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

Corporate Secretary's Office
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24 February 2010

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**Suncorp-Metway Ltd Group**

**Financial Results – Half Year Ended 31 December 2009**

Attached for immediate release is the Suncorp-Metway Ltd **Appendix 4D – Half Year Report** for period ended 31 December 2009.

The following associated documents will be provided separately for lodgement:

- Media Release
- Chairman's Letter
- Consolidated Interim Financial Report
- Announcement of Consolidated Financial Results - 31 December 2009

**C R Chuter**
Corporate Secretary

*attch.*

# Appendix 4D

## Half-year report
## For the half-year ended 31 December 2009

### 1. Company details

Suncorp-Metway Ltd
ABN 66 010 831 722
Reporting period: 31 December 2009
Previous corresponding reporting period: 31 December 2008

### 2. Results for announcement to the market

| Comparison to previous corresponding period | Increase/ Decrease | % | To $m |
|---|---|---|---|
| Revenue from ordinary activities | Increase | 6.3 | 7,948 |
| Profit from ordinary activities after tax | Increase | 41.7 | 367 |
| Net profit for the period attributable to owners of the parent | Increase | 41.1 | 364 |

| | Amount per share | Franked amount per share |
|---|---|---|
| 2009 Final ordinary dividend - paid | 20 cents | 20 cents |
| 2010 Interim ordinary dividend - payable | 15 cents | 15 cents |
| 14 March 2009 – 13 September 2009 reset preference dividend – paid | $2.5548 | $2.5548 |
| 14 September 2009 – 13 March 2010 reset preference dividend – payable | $2.5132 | $2.5132 |
| 15 June 2009 – 13 September 2009 convertible preference dividend – paid | $1.1335 | $1.1335 |
| 14 September 2009 – 13 December 2009 convertible preference dividend – paid | $1.1594 | $1.1594 |
| 14 December 2009 – 14 March 2010 convertible preference dividend – payable | $1.3037 | $1.3037 |

Record dates for determining entitlements to the above dividends are as follows:-

| | |
|---|---|
| Ordinary shares (SUN) | 5 March 2010 |
| Reset Preference Shares (SUNPA) | 5 March 2010 |
| Convertible Preference Shares (SUNPB) | 5 March 2010 |

## 2. Results for announcement to the market (continued)

The divisional operating profit after tax is as follows:

| | Dec-09 | Dec-08 |
|---|---|---|
| | $m | $m |
| General Insurance | 347 | 184 |
| Banking | 4 | 60 |
| Life | 105 | 136 |
| Other | (89) | (121) |
| Profit for the period | 367 | 259 |
| Attributable to: | | |
| Owners of the Company | 364 | 258 |
| Non-controlling interests | 3 | 1 |
| | 367 | 259 |

While banking interest revenue has decreased from $2.7 billion to $1.9 billion, total revenue for the Group has increased as a result of an increase of $197 million in insurance premiums and stronger investment returns than the previous period.

Other net loss after tax of $89 million (December 2008: $121 million) consists predominantly of integration expenses of $59 million (December 2008: $85 million) and amortisation of intangible assets relating to the acquisition of Promgroup Limited of $112 million (December 2008: $122 million), offset by the profit on sale of Hooker Corporation Ltd of $50 million (December 2008: nil).

### *General Insurance*

The profit after tax from the combined General Insurance division was $347 million (December 2008: $184 million), an increase of 88.6% on the prior corresponding period. The result was supported by more favourable weather and favourable returns from investment portfolios.

Gross Written Premium (GWP) increased by 4.4%. All major product portfolios experienced solid premium growth, reflecting a hardening market overall and the flow through of pricing adjustments designed to restore profitability. The Home portfolio grew by 13.9% as premiums were adjusted following a succession of major weather and natural hazard events. Motor GWP grew by 6.8% in an increasingly competitive market.

The Insurance Trading Result was $401 million, or 12.8% of net earned premium. The half-year to 31 December 2009 has been a period where weather conditions have been more stable, with no major natural hazard events. This has resulted in natural hazard claims being $56 million below the Group’s long-run allowance. Claims costs have been impacted by the Group’s decision to strengthen its outstanding claims provision by increasing the wage inflation assumption by 0.5% to 4.5%. This assumption change, inclusive of risk margin, increased claims expense by $75 million.

## 2. Results for announcement to the market (continued)

### *General Insurance (continued)*

Total operating expenses decreased by 3.2%. The decrease in acquisition expenses was impacted by a positive liability adequacy test adjustment, a revised methodology allocating Bank branch and Group overhead costs, the cessation of the Covermore travel insurance partnership and an ongoing focus on discretionary expenses. Other expenses increased primarily due to higher fire services levies and a restructuring charge.

Investment income on insurance funds and shareholder funds were impacted by reduced interest rates but benefited from the positive mark-to-market impact of contracting credit spreads.

### *Banking*

The profit after tax of the Banking division decreased to $4 million (December 2008: $60 million). Banking profit before tax and impairment losses was $287 million (December 2008: $448 million), and net interest income was $471 million (December 2008: $623 million), a reduction of 24.4%.

Solid progress was made during the half-year on the strategic repositioning of the Bank into a core, sustainable franchise and a non-core business which is being managed through run-off.

Gross banking loans, advances and other receivables at 31 December 2009 are $54.2 billion, slightly lower than 30 June 2009 at $55.4 billion. Core gross banking loans, advances and other receivables are $37.0 billion, and non-core gross banking loans, advances and other receivables are $17.2 million. The reduction in the non-core portfolio over the half-year was ahead of management expectations, although the refinancing market is yet to return to normal levels.

The Bank maintained its focus on improving the funding mix and on deposit gathering in particular, growing core retail deposits by 5.1% over the half-year to $22.5 billion. This represents continued improvement in the deposit to core lending ratio to 69%, at the top end of the target 60% to 70% range. The Bank raised $5 billion of term debt (including securitisation) during the half-year. The Bank has focused on matching the funding duration of the non-core book to the expected run-off profile of the portfolio, resulting in reduced funding risk and allowing flexibility to repay debt when required.

Impairment losses on loans and advances were $274 million (December 2008: $355 million). While loan losses have reduced from their peak in mid 2009, difficult conditions continue for non-core portfolios. Specific provisions have been recognised for a number of larger exposures as the economic conditions continue to impact on the timing and amount of anticipated recoveries on non-performing loans.

## 2. Results for announcement to the market (continued)

***Life***

The Life division profit after tax is $105 million (December 2008: $136 million), a reduction of 22.8%.

Life risk profit was $36 million down 21.7% on the prior corresponding period. Policy lapse rates negatively impacted life risk profit. Life risk in-force premium grew by 6.2% to $757 million, and planned margins were up 5.3% to $40 million.

Planned profit reductions in the Participating Book negatively impacted profit in the Superannuation & Investments business which was down 24% to $19 million. Funds Under Administration increased 4.6% to $13 billion benefiting from a stronger equities market.

Asset Management profit is up 16.7% to $7 million with Funds Under Management increasing by 6.5% to $25 billion due to positive investment returns.

Life's traditional embedded value at 31 December 2009 is $2.3 billion, an increase of 7% on the 30 June 2009 traditional embedded value of $2.1 billion.

**Income tax expense**

The Group's consolidated effective tax rate for the six months ended 31 December 2009 was 35.3% (for the year ended 30 June 2009: 13.3%; for the six months ended 31 December 2008: 5.8%). The effective tax rate for the six months ended 31 December 2009 is significantly different than the last two reporting periods due to increased Group operating profits from improved economic conditions, with smaller tax expense adjustments relative to prior periods.

Income tax expense adjustments have arisen from:

- The statutory fund adjustment of $28 million. Accounting standards require that the tax expense from an increase in net market values of policyowner assets be recognised as part of the Group's income tax expense, whereas the net profit before tax of the Group includes a partially offsetting transfer to policyowner liabilities. Consequently, the tax expense is disproportionate relative to the net profit before tax. The reverse (a tax credit) is required in periods where the market values of policyowner assets decrease.
- Non-deductible interest paid in respect of the convertible preference shares ($5 million) and reset preference shares ($1 million).

**Dividends**

The interim dividend decreased to 15 cents per share representing a dividend payout ratio of 52.0% (prior corresponding period 77.9%).

## 3. Net tangible assets per security

| | December 2009 | December 2008 |
|---|---|---|
| Net tangible assets per security ($) | 5.43 | 5.29 |

## 4. Entities over which control has been gained or lost during the period

On 15 October 2009, the Group sold its investment in Hooker Corporation Limited and its subsidiaries, resulting in a profit of $50 million. Details of the disposals are as follows:

| | $m |
|---|---|
| **Carrying value of assets and liabilities disposed** | |
| Cash and cash equivalents | 5 |
| Property, plant and equipment | 6 |
| Intangible assets | 8 |
| Other assets | 6 |
| Payables and other liabilities | (10) |
| Total carrying value of assets and liabilities | 15 |
| **Reconciliation of cash movement** | |
| Cash received | 67 |
| Less cash deconsolidated | (5) |
| Net cash inflow | 62 |

On 30 November 2009, the Group sold its investment in the Tyndall Quality Income Fund. There was no profit or loss as a result of this sale. Details of the disposal are as follows:

| | $m |
|---|---|
| **Carrying value of assets and liabilities disposed** | |
| Cash and cash equivalents | 63 |
| Investment securities | 81 |
| Total carrying value of assets and liabilities | 144 |
| **Reconciliation of cash movement** | |
| Cash received | 144 |
| Less cash deconsolidated | (63) |
| Net cash inflow | 81 |

## 5. Dividends

| Dividends Paid: | **December 2009 $m** |
|---|---|
| **Ordinary Shares**<br>2009 Final dividend of 20 cents per fully paid share paid 1 October 2009 franked @ 30% | 251 |
| **Reset Preference Shares**<br>Semi - annual dividend of $2.5548 per share paid 14 September 2009 franked @ 30% | 4 |
| **Convertible Preference Shares**<br>Quarterly dividend of $1.1335 per share paid 14 September 2009 franked @ 30% | 8 |
| **Convertible Preference Shares**<br>Quarterly dividend of $1.1594 per share paid 14 December 2009 franked @ 30% | 9 |

## 5. Dividends (continued)

| Dividends Payable: | December 2009 $m |
|---|---|
| **Ordinary Shares**<br>2010 Interim dividend of 15 cents per fully paid share payable 1 April 2010 franked @ 30% | 191 |
| **Reset Preference Shares**<br>Semi - annual dividend of $2.5132 per share payable 15 March 2010 franked @ 30% | 4 |
| **Convertible Preference Shares**<br>Quarterly dividend of $1.3037 per share payable 15 March 2010 franked @ 30% | 10 |

There were no foreign sourced dividends or distributions.

## 6. Dividend reinvestment plan

Ordinary shareholders will be able to participate in the company's Dividend Reinvestment Plan. The last date for receipt of an election notice is 5 March 2010.

## 7. Details of associates and joint venture entities

| Associate / Joint Venture | December 2009 | | December 2008 | |
|---|---|---|---|---|
| | Holdings % | Profit Contribution $ | Holdings % | Profit Contribution $ |
| RACQ Insurance Ltd | 50.0 | Not material | 50.0 | Not material |
| RAA – GIO Insurance Holdings Ltd | 50.0 | Not material | 50.0 | Not material |
| RACT Insurance Pty Ltd | 65.0 | Not material | 70.0 | Not material |
| Australand Land and Housing No 5 (Hope Island) Pty Ltd | 50.0 | Not material | 50.0 | Not material |
| Australand Land and Housing No 7 (Hope Island) Pty Ltd | 50.0 | Not material | 50.0 | Not material |
| Australand Land and Housing No 8 (Hope Island) Pty Ltd | 50.0 | Not material | 50.0 | Not material |
| NTI Limited | 50.0 | Not material | 50.0 | Not material |
| MMc Limited | 50.0 | Not material | 50.0 | Not material |
| Standard Pacific (Qld) Pty Ltd (refer note below) | 75.0 | Not material | 50.0 | Not material |
| Capital Managers Pty Ltd | 22.0 | Not material | 20.0 | Not material |
| AA Warranty Ltd | 50.0 | Not material | 50.0 | Not material |
| AA Life Services Ltd | 50.0 | Not material | 50.0 | Not material |

Following the acquisition of an additional 25% interest in Standard Pacific (Qld) Pty Ltd on 24 July 2009, the Group now has a 75% controlling interest in this entity and it is consolidated. In prior periods, the Group's investment in this entity was treated as an associate.

The profit contribution from any one of these joint ventures or associates is not material to the Group's profit for the period or the previous corresponding period.

## 8. For foreign entities, which set of accounting standards is used in compiling the report

Not applicable.

## 9. Audit dispute or qualification

Not applicable.