ASX Announcement

24 February 2010

**SUNCORP CONFIRMS HALF YEAR NPAT OF $364 MILLION,
RESULT PROVIDES SOUND FOUNDATION FOR GROUP'S BUSINESSES**

- Group NPAT of $364 million, up 41% on the prior corresponding period.
- Business stabilised, capital and reserve positions strengthened.
- New business model implemented and executive team appointed.
- General insurance after tax profit of $347 million, up 89% pcp.
- Insurance trading ratio of 12.8%, including $75 million to strengthen provisions.
- Banking after tax profit of $4 million, composed of $224 million pre-tax profit for the core bank and $211 million pre-tax loss for the non-core bank.
- Life after tax profit of $105 million, down 23% pcp.
- Interim ordinary dividend of 15 cents per share, fully franked.

Suncorp has confirmed net profit after tax and abnormal items (NPAT) of $364 million for the half year to 31 December 2009, an increase of 41% on the prior corresponding half year (pcp).

Group chief executive Patrick Snowball said, while the increase in profitability was pleasing, the Group would maintain a cautious and conservative approach to managing its business over the short term.

"Although there is still a lot of hard work ahead of us to ensure Suncorp realises its full potential, this result has laid a sound foundation for the Group's future success" Mr Snowball said.

"We have achieved our immediate priority of stabilising the Group's position, we have reinforced our capital and reserve positions and a new executive team has been appointed. Our priority now is to drive improved financial results from all of our businesses."

Mr Snowball said the Group had made good progress since he joined in September 2009. After a period of reviewing the business, and meeting customers and stakeholders, a number of key initiatives have commenced including:

- Reshaping the executive team, including key external chief financial officer, chief risk officer and human resources appointments, all of whom have extensive financial services experience;
- Launching a new Group business model providing clear accountability for Suncorp's five operational businesses;
- Aligning the Group's legal and operational structures to provide full transparency around the capital retained in each business line;
- Restructuring of the general insurance businesses to deliver simplification, back office efficiency and improved customer service and product offerings;
- Commencement of a number of key strategic projects designed to simplify the business, reduce cost and provide a single view of the Group's customers, employees, finances and insurance pricing and claims systems.

Suncorp-Metway Ltd ABN 66 010 831 722 GPO Box 1453 BRISBANE QLD 4001
www.suncorpgroup.com.au

As part of an overall program of simplification, Mr Snowball announced the Group's intention to sell its 50% participation in the joint venture insurance arms of the Royal Automobile Club of Queensland (RACQ) and the Royal Automobile Association of South Australia (RAA) back to the respective motoring clubs.

"While the joint ventures have proven to be good investments for Suncorp, the next phase of our development requires a full time focus on our core operations," he said.

Suncorp will exit the RACQI and RAAI joint ventures in accordance with the shareholder agreements that are in place. It is targeting completion of both transactions prior to the presentation of its full year result in August 2010.

Mr Snowball said the Group's new chief financial officer John Nesbitt would commence his appointment on 1 May 2010.

"I look forward to welcoming John to the team as he has an important part to play in developing our Group and financial strategy," he said.

Mr Snowball confirmed that Suncorp will hold an investor day on 21 May where it will detail the general insurance business' strategy and financials. The Bank will update its strategy in early May while Suncorp Life will provide its update in late June.

Insurance

In General Insurance, pre-tax profit was $491million (up 94% pcp) for the half while NPAT was $347 million (up 89% pcp). The result featured the positive impacts of a less volatile claims environment and improved returns from investment portfolios.

The insurance trading result was $401 million or 12.8% of net earned premium. An increase of 0.5% to 4.5% in the Group's wage assumptions reduced the ITR by $75 million.

Gross written premiums increased by 4.4% with the home portfolio increasing by 13.9% due to premium rate rises in response to significant claims events in previous periods while motor gross written premiums increased by 6.8%.

Investment income on insurance funds was $260 million and investment income on the shareholder funds was $100 million.

Mr Snowball said that, while the Group's general insurance assets had delivered satisfactory returns over the half year, there was still a significant amount of work to improve margins.

"While the headline numbers are strong, once you peel back the benefits of a more favourable weather environment and improving investment markets you arrive at a margin that needs to improve," he said.

"The focus of our general insurance strategy is to simplify and better align our front end, reduce brand overlap and improve revenues. At the back end, our goal is to aggregate spend, reduce complexity and drive out cost."

Banking

Banking NPAT was $4 million with the core Bank making a pre-tax profit of $224 million and the non-core Bank making a pre-tax loss of $211 million.

The core Bank's focus on retail deposit gathering was successful, with the ratio of retail deposits to lending increasing to the top end of the target 60 - 70% range.

Credit quality across the $37 billion core Bank portfolio remained sound, reflecting its high security, low risk nature.

Net interest margin in the core Bank was 1.76% for the half-year to 31 December 2009, an increase of four basis points over the margin for the fourth quarter of the 2009 financial year. In the non-core Bank, significant increases in term funding costs and a deliberate strategy of match funding the portfolio's expected run-off combined to reduce net interest margins by 36 basis points.

Run-off of the non-core portfolio continued slightly ahead of expectations, reducing by $1.9 billion over the half year to $15.6 billion.

Non-core impairment losses for the half year were $272 million, approximately 317 basis points of non-core gross loans, advances and other receivables on an annualised basis, which was down from 456 basis points on an annualised basis for the quarter ended 30 June 2009.

Mr Snowball said that while the strategy of match-funding the Bank's non-core operations had reduced earnings in the half-year, it was critical to restoring investor confidence in Suncorp.

"The strategy work that was undertaken in the bank has been crucial to helping restore confidence in Suncorp's prospects. Although this initiative will have a short to medium term impact on earnings, it is absolutely essential for the long term viability of the Group," he said

"While there will be many challenges ahead we expect investors should be comfortable with our progress and the measures we have put in place to effectively manage a discontinuing business."

"In the Core Bank, our key priority is to remain focussed on ensuring our deposit to lending ratio remains within our target range. However, the good progress we have made to date means we are now in a position to restore growth in our personal, SME and agribusiness target markets.

Life

In the life business, underlying profit after tax was $86 million, down 15%, and net profit after tax and minority interests was $105 million, down 23%. This reflected pressures on lapse rates and the strategic decision the business took last financial year to de-risk the participating book.

Superannuation and investment funds under administration were up 4.6% to $13 billion while profit was down 24% to $19 million. In asset management, funds under management were up 6.5% to $25 billion contributing to a $7 million profit.

Mr Snowball said there was an emerging niche for the life business in a consolidating market and it was focused on a strategy of growing its distribution capability and reach, improving customer retention, and continuing a program of cost simplification and control.

Growth in the external financial adviser distribution channel was up 9%, on top of around 20% growth in the previous two years.

Dividend

Chairman John Story said, while the external environment remained volatile and the regulatory environment was evolving, the Board had decided to adopt a conservative position regarding the overall level of capital retained in the business.

Accordingly, the Board had decided to pay a dividend of 15 cents per share for the half, which is slightly below the bottom end of the Group's target payout ratio of 50% - 60% of cash earnings.

"By retaining higher levels of capital, we will be in the strongest possible position to deal with any unanticipated short term issues that may present over the next six months," Mr Story said.

"Should these events not occur and as the non-core banking book runs off, it remains the Board's firm position that capital in excess to normal operating requirements should be returned to shareholders."

Board retirements

Mr Story said two of Suncorp's long serving directors, Martin Kriewaldt and Cherrell Hirst, had advised him of their intention to retire from the Board.

"I would like to take this opportunity to recognise the outstanding service of Martin and Cherrell and their contribution to the Group," he said.

Legislation proposing amendments to residency requirements relating to Suncorp directors is expected to be introduced into Queensland State Parliament in the near future.

The recent appointment of Stuart Grimshaw to the Board, together with the new executives, has continued to strengthen the company's financial services expertise.

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Suncorp-Metway Ltd ABN 66 010 831 722 GPO Box 1453 BRISBANE QLD 4001
www.suncorpgroup.com.au

For more information contact:

Analysts / investors

Mark Ley	0411 139 134
Peta Johnson	0434 072 113

Media

Jamin Smith	0409 170 035
Ron Burke	0419 334 452

Teleconference details

Analyst briefing	**10:30am AEDT**
Webcast address:	www.suncorpgroup.com.au
Australia dial-in:	1800 148 258
International dial-in:	+61 2 8524 6650
Conference ID:	55683819

Media conference	**12:30am AEDT**
Australia dial-in:	1800 885 612
International dial-in:	+61 2 8314 8650
Conference ID:	55668049

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