



NEWS RELEASE

4 October 2010

S&P UPGRADES BANK CREDIT RATING

Standard & Poor's (S&P) today upgraded the long-term credit rating for the Suncorp Bank to 'A+' from 'A'. Suncorp's Insurance subsidiaries remained at 'A+'. These credit ratings all have a 'stable' outlook.

In making the upgrade, S&P acknowledged the Suncorp Bank was an integral member of the Group and a critical part of Suncorp's strategy.

Suncorp Bank CEO David Foster said the upgrade further consolidated the Bank's position as the leader of the regional banking sector and a genuine alternative to the major banks.

"S&P's upgrade reflects the tough decisions we made to reshape the Bank in the wake of the global financial crisis," he said.

"The upgrade will improve Suncorp's access to global and domestic funding markets and reduces our wholesale funding cost differential relative to the major banks."

The Bank's credit rating upgrade is unlikely to have a significant impact on its financial performance during the current financial year, but is likely to provide a considerable longer term benefit from deepening the Bank's access to a wide range of diversified wholesale funding markets at more competitive rates.

The S&P research update is attached.

Ends

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Research Update:

**Suncorp-Metway Ltd. Upgraded To
'A+' With Stable Outlook On
Revised Group Status; 'A-1' Rating
Affirmed**

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Research Update:

Suncorp-Metway Ltd. Upgraded To 'A+' With Stable Outlook On Revised Group Status; 'A-1' Rating Affirmed

Overview

- We have raised the long-term rating on Suncorp-Metway Ltd. (Suncorp Bank) to 'A+' from 'A', with a stable outlook.
- The rating action reflects our opinion that Suncorp Bank is now viewed as a 'core' member of the group, compared with its previous 'strategically important' status.
- As a 'core' member, Suncorp's rating is now equated with the group's creditworthiness.
- In addition, we affirmed the 'A+' ratings on Suncorp group's core insurance subsidiaries with a stable outlook.

Rating Action

On Oct. 4, 2010, Standard & Poor's Ratings Services raised its long-term issuer credit rating on Suncorp-Metway Ltd. to 'A+' from 'A'. The 'A-1' short-term rating was affirmed. The outlook is stable. At the same time, we affirmed the 'A+' ratings on Suncorp's core insurance subsidiaries: Suncorp Metway Insurance Ltd., Suncorp Life and Superannuation Ltd., Vero Insurance Ltd., Vero Insurance New Zealand Ltd., Vero Liability Insurance Ltd., and AA Insurance Ltd. We also affirmed the 'A' rating on the group's non-operating intermediate holding company, Promina Group Ltd.

Rationale

The upgrade on Suncorp-Metway Ltd. reflects Standard & Poor's view that the bank is now a 'core' member of the group, compared with its previous 'strategically important' status. We had lowered our assessment of the bank's then 'core' status to 'strategically important' on Jan. 8, 2009, following the group's willingness to explore divestment options for the bank in late 2008.

However, over the past 18 months, the group has demonstrated that Suncorp Bank is an integral member of the group and a critical part of its strategy going forward. Suncorp has stabilized the bank's position by improving its funding position. The group has also commenced running off its noncore banking activities, which mainly include property development and large commercial loans. At the same time, it has positioned the core banking activities--mainly residential, small-and-medium-enterprise, and rural lending--to achieve solid

growth, at an expected return on equity of above 15%. The bank provides key distribution platforms to the group's general and life insurance businesses, especially in Queensland, and continues to benefit from the shared Suncorp branding.

Moreover, the board--whose composition has changed substantially since the divestment of the bank was mooted--and group executives have consistently emphasized the group's long-term commitment to the bank. In assigning 'core' status to the bank, Standard & Poor's anticipates that the bank will be a solid earnings contributor to the group. The bank's standalone rating remains 'BBB+'.

The affirmation of the Suncorp insurance subsidiaries' ratings reflects Standard & Poor's view that the creditworthiness of the Suncorp group remains at 'A+'. This is a result of the group's sound earnings and strong capital positions, which have been in line with our expectations. In particular, over the past 12 months, the group's general insurance business has maintained its strong market and capital positions, and improved its earnings. On a standalone basis, Standard & Poor's views Suncorp's general insurance businesses as 'AA-'.

Liquidity

The bank's liquidity is considered sound, with the ratio of liquid assets-to-total assets approaching 20%, as at June 30, 2010.

Outlook

The stable outlook reflects Standard & Poor's expectation that the earnings pressure on the bank will be short term, given anticipated continued orderly run-off of riskier loans in the noncore bank division, and the sound economic outlook.

The outlook also assumes that: the bank's capital position will continue to be solid; funding duration and liquidity will remain supportive of the rating; the solid underlying performance of the core bank division will continue; and asset quality will further improve.

We consider that the group will successfully integrate its general insurance back-office systems. In our view, the group's general insurance and life businesses' profitability and capital will continue to be sound. If our expectations are not met, the ratings may be lowered.

Related Criteria And Research

This article is based in part on the following criteria article: "Group Methodology For Financial Services Companies", published to RatingsDirect on March 19, 2004.

Ratings List

Ratings Affirmed

AA Insurance Ltd.

Vero Liability Insurance Ltd.

Vero Insurance New Zealand Ltd.

Vero Insurance Ltd.

Suncorp Metway Insurance Ltd.

Suncorp Life and Superannuation Ltd.

Counterparty Credit Rating

Local Currency

A+/Stable/--

Financial Strength Rating

Local Currency

A+/Stable/--

Promina Group Ltd.

Counterparty Credit Rating

A/Stable/--

Suncorp-Metway Ltd.

Senior Unsecured (19 issues)

AAA

Commercial Paper (1 issue)

A-1

Suncorp Metway Insurance Ltd.

Subordinated (3 issues)

A-

Vero Insurance Ltd.

Subordinated (1 issue)

A-

Upgraded

To

From

Suncorp-Metway Ltd.

Senior Unsecured (5 issues)

A+

A

Subordinated (6 issues)

A

A-

Preferred Stock (1 issue)

A-

BBB+

Preference Stock (1 issue)

A-

BBB+

Upgraded; Ratings Affirmed

To

From

Suncorp-Metway Ltd.

Counterparty Credit Rating

A+/Stable/A-1


A/Stable/A-1

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