of 20 cents per share fully franked, subject to the Group achieving its forecast earnings guidance and any necessary regulatory approvals.

Chairman John Story said the Board's intention to reduce the interim and full year dividends, along with the proposed capital raising, would further strengthen the Group's capital position and help ensure its capital ratios remained above the levels now expected by the market.

Mr Story said, "The Board acutely understands the impact that a reduced dividend payment will have on our shareholders. We arrived at the decision after much debate and discussion, convinced that it was appropriate in the current economic circumstances. It will place the Group in a substantially enhanced position."

## Capital raising

Suncorp intends to launch an equity raising that will raise a minimum \$900 million via:

- a \$390 million underwritten placement;
- a 1 for 5 accelerated non-renounceable entitlement offer ("Entitlement Offer"), of which the underwritten institutional component ("Institutional Offer") will raise approximately \$410 million; and
- the underwriting of the 1H09 dividend reinvestment plan ("DRP") up to \$100 million<sup>6</sup>.

The retail component of the Entitlement Offer ("Retail Offer") will raise up to approximately \$502 million. The underwritten DRP component of the raising will be reduced dollar for dollar with participation in the Retail Entitlement Offer. This

<sup>6</sup> The underwriting agreements include a number of termination events, including material disruptions in financial conditions or markets.

means that the DRP underwrite will not proceed if take-up under the Retail Entitlement Offer is greater than \$100 million. The Retail Offer is not underwritten.

The Offer is being conducted at a fixed price of \$4.50 ("Offer Price"):

- Represents a 35% discount to the closing price of Suncorp's shares on Australian Securities Exchange ("ASX") on 4 February 2009.

The Record Date for the Entitlement Offer will be 7.00pm (AEDT) on Tuesday 10 February 2009.

Eligible Shareholders are invited to participate on a pro rata basis by subscribing for 1 Suncorp ordinary share ("New Shares") for every 5 Suncorp ordinary shares owned on the Record Date at the Offer Price ("Entitlement").

The Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any value in respect of those Entitlements that they do not take up.

Shareholders who are not eligible to receive Entitlements will not receive any value in respect of those Entitlements that they would have received had they been eligible. Any New Shares not taken up in the Institutional Offer will be offered to certain investors in selected jurisdictions.

All New Shares issued will be fully paid and rank equally with existing Suncorp shares on issue, except that they will not be eligible for any interim dividend declared in respect of the period to 31 December 2008. New Shares issued under the Institutional Offer will trade as a separate ex-dividend class until Friday 27 February 2009.

Suncorp expects to announce the outcome of the placement and Institutional Offer to the market prior to the start of trading on Monday 9 February 2009, with trading expected to recommence at commencement of trading on ASX on 9 February 2009.

Further details relating to the Entitlement Offer can be found in Annexure A.

Eligible retail Shareholders wishing to participate in the Retail Offer will receive information shortly.

The capital raising will also result in an adjustment being made to the Issue Date VWAP under the terms of the CPS. An announcement on this will be made in due course.

### Impact of the initiatives

Following the capital management initiatives announced today (further details of which are included below), it is expected the Group's ACE ratio will be approximately 6.0%, Tier 1 ratio approximately 10.9%, and a CAR of approximately 12.8%, well above the Group's internal targets and regulatory requirements.

Mr Story said, "These initiatives will result in conservative capital ratios that provide substantial buffers against future volatility. As a consequence, we are confident that each of our banking, general insurance and wealth management businesses will be well equipped to withstand the current challenging environment."

### Outlook

At the macro level, Suncorp expects conditions will remain challenging and economic activity subdued over the short to medium term.

In the **Bank**, it is expected that reduced economic activity, combined with a strategy of refocussing on higher value relationship portfolios and actively running off non-core portfolios, will result in gross loans advances and other receivables continuing to slow over the remainder of the 2008/2009 financial year and throughout 2009/2010.

The Group now expects lending growth to be flat compared to the 2007/08 year. Beyond that, the pace of balance sheet contraction will be determined by the extent of refinancing opportunities available across the industry.

The Bank is on track to achieve its full year forecast growth in profit before tax and impairment charges in the high teens. However, a combination of moderating economic growth, higher average funding costs and portfolio realignment and contraction will lead to reduced revenues in the 2009/10 year.

The Bank's expenses will continue to benefit from the structural changes implemented during the first half and ongoing tight controls over discretionary spending.

The depth and pace of economic deterioration and the offsetting effect of Government stimulus continue to make forecasting impairment charges extremely difficult. As stated at the Group's 24 November 2008 market update, any forecasting of full year bad debt expense at this stage of the economic cycle – whilst informed by thorough review and evaluation – is subject to change.

Therefore, based on the Group's most recent analysis, its current forecast is that full year bad debt expense for the year to 30 June 2009, including the provision for Babcock & Brown and the additional economic overlay, will be in the range of 100 – 130bps of gross loans, advances and other receivables.

In **General Insurance**, Suncorp expects growth in gross written premiums will be in the previously forecast range of 4% - 6% for the year to 30 June 2009. While it is impossible to predict the frequency and severity of major weather events during the second half, the Group's reinsurance programs will support earnings should weather events exceed usual allowances.

Assuming weather events remain within normal allowances in the second half and no further widening of credit spreads, the Group is forecasting a second half ITR in the 10% - 12% range, including integration benefits.

**Wealth Management** will continue to be impacted by volatile fixed interest and equity markets. Although it is difficult to anticipate with any certainty the full year result for Wealth Management, Suncorp continues to target a flat underlying profit after tax for this financial year when compared to the 2007/08 year.

The Board's intention is to declare an interim dividend of 20 cents per share fully franked and it is targeting the same amount for the final dividend, subject to achieving its forecast profit guidance and any necessary regulatory approvals.

Beyond the current financial year, the Board is targeting a dividend payout ratio of 50% to 60% of cash earnings. Any dividend guidance is subject to the capital requirements of the business, regulatory approvals and general business and economic conditions.

## Important Notes

The Group remains in discussions with its panel of reinsurers regarding the treatment of the storms that impacted areas of south-east Queensland in the week commencing 16 November 2008.

Following detailed analysis of weather systems and expert meteorological advice, Suncorp is of the view that reinsurance recoveries of approximately \$73 million<sup>7</sup> are available under the Group's catastrophe cover program.

While this position has received support from a majority of the reinsurance panel, one reinsurer disputes Suncorp's analysis and calculation of available recoveries. Suncorp expects to resolve this dispute by the time the Group presents its half year results on 24 February 2009.

For the purposes of this update, Suncorp has assumed reinsurance recoveries based on an assumption the Group's position will be adopted by the full reinsurance panel.

If the minimum reinsurance recovery of \$13 million is adopted (contrary to what is accepted by the majority of reinsurers), it would result in a \$60 million negative impact on the Group's profit before tax for the half year. Under this scenario, however, the Group would be closer to triggering its aggregate reinsurance cover which starts at \$250 million.

For more information, analysts / investors should contact:

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 Peta Johnson – 07 3835 5684  
 Nicole Marques – 07 3835 5797

Media should contact:

Jamin Smith – 07 3835 5183 or 0409 170 035  
 Ron Burke – 0419 334 452

<sup>7</sup> Based on current forecast of expected gross claims costs.

### Analyst / Investor teleconference

A teleconference will be held for analysts and investors at 10:30am (AEDT). Media are welcome to dial-in to the teleconference but will not be given the opportunity to ask questions. Details of the teleconference are:

Time: 11:00am AEDT, (10:00am Brisbane)  
Conference ID: 8400 6292  
Australia dial-in: 1800 148 258  
International dial-in: +61 2 8524 6650

### Media teleconference

A teleconference will be for media at 14:15pm (AEDT). Details of the teleconference are:

Time: 14:15pm AEDT, (13:15pm Brisbane)  
Conference ID: 8444 3462  
Australia dial-in: 1800 148 258  
International dial-in: +61 2 8524 6650

### Disclaimers

This news release does not constitute an offer of shares for sale in the United States, or to any person that is or is acting for the account or benefit of any U.S. person (as defined in Regulation S under the United States Securities Act of 1933 (the "Securities Act")) ("U.S. Person"), or in any other jurisdiction. The shares have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States or to or for the account or benefit of U.S. Persons unless the shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

### Caution regarding forward-looking statements

This news release contains forward-looking statements, which can usually be identified by the use of words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or words of similar effect.

These forward-looking statements include statements regarding Suncorp's final results for the six months to 31 December 2008, loan impairment and provisions for bad debts, expected reinsurance recoveries, economic conditions, lending growth, funding costs, growth in insurance premiums, costs and expenses, dividends and capital adequacy.

These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this news release.

Some of these risks are set out in Annexure B – Risk disclosure. You should not place undue reliance on these forward-looking statements. These forward-looking statements are based on information available to us as of the date of this news release. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

## Annexure A

### Entitlement Offer and Institutional Placement Details

#### Offer Summary

Suncorp has requested that its shares not trade on ASX pending the outcome of the Institutional Entitlement Offer and Institutional Placement. Suncorp shares are expected to re-commence trading on Monday 9 February 2009.

Entitlement ratio	1 New Share for every 5 existing Suncorp ordinary shares
Institutional Placement	Approximately 86.7 million New Shares
Offer Price	\$4.50 per New Share (both Entitlement Offer and Institutional Placement)
Record date for Entitlement Offer	Tuesday 10 February 2009 (7.00pm, AEDT)

#### Offer Timetable

Event	Date
Institutional Entitlement Offer and Placement opened	Thursday 5 February 2009
Institutional Shareholding Declaration Forms due to Orient Capital	4.00pm (AEDT) on Thursday 5 February 2009
<b>Institutional Entitlement Offer and Placement closed</b>	<b>11.00am (AEDT) on Friday 6 February 2009</b>
<b>Record Date for the Entitlement Offer</b>	<b>7.00pm (AEDT) on Tuesday 10 February 2009</b>
Retail Entitlement Offer opens	Monday 16 February 2009
Mailing of Entitlement and Acceptance Form to Retail Shareholders	Completed by Monday 16 February 2009
Settlement of the Institutional Entitlement Offer and Institutional Entitlement Bookbuild	Wednesday 18 February 2009
Issue of New Shares under the Institutional Entitlement Offer and Institutional Entitlement Bookbuild, and normal trading of those shares expected to commence on ASX. These New Shares will trade under a separate ASX code until after the Interim Dividend ex-date	Thursday 19 February 2009
FY2009 Interim Dividend Record Date	Thursday 5 March 2009
Retail Entitlement Offer closes	5.00pm (AEDT) on Friday 13 March 2009
Issue of New Shares under the Retail Entitlement Offer	Monday 23 March 2009
Normal trading of New Shares issued under the Retail Entitlement Offer expected to commence on ASX	Tuesday 24 March 2009
Dispatch of holding statements	By Tuesday 24 March 2009

Dates and times are indicative only and subject to change. All times and dates refer to AEDT.

### Offer Structure

The Offer comprises:

- i. an accelerated, non-renounceable institutional entitlement offer of approximately A\$410 million ("Institutional Entitlement Offer") and a simultaneous institutional placement of A\$390 million ("Institutional Placement") (together the "Institutional Offer"), and
- ii. a non-renounceable retail entitlement offer of up to approximately A\$502 million ("Retail Entitlement Offer") (together "the Offer" at the price per New Share of A\$4.50 ("Offer Price").

### Institutional Offer

The Institutional Offer will be conducted from Thursday 5 February 2009 to 11.00am Friday 6 February 2009.

Eligible Institutional Shareholders and Institutional Investors wishing to participate in the Institutional Offer are required to bid for New Shares at the Offer Price of A\$4.50 per New Share.

Provided that they have sufficient demand at the Offer Price, Eligible Institutional Shareholders will receive not less than their Entitlement under the Institutional Offer if they wish to take up such New Shares at the Offer Price.

Eligible Institutional Shareholders who do not confirm their demand at the Offer Price by the close of the Institutional Offer will be deemed to have renounced their Entitlement and an equivalent number of New Shares will be offered to other Eligible Institutional Shareholders and Institutional Investors.

New Shares equal in number to those attributable to Entitlements not taken up by Eligible Institutional Shareholders at the Offer Price, together with New Shares attributable to entitlements which would otherwise have been offered to Ineligible Institutional Shareholders if they had been eligible to participate in the Institutional Entitlement Offer, and also together with New Shares available under the Institutional Placement, will also be offered for subscription to Eligible Institutional Shareholders and Institutional Investors through the Institutional Bookbuild.

All participants under the Institutional Offer will pay the same price for their New Shares, being the Offer Price.

### Retail Entitlement Offer

Eligible Retail Shareholders will be invited to participate in the Retail Entitlement Offer on the same terms as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Monday 16 February 2009 and close at 5:00pm (AEDT) on Friday 13 March 2009.

The Entitlement Offer is non-renounceable. This means that Suncorp shareholders who do not take up their entitlement to participate in the offer will not receive any value for those entitlements, and their equity interest in Suncorp will be diluted. This feature is different to the Accelerated Renounceable Entitlement Offer that Suncorp completed in March 2007.

### Eligible Retail Shareholders

Eligible Retail Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at 7:00pm AEDT on Tuesday 10 February 2009 (the "Record Date");
- have a registered address in Australia or New Zealand;
- are not in the United States, and is not acting for the account or benefit of, any U.S. Person;
- are not an Institutional Shareholder or Ineligible Retail Shareholder; and
- are eligible under all applicable securities laws to receive an offer under the Retail Offer.

The Retail Entitlement Offer is not being extended to any Shareholder outside Australia and New Zealand.

### Stock Lending

Eligible shareholders will be entitled to apply for 1 New Share for every 5 Shares held as at 7.00pm (AEDT) on the Record Date, Tuesday 10 February 2009. In the event a Suncorp shareholder has Suncorp ordinary shares out on loan, the borrower will be regarded as the shareholder for the purposes of determining the Entitlement (provided that those borrowed shares have not been on-sold or used to cover a short-sale).

### **Effect of the Entitlement Offer on Convertible Preference Shares**

Suncorp has Convertible Preference Shares (CPS) on issue, which are fully paid mandatorily convertible preference shares. The Issue Date VWAP is defined in the CPS Terms. The Issue Date VWAP is adjusted for a pro rata offer (such as the Entitlement Offer) in accordance with the CPS Terms.

A change to the Issue Date VWAP affects the application of the Mandatory Conversion Conditions and the Optional Conversion Conditions and will cause an adjustment to the Maximum Conversion Number.

In accordance with the CPS terms, a further announcement on the adjustment will be made once the Entitlement Offer is complete and the adjustment has been determined.

### **Dividend Reinvestment Plan**

The Dividend Reinvestment Plan (DRP) Rules provide for fully paid ordinary shares to be issued under the DRP at the arithmetic average of the daily volume weighted average price (VWAP) during the period determined by the Board from time to time less a discount (if any) determined by the Board from time to time.

The Board has determined that:

- the period for calculating the issue price is the period of 15 Trading Days commencing on the eighth Trading Day after the record date for the interim dividend. "Trading Day" means a trading day as defined in the ASX Listing Rules other than a day on which Suncorp's ordinary shares have been placed in a trading halt or voluntary suspension; and
- there will be a 2.5% discount on the price of shares issued under the DRP.

### Annexure B

#### Risk disclosure

This section discusses some of the key risks associated with an investment in Suncorp. Before investing in Suncorp, you should consider whether this investment is suitable for you.

Potential investors should consider publicly available information on Suncorp (including these materials, 2008 Annual Results, 2008 Annual Results Presentation and other announcements that have been made available at [www.suncorp.com.au](http://www.suncorp.com.au) or [www.asx.com.au](http://www.asx.com.au)), carefully consider their personal circumstances and consult their stockbroker, accountant or other professional adviser before making an investment decision.

#### Specific risks

##### 1H09 results may differ from Market Update

The guidance provided in this update is subject to finalisation of the Group's financial statements, and completion of the review by external auditors. As such, actual results for the six months to 31 December 2008, which are due to be released on 24 February 2009, may differ from the guidance contained in this update.

##### Operational risk

Banking, general insurance and financial services businesses are exposed to a variety of generalised risks, arising from process error, fraud, systems failure, security and physical protection, customer services, staff skills and performance, and product development and maintenance. The failure to adequately manage these operational risks could have a material adverse effect on the financial performance and condition of Suncorp.

##### Credit risk

Credit risk is the risk that a borrower or counterparty will not meet its obligations in accordance with agreed terms. Suncorp is exposed to credit risk as a consequence of its lending activities and it maintains provisions to provide for bad and doubtful debts. If these provisions are inadequate there may be an adverse impact on Suncorp's financial performance and position

##### Funding and liquidity risk

Banks and other financial institutions (including Suncorp) are currently subject to highly volatile credit market conditions. This volatility may result in (amongst other things):

- a reduction in the availability of markets from which to raise funds;
- an increase in the cost of funding and more onerous lending conditions; and
- an increase in potential counterparty default.

Suncorp accesses credit markets for a variety of funding sources as part of its operations. This access is supported by the recent initiatives of the Federal Government on deposits and wholesale funding. Continued volatility, further deterioration in credit markets or withdrawal of the Federal Government support may adversely impact the financial performance and position of Suncorp.

##### Catastrophes

Through its general insurance businesses, Suncorp is subject to claims arising from catastrophes caused by various events, including cyclones, earthquakes, tsunami, wind, hail, fires, floods, volcanic activity and bushfires, in addition to man-made disasters. These events are inherently unpredictable in terms of their incidence and severity.

The extent of insured losses from catastrophes is determined by the total amount of insured exposure in the area affected by the event and the severity of the event. While Suncorp manages its exposure to catastrophes through the purchase of catastrophe reinsurance, Suncorp cannot be assured that such coverage will be adequate or will continue to be available at acceptable levels or at all.

##### Estimation of claims provisions

Suncorp's provisions for its insurance liabilities may prove to be inadequate to cover its ultimate liability under policies written by its insurance subsidiaries. Within its general insurance subsidiaries Suncorp maintains provisions to cover the estimated ultimate liability for claims, and within its life insurance subsidiary provisions for future policy benefits.

Although Suncorp seeks to maintain outstanding claims provisions in its general insurance subsidiaries at a probability of adequacy of approximately 90%, actual future events and conditions may result in the current estimates of claims costs being inadequate.

Moreover, additional costs of claims which cannot currently be foreseen, including costs arising from changes in the legal environment, may emerge in the future. Insufficient provisions for insurance liabilities could have a material adverse effect on Suncorp's financial condition, results of operations and cash flows.

#### **Investment income**

Suncorp has a significant investment portfolio that supports liabilities arising from its general insurance and life insurance businesses, as well as generating a portion of Suncorp's profits. Consequently, investment performance affects the Suncorp Group's financial condition and results of operations.

The Suncorp Group's investment portfolio consists of assets which back:

- shareholder funds; and
- technical reserves, which represent assets to support outstanding claims and unearned premium liabilities.

The investment portfolio is managed in accordance with the Suncorp Group's investment policy. The Group's investment policy for shareholder funds and technical reserves is to invest in high quality fixed interest portfolios. There is risk, however, that adverse market volatility may effect investment.

#### **Reinsurance**

Suncorp enters into a number of reinsurance arrangements which allow Suncorp to limit its risk from particular lines of business or from specific events and to increase its capacity to write new policies.

Under these arrangements, other insurers and reinsurers assume a portion of Suncorp's exposure to reported and unreported losses in exchange for a premium. The availability, amount and cost of reinsurance depend on prevailing market conditions, in terms of price and available capacity, and may vary significantly.

There are risks involved in reinsurance in relation to availability, price, conditions of reinsurance, determination of proper levels of outwards reinsurance, dispute of reinsurance claims, collection of reinsurance receivables and default risk of reinsurance counterparties.

All of these risks may have a material adverse effect on the Suncorp Group's financial condition and results of operations.

#### **Transaction risk**

Suncorp may seek to grow in the future by merging with or acquiring other companies in the financial services industry. This may cause Suncorp to face operational and financial risks that could adversely affect Suncorp and its results of operations.

Conversely, Suncorp may seek to sell or dispose of certain businesses in the future. This may result in a change in the operations of Suncorp and cause Suncorp to face operations and financial risks that could adversely affect Suncorp's financial condition and results of operations.

#### **Regulatory risk**

Suncorp's business is subject to substantial regulatory and legal oversight. In particular, Suncorp is subject to prudential supervision by APRA, which requires Suncorp, amongst other things, to meet minimum capital requirements within its operations. Any significant regulatory developments, including changes to prudential regulatory requirements, accounting standards and tax laws, could have an adverse effect on how Suncorp conducts its business and on Suncorp's financial condition and results of operations.

Suncorp's business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the Australian government. The nature and impact of future changes in such policies are not predictable and are beyond Suncorp's control.

The general insurance, banking or wealth management industries could be subjected to changes or additions to existing governmental regulations that may impair Suncorp's financial performance. If Suncorp does not meet regulatory requirements, it may be subject to penalties, including fines or the suspension or cancellation of authority to conduct business. Non-compliance may also give rise to adverse publicity and damage to Suncorp's reputation.

#### **Queensland legislation affecting Suncorp**

Queensland legislation imposes certain restrictions on Suncorp including an obligation to maintain its head office in Queensland. These restrictions could potentially inhibit Suncorp's operations in the future as well as any future takeover of, or by, Suncorp.

### Systems risk

General insurance and financial services businesses rely to a significant degree on information technology systems, with day-to-day operations of each aspect of business being computer based, as are the systems used to calculate and monitor underwriting risks, reserve modelling and reinsurance arrangements. Failure of such systems could result in business interruption, the loss of customers, damaged reputation and weakening of competitive position and could therefore adversely affect business and profitability.

### Climate change

Climate change might lead to more significant and frequent weather related claims. Climate change may adversely impact the performance of general insurance and financial services businesses.

### General risks

#### Market price

The market price of Suncorp shares will fluctuate due to various factors including investor perceptions, domestic and international investment markets and economic conditions, and other factors that may affect Suncorp's financial performance and position. The market price of Suncorp shares could trade on the ASX at a price below their issue price.

#### General economic conditions

As Suncorp conducts all of its business in Australia and New Zealand, its performance is influenced by the level and cyclical nature of business activity in Australia and New Zealand and, in particular, the State of Queensland, where its business is concentrated.

The Suncorp Group's business activity is also influenced by both domestic and international economic and political events. There can be no assurance that a weakening in either/ or both of the Australian and New Zealand economies, and the Queensland economy in particular, will not have a material adverse effect on the Suncorp Group's financial condition and results of operations.

#### Interest rate risk

Adverse movements in interest rates, both in Australia and abroad, may impact Suncorp's earnings in each of the Banking, General Insurance and Wealth Management businesses.

### Credit ratings

The price of Suncorp shares and Suncorp's ability to access debt at a reasonable cost may be affected by a downgrade to its credit ratings.

### Taxation implications

Future changes in Australian taxation law including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect taxation treatment of an investment in Suncorp shares, or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which Suncorp operates, may impact the future tax liabilities of Suncorp.

## Annexure C

Information regarding foreign jurisdictions

### General

This news release is not intended to and does not constitute an offer of securities in any jurisdiction. The Entitlements may not be exercised, and New Shares will not be offered or sold, except where such exercise, offer or sale is permitted under applicable law. Each person participating in the Institutional Entitlement Offer or the Institutional Placement will be required to represent that their participation is lawful under the laws of their jurisdiction. No action has been taken that would permit a public offering of New Shares in any jurisdiction other than Australia and New Zealand.

### United States

This news release does not constitute an offer to sell, or the solicitation of an offer to buy New Shares, in the United States or to a U.S. Person (or to any person acting for the account or benefit of a U.S. Person), or in any other place in which, or to any person to whom, it would not be lawful to make such an offer.

Neither the Entitlements nor the New Shares have been or will be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons, unless registered under the Securities Act or in transactions exempt from the registration requirements of the Securities Act and applicable state securities laws.

### New Zealand

This news release is not a prospectus or investment statement and does not constitute an offer of shares in New Zealand. It has not been registered, filed with or approved by any New Zealand regulatory authority under or in connection with the Securities Act 1978 (New Zealand).

The Retail Entitlement Offer will be available in New Zealand only once it is lawful to make the offer under Australian law, and will be available only to holders of Suncorp ordinary shares on the stated record date. The Institutional Placement and Institutional Entitlement Offer will be available in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. Shares will not be offered, to any other person in New Zealand.

### European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each a "Relevant Member State"), no offer of the New Shares and Entitlements to the public in that Relevant Member State may be made, except that, with effect from and including the Relevant Implementation Date, may be made an offer of New Shares and Entitlements to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- i. to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- ii. to any legal entity that has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than EUR 43,000,000; and (c) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- iii. in any other circumstances falling within Article 3(2) of the Prospective Directive,

provided that no such offer of New Shares and Entitlements will result in the requirement for the publication of a offering circular pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of New Shares and Entitlements to the public" in relation to any New Shares and Entitlements in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares and Entitlements to be offered so as to enable an investor to decide to purchase or subscribe for the New Shares and Entitlements, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each subscriber for or purchaser of New Shares and Entitlements in the offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a qualified investor

within the meaning of Article 2(1)(e) of the Prospectus Directive ("Qualified Investor"). In the case of any New Shares and Entitlements being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted to and agreed with the Underwriter and Suncorp that: (i) the New Shares and Entitlements acquired by it have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors, or in circumstances in which the prior consent of the Underwriter has been obtained to each such proposed offer or resale; or (ii) where New Shares and Entitlements have been acquired by it or on behalf of persons in any Relevant Member State other than Qualified Investors, the offer of those New Shares and Entitlements to it is not treated under the Prospectus Directive as having been made to such persons. Suncorp and the Underwriter, each of their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified Suncorp and the Underwriter of that fact in writing may, with the consent of the Suncorp and the Underwriter, be permitted to subscribe for or purchase New Shares and Entitlements.

### United Kingdom

This news release is only being distributed to, and is only directed at, persons in the United Kingdom that are Qualified Investors and also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FSMA Order"); or (ii) high net worth entities or other persons falling within Article 49(2)(a) to (d) of the FSMA Order (all such persons together being referred to as "Relevant Persons"). This news release and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any investment or investment activity to which this news release relates is available in the United Kingdom to Relevant Persons only. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this news release or any of its contents.

### Switzerland

The New Shares and Entitlements may not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland, and this news release may not be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a or 1156 of the Swiss Code of Obligations ("CO"). Without limitation to the generality of the foregoing, the New Shares and Entitlements may not be offered to any person in Switzerland who is not a "qualified investor" within the meaning of article 10(3) of the Swiss Federal Act on Collective Investment Schemes ("CISA"). This news release may not be copied, reproduced, distributed or passed on to others without Suncorp's prior written consent. This news release is not a prospectus within the meaning of Articles 652a and 1156 CO or a listing prospectus according to Article 32 et seq. of the Listing Rules of the SWX Swiss Exchange and may not comply with the information standards required thereunder. Suncorp will not apply for a listing of the New Shares or Entitlements on any Swiss stock exchange.

### Belgium

No action has been (or will be) taken to permit a public offering of the New Shares and Entitlements in Belgium. In particular, this offering has not been notified to the Belgian Commission for Banking, Finance and Insurance (Commissie voor het Bank, Financier- en Assurantiewezen / Commission bancaire, financière et des assurances, the "CBFA"). This news release and any related documentation have not been (nor will be) submitted to the CBFA and the CBFA has not reviewed or approved this news release, or commented on its accuracy or adequacy.

Accordingly, this news release may not be made available to the public or used in connection with any public offering for subscription of the New Shares and Entitlements in Belgium, and the New Shares and Entitlements may not be publicly issued, offered or sold in Belgium.

In accordance with Article 3 of the Law of 16 June 2006 on the public offering of investment instruments and the admission to trading of investment instruments on a regulated market, as supplemented by the Royal Decree of 26 September 2006, certain types of offerings are not considered as public offerings. This includes offerings whereby the shares are only offered or sold, and/or the information

circular, brochure or similar document is only distributed, directly or indirectly, (i) to less than 100 persons other than certain qualified investors in Belgium, (ii) to certain qualified investors only, or (iii) to investors that acquire shares for a total consideration of EUR 50,000 or more (or its equivalent in foreign currencies) per investor and per separate offer.

Prospective purchasers shall only acquire New Shares and Entitlements for their own account. In addition, the New Shares and Entitlements cannot be offered or sold to any person qualifying as a consumer within the meaning of Article [1.7°] or Article [93.1°] of the Belgian law of 14th July, 1991 on consumer protection and trade practices unless such offer or sale is made in compliance with this law and its implementing regulation. Belgian investors should seek advice from their own advisers about the consequences of the investment in the New Shares and Entitlements, including the tax consequences.

### **Denmark**

This news release has not been filed with or approved by the Danish Financial Supervisory Authority or any other Danish regulatory authority. The New Shares and Entitlements have not been offered or sold and will not be offered, sold or delivered directly or indirectly in Denmark by way of a public offering, except (i) to qualified investors as defined in Section 2 of the Executive Order No. 1232 of 22 October 2007 on Prospectuses for Securities Admitted for Listing or Trade on a Regulated Market, and on the First Public Offer of Securities exceeding EUR 2,500,000, (ii) to less than 100 individuals or legal entities who are not qualified investors, and/or (iii) otherwise in circumstances which will not result in the offer of the New Shares and Entitlements being subject to the Danish requirement to prepare and file a prospectus.

### **UAE**

This news release does not, and is not intended to, constitute an offer, sale or delivery of New Shares and Entitlements in the United Arab Emirates (the "U.A.E.") or an invitation or an offer of New Shares and Entitlements in the U.A.E., and should not be construed as such. This news release is being provided to a limited number of institutional investors: (i) upon their request and confirmation that they understand, acknowledge and agree that the news release is strictly private and confidential and that the news release, the

placement and the New Shares and Entitlements have not been reviewed, deposited, approved, licensed or registered by or with the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authority or governmental agency in the U.A.E., nor has Suncorp or the Underwriter received authorization or licensing from the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authority in the U.A.E. to market or sell any New Shares and Entitlements within the U.A.E., and (b) on the condition that the news release will not and must not be provided to any person other than the original recipient, are not for general circulation in the U.A.E. and may not be reproduced or used for any other purpose. The New Shares and Entitlements may not be offered or sold directly or indirectly to the public in the U.A.E.

No marketing of any New Shares and Entitlements has been or will be made from within the U.A.E. and no subscription to any New Shares and Entitlements may or will be consummated within the U.A.E. Nothing contained in this news release is intended to constitute U.A.E. investment, legal, tax, accounting or other professional advice. The new release is for your information only and nothing in the news release is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

The news release is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The New Shares and Entitlements may not be offered or sold directly or indirectly to the public in the U.A.E.

### **Luxembourg**

The New Shares and Entitlements may not be offered or sold within the territory of the Grand Duchy of Luxembourg unless:

- i. A prospectus has been duly approved by the Commission de Surveillance du Secteur Financier (the "CSSF") if Luxembourg is the home member state (as defined in the law of 10 July 2005 on prospectuses for securities and implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading); or

- ii. If Luxembourg is not the home member state, the CSSF has been notified by the competent authority in the home member state that the prospectus has been duly approved; or
- iii. The offer of shares benefits from an exemption to, or constitutes a transaction not subject to, the requirement to publish a prospectus.

No prospectus has been approved by the CSSF in connection with the offer of the New Shares and Entitlements and neither has the CSSF been notified by the competent authority in any home member state that any such prospectus has been duly approved.

### Netherlands

The New Shares and Entitlements may only be offered, sold, transferred or delivered at any time by anyone in or from the Netherlands as part of their initial distribution or anytime thereafter, directly or indirectly to (a) qualifying investors (gekwalificeerde beleggers) as such term is defined in Section 1:1 of the Act on Financial Supervision (Wet op het financieel toezicht), including - but not limited to - banks, brokers, dealers and institutional investors holding a license or being otherwise regulated to be active on the financial markets or undertakings whose only corporate object is investing in securities.

### Norway

This news release has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, neither the news release nor any other offering material relating to the offering or the New Shares and Entitlements constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The New Shares and Entitlements may not be offered or sold, directly or indirectly, in Norway except;

- i. in respect of an offer of New Shares and Entitlements addressed to investors subject to a minimum purchase of New Shares and Entitlements for a total consideration of not less than €50,000 per investor;
- ii. to "professional investors" as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876, being;
  - a. legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized

or regulated, whose corporate purpose is solely to invest in securities;

- b. any legal entity which is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and which has two or more of; (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- c. any natural person which is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and which has two or more of; (1) an average execution of at least ten – 10 – transactions in securities of significant volume per quarter for the last four quarters; (2) a portfolio of securities with a market value of at least €500,000; (3) worked or works, for at least one – 1 – year, within the financial markets in a position which presuppose knowledge of investing in securities;
- iii. to fewer than 100 natural or legal persons (other than "professional investors" as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876), subject to obtaining the prior consent of the Underwriter for any such offer;
- iv. in any other circumstances provided that no such offer of New Shares and Entitlements shall result in a requirement for the registration, or the publication by the Suncorp or the Underwriter of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

### France

Prospective investors are informed that no prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the New Shares and Entitlements that has been approved by the Autorité des marchés financiers or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the Autorité des marchés financiers.

The New Shares and Entitlements are not issued in the French Republic and the New Shares and Entitlements may not be offered or sold nor will be offered or sold to the public in the

French Republic, except that the New Shares and Entitlements may be offered exclusively to (i) persons licensed to provide the investment service of portfolio management for the account of third parties (gestion de portefeuille pour compte de tiers) and/or (ii) qualified investors (investisseurs qualifiés) acting for their own account, all as defined and in accordance with Article L. 411-1 and L. 411-2 of the French Code Monétaire et Financier and applicable regulations thereunder. Prospective investors are informed that (i) such prospective investors may only take part in the transaction solely for their own account, as provided in Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French Code Monétaire et Financier and (ii) the New Shares and Entitlements may not be further distributed, directly or indirectly, to the public in the French Republic otherwise than in accordance with Article L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Code Monétaire et Financier and applicable regulations thereunder.

### Singapore

This news release has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the new release and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of New Shares and Entitlements may not be circulated or distributed, nor may New Shares and Entitlements be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where New Shares and Entitlements are subscribed or purchased under Section 275 by a relevant person which is:

- i. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- ii. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each

beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the New Shares and Entitlements pursuant to an offer made under Section 275 except:

- a. to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- b. where no consideration is or will be given for the transfer; or
- c. where the transfer is by operation of law.

### Japan

No registration pursuant to article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan ("FIEL"; Law No. 25 of 1948, as amended) has been made or will be made with respect to issuance of New Shares and Entitlements or the solicitation of offers to acquire the New Shares and Entitlements in Japan or to, or for the account or benefit of, any resident of Japan, on the ground that article 2, paragraph 3, item 2-(ro) thereof (the "small number private placement") is applied to such solicitation. Suncorp is not subject to the periodical reporting obligations under Article 24 of the FIEL. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### Hong Kong

The New Shares and Entitlements have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document other than:

- i. to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that ordinance; or
- ii. in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap.32) of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance.

Further, no person shall issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Shares and Entitlements, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares and Entitlements which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571) and any rules made under that ordinance.

The information relating to the offering contained herein may not be used other than by [the person to whom it is addressed] and may not be reproduced in any form or transferred to any person in Hong Kong.

This offering is not an offer for sale to the public in Hong Kong and it is not the intention of Suncorp that the New Shares and Entitlements be offered for sale to the public in Hong Kong.

### People’s Republic of China

The New Shares and Entitlements will not be offered or sold directly or indirectly to the public in the People’s Republic of China (“China” or “PRC”) (which, for such purposes, does not include the Hong Kong Special Administrative Region).

This news release may not be supplied to the public in China or used in connection with any offer for the subscription or sale of the New Shares and Entitlements to the public in China. The New Shares and Entitlements will only be sold to PRC persons after such persons have obtained

all necessary governmental approvals, including without limitation overseas investment and foreign exchanges control approvals, under the relevant PRC laws and regulations.

### Canada

This news release may only be distributed in Canada (or to residents thereof) to “accredited investors” as defined in National Instrument 45-106 Prospectus and Registration Exemptions.

### Ireland

No prospectus will be prepared in relation to the Entitlements or the New Shares for the purposes of the Prospectus (Directive 2003/71/EEC) Regulations 2005 (the Prospectus Regulations) and this news release is only being distributed to, and is only directed at, subscribers for or purchasers of New Shares located in Ireland each of which is a “qualified investor” within the meaning of the Prospectus Regulations, namely:

- i. A legal entity which is authorised or regulated to operate in the financial markets, or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or
- ii. A national or regional government, central bank, international or supranational institution exercising public or quasi-public functions such as the International Monetary Fund, the European Central Bank, the European Investment Bank or another international organisation of a similar nature; or
- iii. A legal entity which, according to its last annual or consolidated accounts, satisfies 2 or more of the following 3 conditions, namely:
  - a. an average number of employees during the financial year of at least 250 employees;
  - b. a total balance sheet of more than €43,000,000; and
  - c. An annual net turnover of more than €50,000,000; or
- iv. A natural person or an entity which meets the conditions set out in (c) above, provided that such natural person or entity is entered on the register maintained by the Central Bank and Financial Services Authority of Ireland pursuant to Regulation 3 of the Prospectus Regulations.

## Market update

5 February 2009



## Disclaimer

This report contains general information which is current at 5 February 2009.

It is not a recommendation or advice in relation to Suncorp-Metway Limited, or any product or service offered by the Suncorp Group.

Nothing in this release should be construed as either an offer to sell, or a solicitation of an offer to buy, or sell, Suncorp Group securities in any jurisdiction

This report should be read in conjunction with all other information concerning Suncorp-Metway Limited filed with the Australian Securities Exchange.

Any statements made concerning future performance, earnings or financial position are indicative only, based on current information. Future performance can be affected by various risks, unknown factors and matters beyond the control of the Suncorp Group.

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## Agenda

- Introduction & overview – John Mulcahy
- Divisional performance – Chris Skilton
  - Banking
  - General Insurance
  - Wealth Management
  - Capital
- Group outlook – John Mulcahy
- Questions

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## Profit overview

Unaudited, preliminary financial performance for the six months to 31 December 2008

\$m	Six months to Dec-08
Banking	90 – 100
General Insurance	240 – 260
Wealth Management	100 – 120
LJ Hooker and other	10 – 30
<b>Profit before tax &amp; Promina acquisition items*</b>	<b>470 – 500</b>
Amortisation of Promina intangible assets	(120 – 125)
Integration costs	(80 – 90)
Tax	(10 – 30)
<b>Net profit after tax &amp; minority interests**</b>	<b>250 – 270</b>

\* Group profit before tax and Promina acquisition items will be in the range of \$410 million to \$440 million if Suncorp's reinsurance position is not accepted by all reinsurers.

\*\*Net profit after tax, Promina acquisition items and minority interest is expected to be in the range of \$210 million to \$230 million if Suncorp's reinsurance position is not accepted by all reinsurers.

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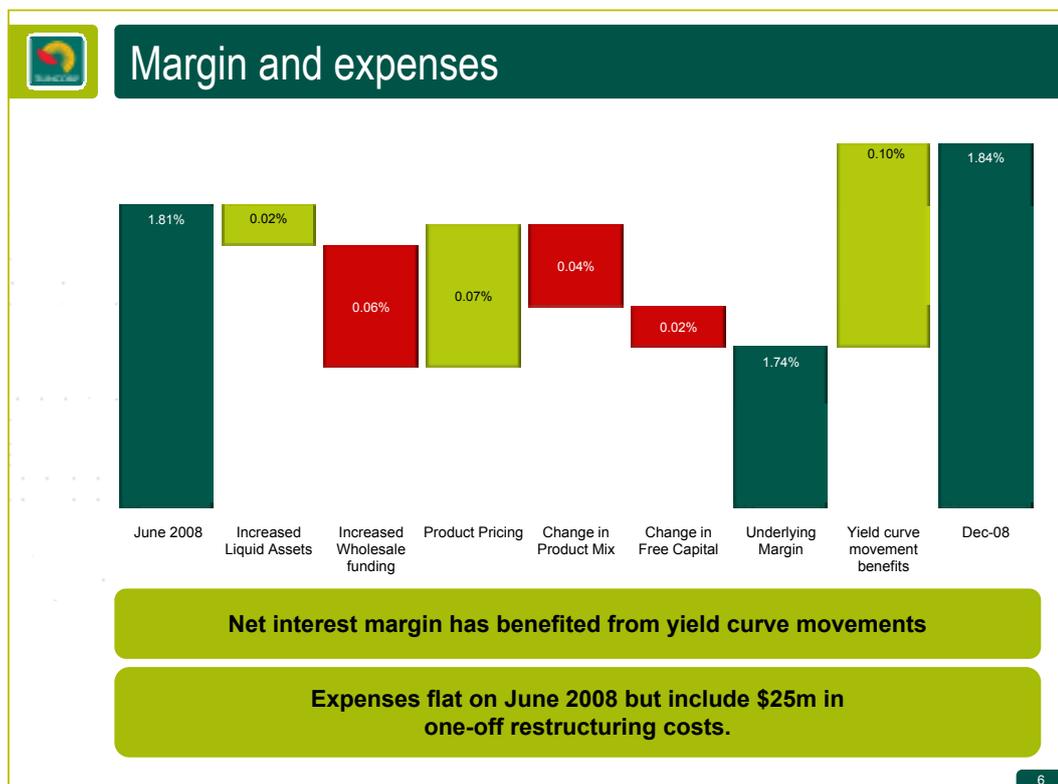
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### Banking overview

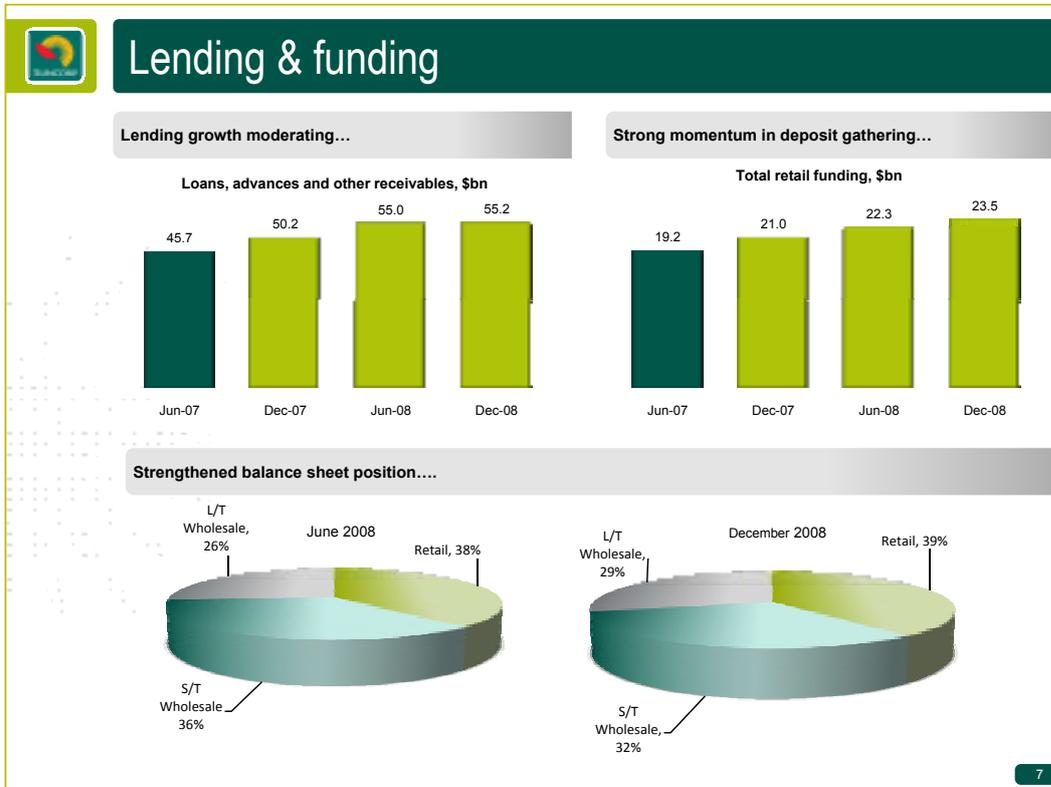
\$m	Six months to Dec-08
Net interest income	600 - 620
Fee income	135 - 140
Operating expenses	(290) - (300)
<b>Profit before tax &amp; bad debts</b>	<b>445-455</b>
Bad debts	(355)
<b>Profit before tax</b>	<b>90-100</b>

- Strong growth in net interest income as asset growth and favourable cash to bill spreads have boosted profitability.
- Margins maintained as additional funding costs passed on.
- Underlying expense trend favourable but impacted by around \$25 million in restructuring costs following the decision to focus on core operations.
- Bad debts significantly impacted by conservative approach to deteriorating economic conditions.

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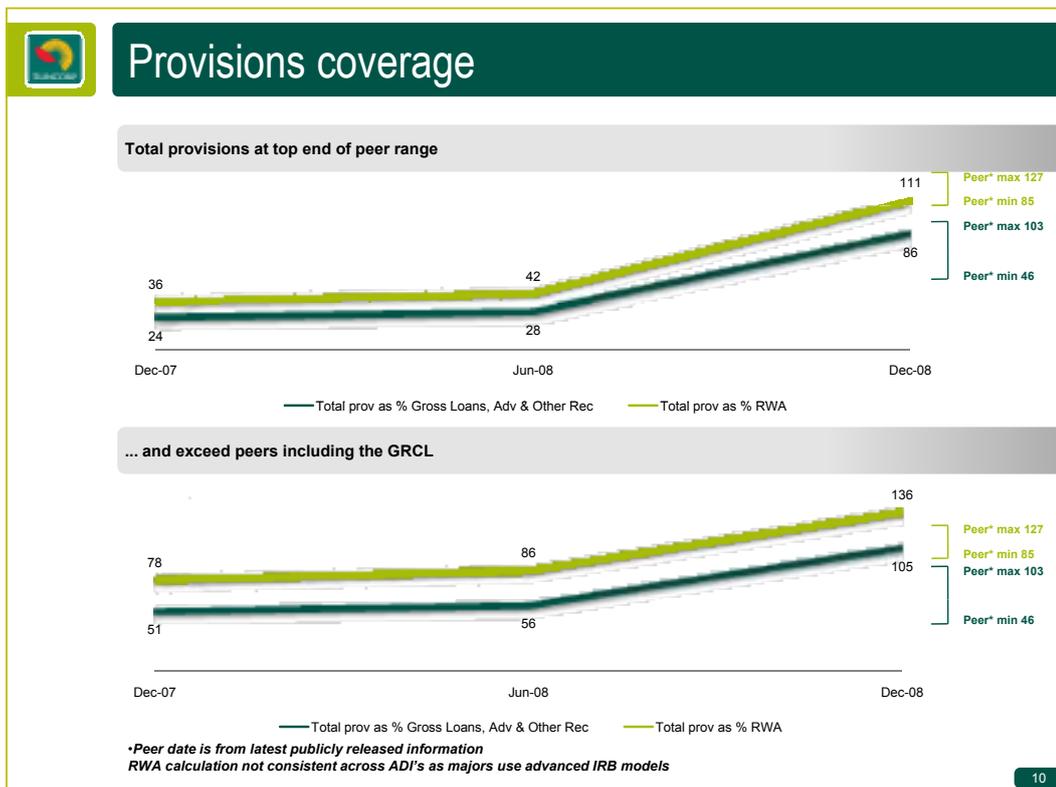
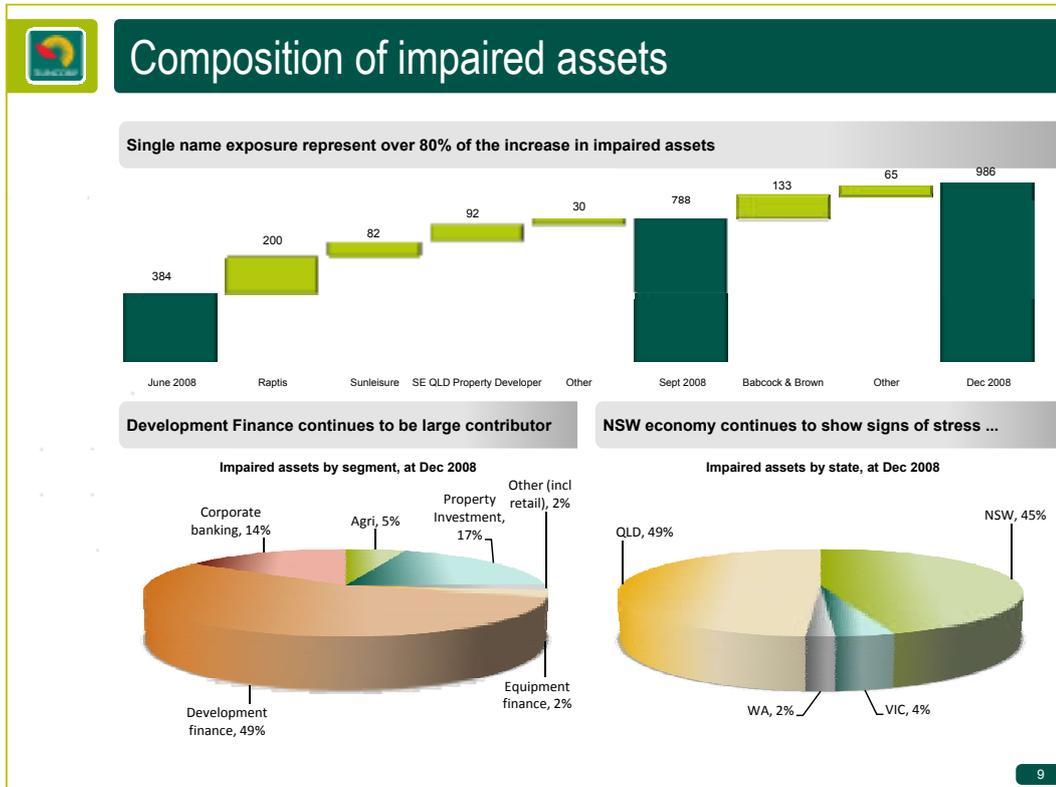


### Impairment charge

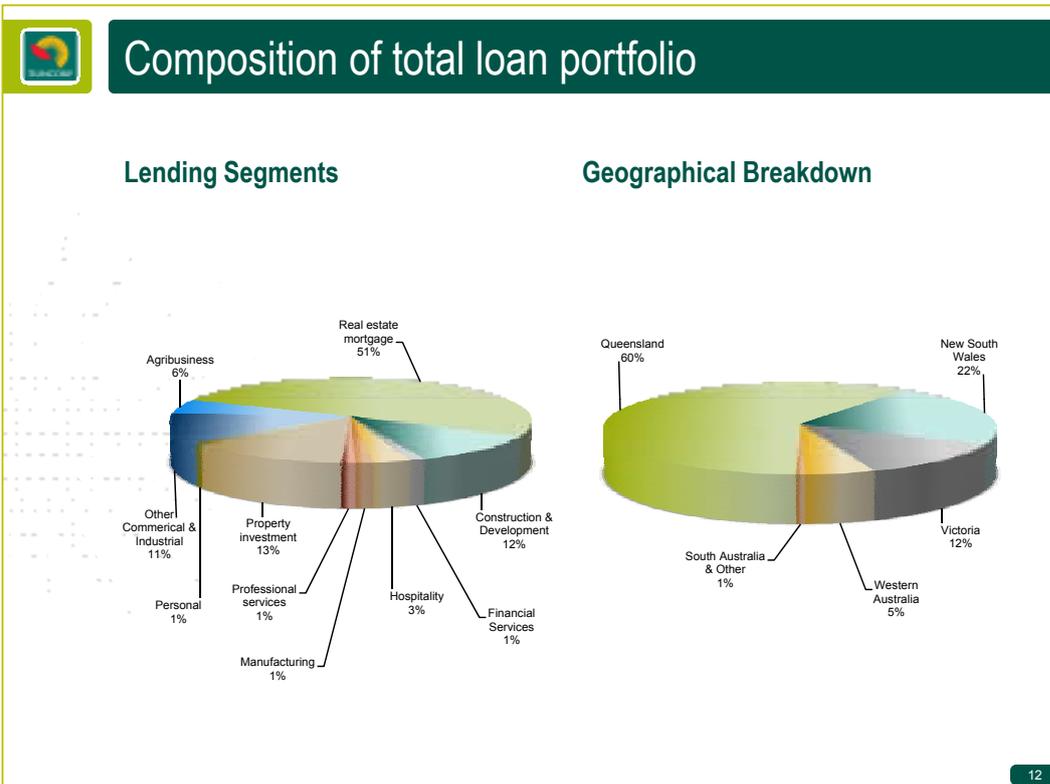
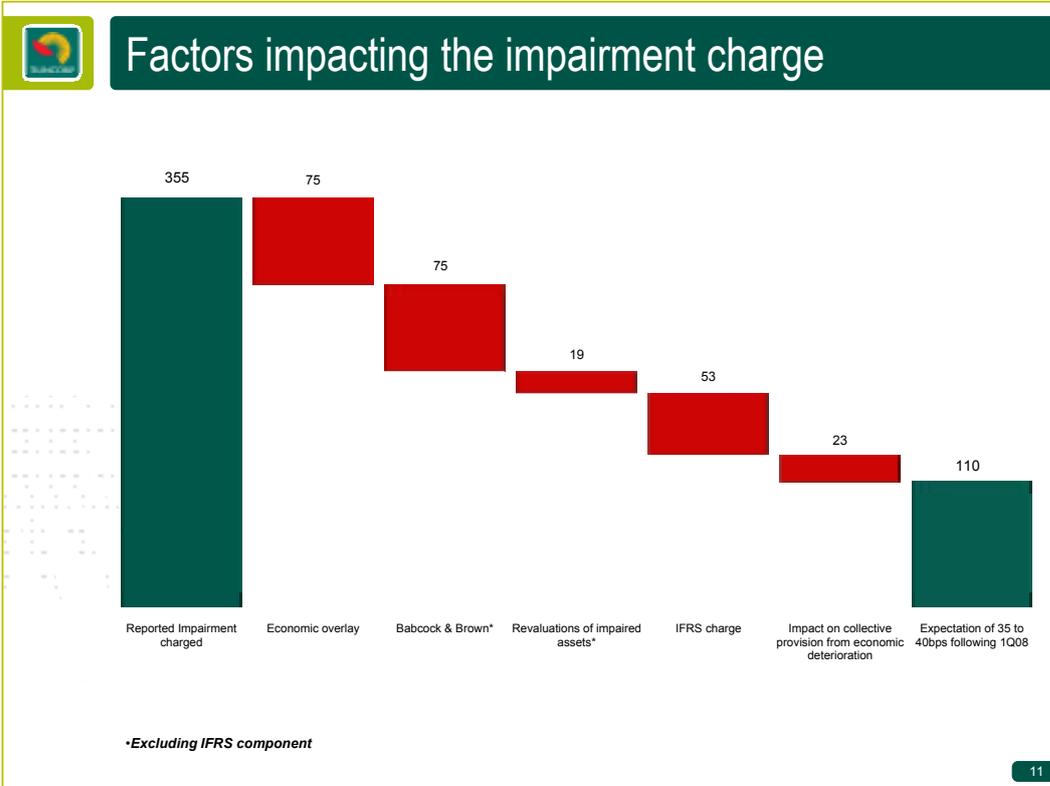
Six months to Dec 2008	\$m	Comment
Babcock & Brown specific provision (pre-IFRS)	75	Impairment crystallised post balance date
Previously identified single name exposures	15	Includes Raptis, SunLeisure and private SEQ developer as identified in the September quarter
IFRS present value impact	53	Timing impact to unwind against future net interest income
Recent revaluations	19	Resulting from drop in market valuations apparent late in December quarter
Other	15	
<b>Total increase in specific provision</b>	<b>177</b>	
Increase in underlying collective provision	96	Reflecting increased watch list balances enhanced by portfolio credit review process
Economic Overlay	75	Additional top-up for deteriorating economic conditions
<b>Total increase in collective provision</b>	<b>171</b>	
<b>Net write-offs/(recoveries)</b>	<b>7</b>	
<b>Total impairment charge</b>	<b>355</b>	

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General Insurance overview	
A \$m	Six months to Dec-08
<b>Gross Written Premium</b>	<b>3,250 – 3,350</b>
Net Earned Premium	2,950 -3,000
Net incurred claims	(2,150) – (2,200)
Operating expenses	(830)-(860)
Investment income – technical reserves	170 - 200
<b>Insurance Trading Result</b>	<b>150 -160</b>
Investment income – shareholders funds	130 - 160
Other	0 -10
Capital funding	(60) – (70)
<b>Profit before tax</b>	<b>240 - 260</b>

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Gross Written Premium and operating expenses			
Product	Approximate 1H09 GWP	1H09 v 1H08	Factors
Motor	\$1.1 billion	4%	Strong premium increases offset by higher excesses and reduced new vehicle sales
Commercial	\$870 million	9%	Hardening markets
Home	\$760 million	9%	Premium increases following weather events
CTP	\$350 million	4%	Significant premium increases anticipated in 2009
Other	\$220 million	-5%	Reduced Workers' Compensation premiums
<b>Total</b>	<b>\$3.3 billion</b>	<b>5.9%</b>	<b>Strong result</b>

Operating expenses have been contained and integration synergies are ahead of schedule

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## Major weather events

Event	Financial impact (A\$ million)	Contribution to 2008/09 aggregate cover
New Zealand – July	15	5
Ipswich – September	30	20
Gold Coast/Byron – October	10	-
South East Queensland – 16-21 Nov	<u>125*</u>	<u>105#</u>
<b>Total</b>	<b>180</b>	<b>130^</b>
Suncorp provision for major weather events	<u>(120)</u>	
Excess claims cost over budgeted allowance	<u>60</u>	

\* Net of reinsurance recoveries. This could increase to \$185 million if the minimum agreed reinsurance position is applied.  
 # Based on two-events with a \$10 million deductible each.  
 ^ Claims costs for each event over \$10m apply towards aggregate cover deductible of \$250 million. Accordingly, in the six months to 30 June 2009, after the first \$120 (\$250 - \$130) million of claims over the \$10m per event threshold, claims costs of up to \$300 million can be recovered under the aggregate cover reinsurance policy.

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## Volatile fixed interest markets have impacted 1H09

Discount rates have fallen dramatically.....increasing the outstanding claims provision and the value of fixed interest securities

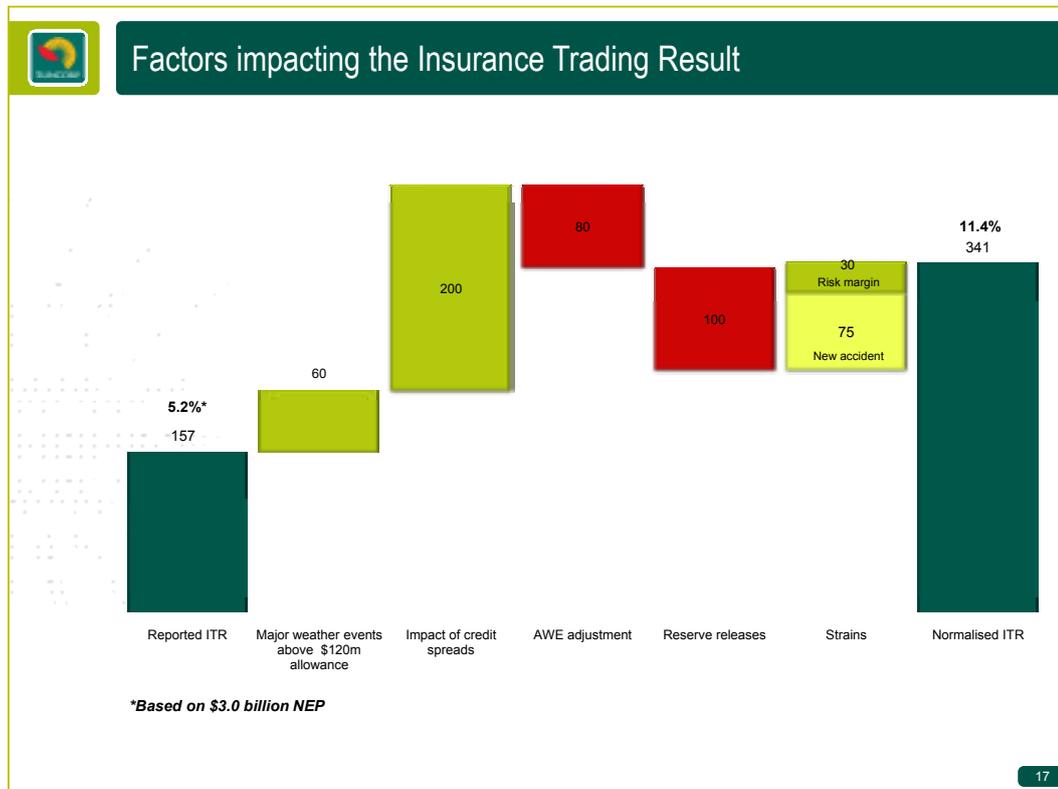
### Commonwealth Bond Yield Curve Changes

.....but the value of fixed interest securities has also been reduced by around \$200 million by increased credit spreads

### Corp AAA Credit Spread Changes from 30 Jun 07

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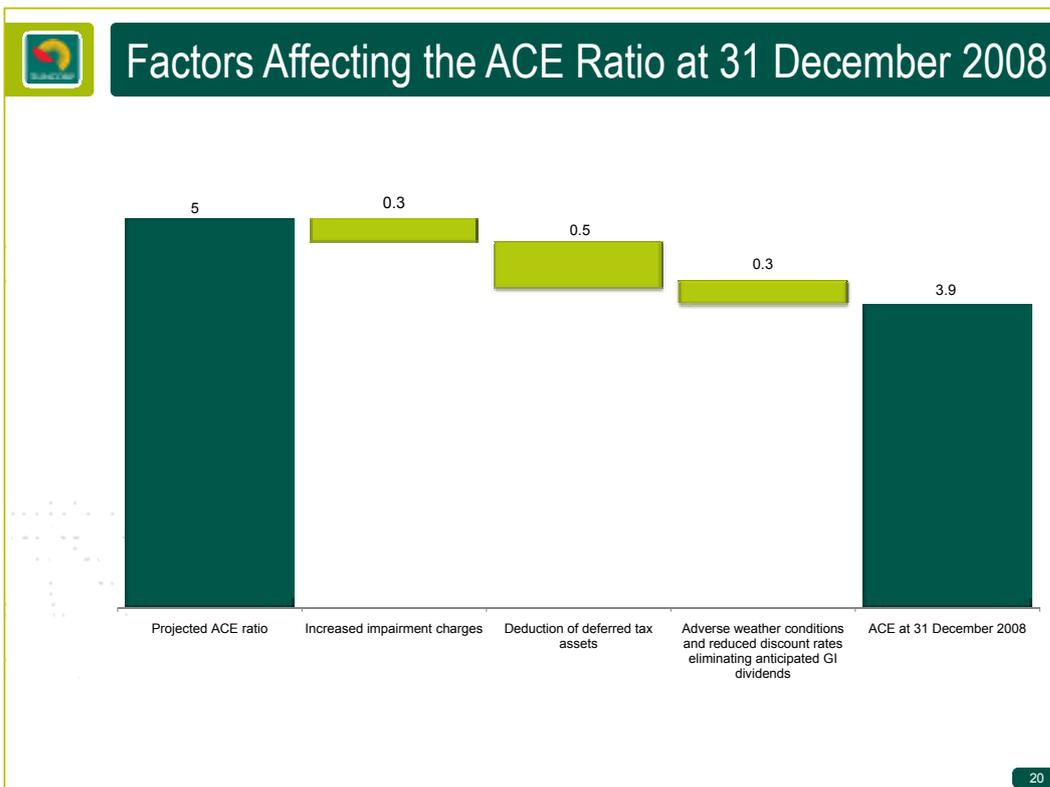
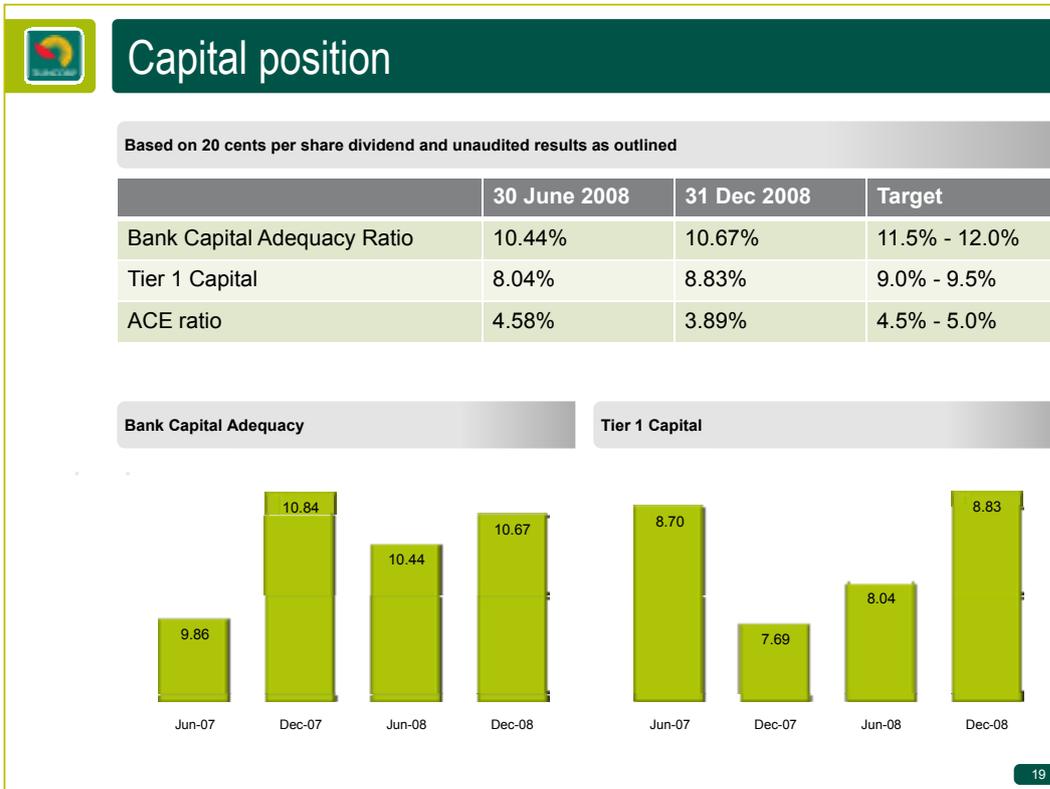
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### Wealth Management overview

\$m	HY Ended Dec-08	HY Ended Jun-08	HY Ended Dec-07
Life Risk	40-45	40	38
Funds Management	20-25	22	48
<b>Total wealth management underlying profit after tax</b>	<b>60-70</b>	<b>61</b>	<b>86</b>
Annuities market adjustments	(30) – (35)	(10)	(1)
Life risk policy liability discount rate changes	120 -130	(2)	0
Net investment income on shareholder assets	(25) – (30)	(41)	18
<b>Profit contribution after tax</b>	<b>125-150</b>	<b>8</b>	<b>103</b>

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### Outlook

<b>Bank</b> PBT&BD growth in high teens Conservative provisioning of impaired assets	<b>General Insurance</b> GWP 4% - 6% ITR 10% - 12% for 2H09
<b>Wealth Management</b> Underlying profit flat	<b>Capital</b> Well above targets and conservatively placed in anticipation of economic deterioration



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## Capital raising details

5 February 2009



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## Disclaimer

This Presentation has been prepared by Suncorp-Metway Limited (ABN 66 010 831 722) (**Suncorp**).

### Summary information

This Presentation contains summary information about Suncorp and its subsidiaries (**Suncorp Group**) and their activities current as at 5 February 2009. The information in this Presentation does not purport to be complete. It should be read in conjunction with Suncorp Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

### Not financial product advice

This Presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire Suncorp shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice appropriate to their jurisdiction. Suncorp is not licensed to provide financial product advice in respect of Suncorp shares. Cooling off rights do not apply to the acquisition of Suncorp shares.

### Financial data

All dollar values are in Australian dollars (**A\$**) and financial data is presented within the financial year end of 30 June unless otherwise stated. The pro forma historical financial information included in this Presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission.

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Certain statements contained in this Presentation may constitute statements about future matters and forward-looking statements. These forward-looking statements speak only as of the date of this Presentation. The forward-looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

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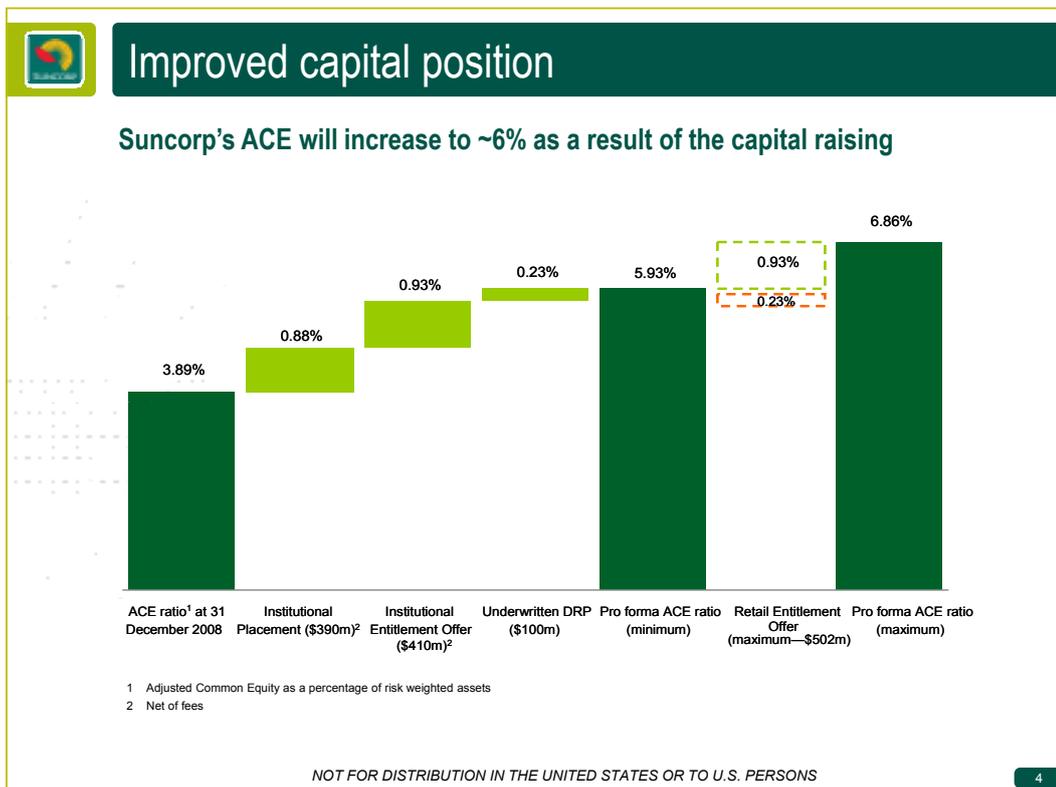
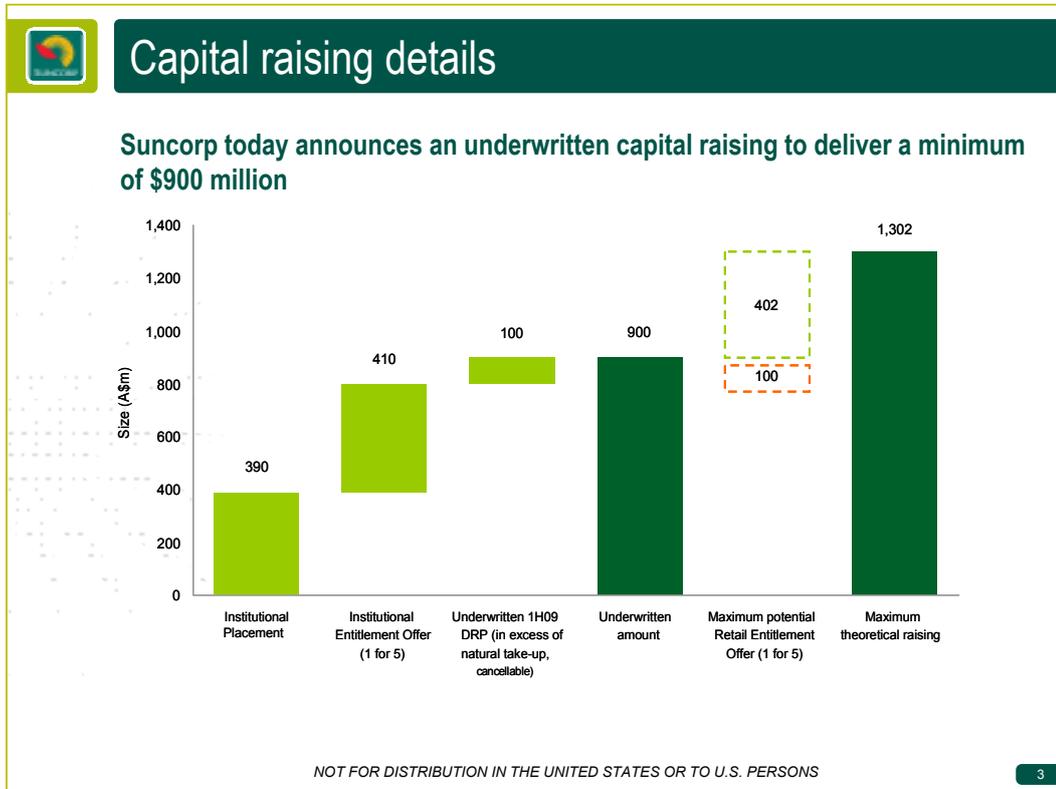
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## Offer structure

**Placement to raise \$390 million**

- Fully underwritten<sup>1</sup>

**Entitlement Offer to raise up to \$912 million, underwritten to \$410 million**

- Up to \$410 million Accelerated Institutional Entitlement Offer, fully underwritten<sup>1</sup>
  - Conducted simultaneously with Placement
- Up to \$502 million Retail Entitlement Offer, non-underwritten
  - Offer closes 13 March 2009

**\$4.50 Offer Price**

- 35% discount to last closing price (adjusted for 20 cent interim dividend)
- 39% discount to 5-day VWAP (adjusted for 20 cent interim dividend)
- New shares do not rank for 1H09 dividend, which is expected to be 20 cents

**Underwritten Dividend Re-investment Plan (DRP)**

- \$100 million of 1H09 DRP underwritten<sup>1</sup> (in excess of natural take-up)
- Only exercised if Retail Entitlement Offer take-up is less than \$100 million
  - Underwritten size reduces with Retail Entitlement Offer take-up

<sup>1</sup> The underwriting agreements include a number of termination events, including material disruptions in financial conditions or markets

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## Summary timetable

Key Dates	
Trading Halt	Thursday, 5 February 2009
Institutional Entitlement & Placement Bookbuild opens	Thursday, 5 February 2009
Institutional Shareholding Declaration forms due to Orient Capital	4.00pm (AEDT) Thursday, 5 February 2009
Institutional Entitlement & Placement Bookbuild closes	11.00am (AEDT) Friday, 6 February 2009
Ordinary Shares re-commence trading	Monday, 9 February 2009
Record Date	7.00pm (AEDT) Tuesday, 10 February 2009
Offer information dispatched to Eligible Retail Shareholders	Monday, 16 February 2009
Retail Entitlement Offer Period	16 February – 13 March 2009
Institutional settlement date	Wednesday, 18 February 2009
Institutional trading date (trade as separate ex-dividend class)	Thursday, 19 February 2009
Institutional shares trade with Ordinary Shares	Friday, 27 February 2009
Retail Entitlement Offer closes	Friday, 13 March 2009
Issue of New Shares under Retail Entitlement Offer	Monday, 23 March 2009
Retail trading date	Tuesday, 24 March 2009

Suncorp reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws to vary the dates of the Entitlement Offer, including extending the Entitlement Offer, closing the Offer early or accepting late applications, either generally or in particular cases, without notice.

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## Risks

This section discusses some of the key risks associated with an investment in Suncorp. Before investing in Suncorp, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on Suncorp (including these materials, the Market Update dated 5 February 2009, 2008 Annual Results, 2008 Annual Results Presentation and other announcements that have been made available at [www.suncorp.com.au](http://www.suncorp.com.au) or [www.asx.com.au](http://www.asx.com.au)), carefully consider their personal circumstances and consult their stockbroker, accountant or other professional adviser before making an investment decision.

### SPECIFIC RISKS

**Actual results may differ from Market Update**—Suncorp's financial results for the six months to 31 December 2008 are due to be released on 24 February 2009 and may differ from those presented in the Market Update dated 5 February 2009. The guidance provided in the Market Update is subject to finalisation of Suncorp's accounts, and completion of the review by external auditors. As such, actual results for the six months to 31 December 2008 may differ from the guidance contained in the Market Update.

**Credit risk**—Credit risk is the risk that a borrower or counterparty will not meet its obligations in accordance with agreed terms. Suncorp is exposed to credit risk as a consequence of its lending activities and it maintains provisions to provide for bad and doubtful debts. If these provisions are inadequate there may be an adverse impact on Suncorp's financial performance and position.

**Funding and liquidity risk**—Banks and other financial institutions (including Suncorp) are currently subject to highly volatile credit market conditions. This volatility may result in (amongst other things):

- a reduction in the availability of markets from which to raise funds;
- an increase in the cost of funding and more onerous lending conditions; and
- an increase in potential counterparty default.

Suncorp accesses credit markets for a variety of funding sources as part of its operations. This access is supported by the recent initiatives of the Federal Government on deposits and wholesale funding. Continued volatility or further deterioration in credit markets may adversely impact the financial performance and position of Suncorp.

**Catastrophes**—Through its general insurance businesses, Suncorp is subject to claims arising from catastrophes caused by various events, including cyclones, earthquakes, tsunamis, wind, hail, fires, floods, volcanic activity and bushfires, in addition to man-made disasters. These events are inherently unpredictable in terms of their incidence and severity. The extent of insured losses from catastrophes is determined by the total amount of insured exposure in the area affected by the event and the severity of the event. While Suncorp manages its exposure to catastrophes through the purchase of catastrophe reinsurance, Suncorp cannot be assured that such coverage will be adequate or will continue to be available at acceptable levels or at all.

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## Risks (continued)

**Estimation of claims provisions**—Suncorp's provisions for its insurance liabilities may prove to be inadequate to cover its ultimate liability under policies written by its insurance subsidiaries. Within its general insurance subsidiaries Suncorp maintains provisions to cover the estimated ultimate liability for claims, and within its life insurance subsidiary provisions for future policy benefits. Although Suncorp seeks to maintain outstanding claims provisions in its general insurance subsidiaries at a probability of adequacy of approximately 90%, actual future events and conditions may result in the current estimates of claims costs being inadequate. Moreover, additional costs of claims which cannot currently be foreseen, including costs arising from changes in the legal environment, may emerge in the future. Insufficient provisions for insurance liabilities could have a material adverse effect on Suncorp's financial condition, results of operations and cash flows.

**Investment income**—Suncorp has a significant investment portfolio that supports liabilities arising from its general insurance and life insurance businesses, as well as generating a portion of Suncorp's profits. Consequently, investment performance affects Suncorp's financial condition and results of operations.

Suncorp's investment portfolio consists of assets which back:

- shareholder funds; and
- technical reserves, which represent assets to support outstanding claims and unearned premium liabilities.

The investment portfolio is managed in accordance with Suncorp's investment policy. Suncorp's investment policy for shareholder funds is to invest in a range of assets including international and Australian equities and fixed income portfolios. Suncorp's investment policy for technical reserves is to invest in high quality fixed income portfolios. There is a risk however that adverse market volatility may affect investment performance.

**Reinsurance**—Suncorp enters into a number of reinsurance arrangements which allow Suncorp to limit its risk from particular lines of business or from specific events and to increase its capacity to write new policies. Under these arrangements, other insurers and reinsurers assume a portion of Suncorp's exposure to reported and unreported losses in exchange for a premium. The availability, amount and cost of reinsurance depend on prevailing market conditions, in terms of price and available capacity, and may vary significantly. There are risks involved in reinsurance in relation to availability, price, conditions of reinsurance, determination of proper levels of outwards reinsurance, dispute of reinsurance claims, collection of reinsurance receivables and default risk of reinsurance counterparties. All of these risks may have a material adverse effect on Suncorp's financial condition and results of operations.

**Transaction risk**—Suncorp may seek to grow in the future by merging with or acquiring other companies in the financial services industry. This may cause Suncorp to face operational and financial risks that could adversely affect Suncorp and its results of operations. Conversely, Suncorp may seek to sell or dispose of certain businesses in the future. This may result in a change in the operations of Suncorp and cause Suncorp to face operational and financial risks that could adversely affect Suncorp's financial condition and results of operations.

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## Risks (continued)

**Regulatory risk**—Suncorp's business is subject to substantial regulatory and legal oversight. In particular, Suncorp is subject to prudential supervision by APRA, which requires Suncorp, amongst other things, to meet minimum capital requirements within its operations. Any significant regulatory developments, including changes to prudential regulatory requirements, accounting standards and tax laws, could have an adverse effect on how Suncorp conducts its business and on Suncorp's financial condition and results of operations. Suncorp's business and earnings are also affected by the fiscal or other policies that are adopted by various regulatory authorities of the Australian government. The nature and impact of future changes in such policies are not predictable and are beyond Suncorp's control. The general insurance, banking or wealth management industries could be subjected to changes or additions to existing governmental regulations that may impair Suncorp's financial performance. If Suncorp does not meet regulatory requirements, it may be subject to penalties, including fines or the suspension or cancellation of authority to conduct business. Non-compliance may also give rise to adverse publicity and damage to Suncorp's reputation.

**Queensland legislation affecting Suncorp**—Queensland legislation imposes certain restrictions on Suncorp including an obligation to maintain its head office in Queensland. These restrictions could potentially inhibit Suncorp's operations in the future as well as any future takeover of, or by, Suncorp.

**Systems risk**—General insurance and financial services businesses rely to a significant degree on information technology systems, with day-to-day operations of each aspect of business being computer based, as are the systems used to calculate and monitor underwriting risks, reserve modelling and reinsurance arrangements. Failure of such systems could result in business interruption, the loss of customers, damaged reputation and weakening of competitive position and could therefore adversely affect business and profitability.

**Climate change**—Climate change might lead to more significant and frequent weather related claims. Climate change may adversely impact the performance of general insurance and financial services businesses.

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## Risks (continued)

### GENERAL RISKS

**Market price**—The market price of Suncorp shares will fluctuate due to various factors including investor perceptions, domestic and international investment markets and economic conditions, and other factors that may affect Suncorp's financial performance and position. The market price of Suncorp shares could trade on the ASX at a price below their issue price.

**General economic conditions**—As Suncorp conducts all of its business in Australia and New Zealand, its performance is influenced by the level and cyclical nature of business activity in Australia and New Zealand and, in particular, the State of Queensland, where its business is concentrated. Suncorp's business activity is also influenced by both domestic and international economic and political events. There can be no assurance that a weakening in either/or both of the Australian and New Zealand economies, and the Queensland economy in particular, will not have a material adverse effect on Suncorp's financial condition and results of operations.

**Interest rate risk**—Adverse movements in interest rates, both in Australia and abroad, may impact Suncorp's earnings in each of the Banking, General Insurance and Wealth Management businesses.

**Credit ratings**—The price of Suncorp shares and Suncorp's ability to access debt at a reasonable cost may be affected by a downgrade to its credit ratings.

**Taxation implications**—Future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect taxation treatment of an investment in Suncorp shares, or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which Suncorp operates, may impact the future tax liabilities of Suncorp.

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## Addendum to Retail Entitlement Offer Booklet

This document is to be read with and forms part of the 1 for 5 non-renounceable entitlements offer of New Shares contained in the accompanying Retail Entitlement Offer booklet ("Offer Booklet") and Entitlement and Acceptance Form. All offers of shares made in the Offer Booklet and Entitlement and Acceptance Form are subject to this Addendum.

Capitalised terms in this Addendum have the meanings given in the Offer Booklet.

### New Shares available under Retail Entitlement Offer

The letter from the Chairman in the Offer Booklet states that the Institutional Entitlement Offer will raise approximately \$410 million. This was the estimated figure at the time printing of the Offer Booklet commenced. The actual amount of the Institutional Offer, following identification of all relevant Institutional Shareholders, was approximately \$465 million.

It follows that the Retail Entitlement Offer, which the letter from the Chairman stated as being up to approximately \$502 million, is now expected to be up to approximately \$447 million.

Section 3 of "How to Apply" on page 5 of the Offer Booklet states:

*"Please note that New Shares in excess of Entitlements will only be allocated to you if there are sufficient New Shares from eligible retail shareholders who do not take up their full Entitlements or from New Shares that would have been offered to ineligible retail shareholders if they had been entitled to participate in the Retail Entitlement Offer, subject to any scale-back that Suncorp may apply (in its absolute discretion)."*

In fact, only New Shares from eligible retail shareholders who do not take up their full Entitlements will be available for allocation to oversubscriptions, subject to any scale-back that Suncorp may apply in its absolute discretion. No offer of New Shares is being made in respect of theoretical entitlements of ineligible retail shareholders.

Accordingly, the sentence set out on page 5 of the Offer Booklet repeated above is replaced with the following sentence:

*"Please note that New Shares in excess of Entitlements will only be allocated to you if there are sufficient New Shares from eligible retail shareholders who do not take up their full Entitlements, subject to any scale-back that Suncorp may apply (in its absolute discretion)."*

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