Suncorp-Metway Ltd ABN 66 010 831 722

Announcement of Consolidated Financial Results

for the half year ended 31 December 2009

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Basis of preparation

The Suncorp-Metway Ltd Group (Suncorp Group) comprises Suncorp-Metway Ltd and its subsidiaries and the Group's interests in associates and jointly controlled entities.

The results have been determined in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). All figures have been quoted in Australian dollars unless otherwise denoted and have been rounded to the nearest million.

All figures relate to the half year to 31 December 2009 and comparatives are for the half year ended 31 December 2008 unless otherwise stated.

The core and non-core banking tables represent an indicative view of relative performance. Whilst every effort has been made to ensure that the tables are as accurate as possible, necessary assumptions around the allocation of funding and expenses have been made.

Disclaimer

This report contains general information which is current as at 24 February 2010. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to Suncorp-Metway Ltd or any product or service offered by the Suncorp Group. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp's control, which may cause actual results to differ materially from those expressed or implied. Suncorp undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to stock exchange disclosure requirements).

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Suncorp-Metway Ltd 2010 Half Year Results Summary

- Group net profit after tax (NPAT) of $364 million, up 41%
- Profit after tax from business lines of $456 million, up 20%
- General Insurance operations benefited from more favourable weather conditions and stable investment markets
- Claims provisions strengthened by increasing the assumption for wage inflation to 4.5% from 4.0% at a cost of $75 million
- Gross Written Premium up 4.4% on a headline basis and 7.5% when discontinued product lines are excluded
- General Insurance trading result of $401 million representing a margin of 12.8% on net earned premium
- General Insurance NPAT of $347 million
- Core Bank profit before tax of $224 million. Deposit to lending ratio increased to 69%
- Non-core Bank loss before tax of $211 million. Non-core run-off progressing ahead of plan with gross loans reducing to $15.6 billion
- Combined Bank NPAT of $4 million
- Life NPAT of $105 million including underlying profit of $86 million
- Suncorp Life Embedded Value increases to $2.301 billion
- Cash earnings per share of 35.2 cents
- Interim dividend at 15 cents per share fully franked reflects the conservative approach to capital management

Review of consolidated operations

During the first half of 2009/10, the financial markets that underpin the global economy showed tentative signs of recovery following the unprecedented dislocation experienced in the 2008/09 financial year. The Australian economy, supported by Government stimulus and low official interest rates, remained resilient and avoided a technical recession; however, economic growth and consumer confidence remain fragile.

During this period, Suncorp's largest business unit, General Insurance, demonstrated improved profitability, primarily as a result of more favourable weather and investment markets. Following several years of adverse major natural hazard events, the half year was free of major events, although the volume of smaller attritional claims remained above long-run allowances. Investment returns benefited from a narrowing in credit spreads and favourable portfolio selection. Premium increases, implemented to reflect additional reinsurance costs and greater allowances for natural hazards claims, have supported solid growth in written premium. These, along with tight controls over operating expenses, have resulted in an improvement in underlying margins.

Suncorp's banking and life insurance businesses made good progress in implementing their refreshed operating strategies. While these initiatives will have a short to medium term impact on earnings, they are absolutely essential for the long-term viability of the Group.

In the Core Bank, a focus on retail deposit gathering has been successful, with the ratio of retail deposits to lending reaching the top end of the target 60% – 70% range. The Core Bank is now in a strong position to capitalise on its franchise strength and restore lending growth in its target personal, SME/commercial and agribusiness customer bases. Credit quality across the $36.6 billion portfolio is sound, reflecting the security based, low risk nature of core lending.

In the Non-core Bank, significant increases in term funding costs, combined with a deliberate strategy of match funding the portfolio's expected run-off, has contributed to a reduction in margins. Run-off remains slightly ahead of the expected profile despite refinancing opportunities remaining patchy across segments of the portfolio. Non-core impairment charges continue to be high as development and commercial property prices remain soft and as provisions are set aside for known larger impaired exposures. The Bank continues to closely monitor its non-core exposures and will adopt conservative positions as it works its way through the credit cycle.

The Life business has been impacted by the economic cycle, resulting in increases in lapse rates on risk products and lower returns from the Participating Book. The business is focused on its strategy, specifically concentrating on growing distribution capability and reach, improving customer retention and continuing a program of simplification and cost control.

At the Group level, Patrick Snowball commenced as Suncorp Group Chief Executive Officer (CEO) and Managing Director on 1 September 2009.

His initial phase of work involved extensive engagement with internal and external stakeholders and a review of all the Group's assets and operations. Mr Snowball moved quickly to remove speculation about the future of the Bank, indicating that it was core to the business and an important part of the Group's future strategy.

During the half year the Suncorp Senior Leadership Team was strengthened with the appointment of the following executives:

Mark Milliner	CEO Personal Insurance
Anthony Day	CEO Commercial Insurance
Robert Stribling	Group Chief Risk Officer
Scott Alomes	Group Executive Human Resources
John Nesbitt	Chief Financial Officer (commencing May 2010)

In November 2009, Mr Snowball commenced a number of projects, internally referred to as 'strategic building blocks', which are designed to provide a single view of the Group's employees, customers, financial management and insurance pricing and claims.

In December 2009, the Group announced an internal restructure designed to align the organisation structure with the legal entity structure, providing clear operational accountability for line businesses. In many cases, functions that previously resided at the Group level have been moved into the business. The business model for the General Insurance operations has also been enhanced to deliver structural simplification, back office efficiency and improved customer service and product offerings. The personal lines business has been moved to a functional, rather than brand, aligned structure, bringing it into line with the operating model deployed in the commercial insurance operations.

Further initiatives designed to simplify the Group structure and eliminate management distractions were implemented. The Group divested its ownership of L.J. Hooker, generating an accounting profit before tax of around $50 million.

The Group has also indicated to its partners that it intends to exercise its options to divest its 50% joint venture stakes in the insurance arms of the Royal Automobile Club of Queensland (RACQI) and the Royal Automobile Association of South Australia (RAAI). Under the terms of the joint venture agreements, the 50% stakes will be sold to the motoring clubs at their 'fair market value' to be agreed between the parties or, failing agreement, as determined by an independent third party.

The Group's capital position has been strengthened over the half with December 2009 levels ahead of internal targets. Given continuing economic volatility, the potential for major natural hazard events and uncertainty around future regulatory settings, the Board has decided to adopt a conservative position when determining the overall level of capital retained in the business. Accordingly, an interim dividend of 15 cents per share has been declared, reflecting a payout of approximately 50% of cash earnings.*

*Excluding proceeds of the divestment of L.J. Hooker

Operational outcomes

In **General Insurance**, pre-tax profit was $491 million for the half. The result was supported by more favourable weather and investment returns.

The Insurance Trading Result (ITR) was $401 million, or 12.8% of net earned premium.

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 natural hazard events and increases in reinsurance costs. Motor GWP grew by 6.8% in an increasingly competitive market. Suncorp believes it is well placed to respond to the competitive challenge by further investing in the internet channel, refreshing the motor brand strategy and continuing to improve claims management.

Since 1 July 2009, the Group has discontinued its travel insurance partnership with Covermore. Overall GWP increased by 7.5% after the prior comparative period is adjusted to remove Covermore travel insurance.

The half year to December 2009 was a period where weather conditions were 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 costs by $75 million.

Total operating expenses decreased by 3.2% or $27 million. Acquisition expenses fell by $66 million and were positively impacted by a positive Liability Adequacy Test (LAT) 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 by $39 million primarily due to higher fire services levies ($16 million) and a restructuring charge ($16 million).

Investment income on insurance funds and shareholder funds totalled $260 million and $100 million respectively. Both portfolios were impacted by reduced interest rates but benefited from the positive mark to market impact of contracting credit spreads.

In **Banking**, profit before tax and impairment losses for the half year to 31 December 2009 was $287 million. Solid progress was made on the strategic repositioning of the Bank into a core, sustainable franchise and a non-core business which is being managed through run-off. The core and non-core businesses are presented separately in this report, with the consolidated bank result available in Appendix 6.

In the **Core Bank**, profit before tax for the half year to 31 December 2009 was $224 million. This reflected solid underlying profitability with very low bad debt charge experience.

Lending in the Core Bank totalled $36.6 billion at 31 December 2009, a decrease of 0.7% over June 2009.

In the personal customer segment, housing loan receivables (including securitised assets) grew 0.3% over the half year to $28.4 billion. The Bank continued to focus on personal lending through its proprietary channel, however, it constrained aggregate lending growth due to its focus on improving the balance sheet funding mix. Consumer lending decreased 2.3% to $596 million as consumers continued to exercise caution with discretionary expenditure.

Core Bank business lending assets totalled $7.6 billion at 31 December 2009, a decrease of 4.2%.

The Bank maintained its focus on improving the funding mix and on deposit gathering, 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.

Net interest income for the period was $371 million, with higher net interest margins of 1.76% benefiting from the rising interest rate environment and increased ability to recover some of the higher costs of both retail and wholesale funding. When measured against lending assets, the margin was 2.01% for the half year.

Operating expenses in the Core Bank were $223 million for the half year, representing a cost-to-income ratio of 49.7%. Reduced discretionary spending was offset by a reallocation of group overheads and costs associated with the distribution of insurance products via the Bank branch network.

Credit quality remains strong in the Core Bank, with 90 day past due levels reducing in line with more favourable economic conditions. Impaired asset coverage of provisions and equity reserve for credit losses is greater than 100%.

The key priorities in the **Non-core Bank** have been to responsibly manage the run-off of the portfolio and lengthen the duration of the wholesale funding base to 'match fund' the portfolio.

Gross loans and advances in the Non-core Bank reduced by $1.9 billion to $15.6 billion at 31 December 2009. This was pleasing progress in the run-off program and ahead of management expectations.

Suncorp raised $5 billion of term debt during the half year to 31 December 2009. 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 maturities occur.

Non-core impaired assets increased by $748 million over the half as the trend of migration of accounts from watchlist to impaired assets continued.

Non-core impairment losses for the half year were $272 million which represents 315 basis points of non-core gross loans, advances and other receivables on an annualised basis, down from 456 basis points on an annualised basis for the quarter ended 30 June 2009.

Suncorp Life's underlying profit after tax was $86 million, a reduction of 14.9%. Net profit after tax was $105 million.

Life risk in-force premium grew by 6.2% to $757 million and Suncorp Life's key External Financial Adviser distribution channel has seen new business growth of approximately 9%. Planned margins were up 5.3% to $40 million. Life risk profit was $36 million, down 21.7%. Policy lapse rates negatively impacted life risk profit.

As a result of derisking the related investment portfolio, 'Planned profit' reductions in the Participating Book have negatively impacted profit in the Superannuation & Investments business which was down 24% to $19 million. Funds Under Administration is up 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 up by 6.5% to $25 billion due to positive investment returns.

Suncorp Life has continued a strict approach to cost management, reducing discretionary costs and reaping the benefits of structural changes and simplification of the business model. This focus resulted in a 8.7% reduction in operating expenses.

Underlying investment income is $29 million and is, for the first time, reported as part of underlying profit. This brings Suncorp Life into line with industry practice.

Market adjustments increase the profit after tax by $19 million as a result of favourable investment income experience.

Suncorp Life's embedded value at 31 December 2009 is $2,301 million, an increase of 7% on the 30 June 2009 embedded value of $2,145 million.

Total profit after tax from the **three business lines** was up 20% to $456 million.

Outside of the profit directly attributable to business, Suncorp divested its ownership in L.J. Hooker for a pre-tax profit of $50 million. L.J. Hooker also contributed a further $4 million profit before tax prior to the divestment.

Consolidation adjustments reduced profits by $1 million.

Amortisation of Promina aquisition intangible assets reduced 8.2% to $112 million.

Integration costs of $59 million were slightly higher than anticipated due to further surplus lease costs. This concludes the separate reporting of integration expenses. Ongoing integration projects are now being managed by the business lines and, in future reporting periods, any expenses will be reported within their results. The Promina integration has provided the Group with annual synergy benefits of $345 million at a total cost of $405 million.

Contribution to profit by division for the half year ended 31 December 2009

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
General Insurance					
Gross written premium	3,490	3,472	3,343	0.5	4.4
Net earned premium	3,144	2,993	2,988	5.0	5.2
Net incurred claims	(2,191)	(1,855)	(2,755)	18.1	(20.5)
Operating expenses	(812)	(803)	(839)	1.1	(3.2)
Investment income - insurance funds	260	(31)	764	large	(66.0)
Insurance trading result	401	304	158	31.9	153.8
Managed schemes net income	8	3	16	166.7	(50.0)
Joint venture and other income	23	11	(10)	109.1	(330.0)
Investment income - shareholder funds	100	(24)	154	large	(35.1)
Profit before tax and capital funding	532	294	318	81.0	67.3
Capital funding	(41)	26	(65)	(257.7)	(36.9)
Profit before tax	491	320	253	53.4	94.1
Income tax	(144)	(88)	(69)	63.6	108.7
General Insurance profit after tax	**347**	**232**	**184**	49.6	88.6
Banking					
Core Bank profit before tax	224	n/a	n/a	n/a	n/a
Non-core Bank profit/(loss) before tax	(211)	n/a	n/a	n/a	n/a
Profit before tax	13	20	97	(35.0)	(86.6)
Income tax	(9)	(11)	(37)	(18.2)	(75.7)
Banking profit after tax	**4**	**9**	**60**	(55.6)	(93.3)
Life					
Underlying profit after tax	86	79	101	8.9	(14.9)
Market adjustments after tax	19	(98)	35	(119.4)	(45.7)
Life profit after tax	**105**	**(19)**	**136**	**large**	**(22.8)**
Profit after tax from business lines	**456**	**222**	**380**	**105.4**	**20.0**
Other					
Contribution from L.J. Hooker [(1)]	54	5	3	large	large
Consolidation adjustments [(2)]	(1)	(11)	14	(90.9)	(107.1)
Amortisation of Promina acquisition intangible assets	(112)	(123)	(122)	(8.9)	(8.2)
Integration costs	(59)	(62)	(85)	(4.8)	(30.6)
Profit/(loss) before tax	(118)	(191)	(190)	(38.2)	(37.9)
Income tax benefit	29	63	69	(54.0)	(58.0)
Profit/(loss) on Promina acquisition and other items	**(89)**	**(128)**	**(121)**	(30.5)	(26.4)
Profit after tax before non-controlling interests	**367**	**94**	**259**	**290.4**	**41.7**
Non-controlling interests	(3)	(4)	(1)	(25.0)	200.0
Net profit after tax	**364**	**90**	**258**	**304.4**	**41.1**

(1) Includes profit before tax from sale of L.J. Hooker of $50 million in the half year to 31 December 2009.

(2) Represents elimination of Group transactions including:

- Treasury shares – Certain managed schemes controlled by Life entities own shares ('treasury shares') in Suncorp-Metway Ltd. These shares are recorded at fair value in the schemes' accounts and at cost at the Group level. The treasury share adjustment is $3 million (30 June 2009: $0 million; 31 December 2008: $5 million).
- Life deferred acquisition costs ('DAC') – within Suncorp Life DAC incorporates charges from other lines of business. From a Group viewpoint, these costs must be expensed as they are not incremental to the Group.
- Transactions between Banking and General Insurance, including profit or loss on the fair value movements of Banking securities held by General Insurance.

Balance Sheet

	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Assets					
Cash and cash equivalents	1,499	2,356	1,295	(36.4)	15.8
Receivables due from other banks	123	118	68	4.2	80.9
Trading securities	7,050	6,694	8,336	5.3	(15.4)
Derivatives	384	552	960	(30.4)	(60.0)
Investment securities	20,469	20,330	18,687	0.7	9.5
Loans, advances and other receivables	55,552	56,753	57,194	(2.1)	(2.9)
Reinsurance and other recoveries	1,560	1,622	1,616	(3.8)	(3.5)
Deferred insurance assets	880	744	717	18.3	22.7
Assets classified as held for sale	-	-	56	n/a	(100.0)
Investments in associates and joint ventures	220	201	155	9.5	41.9
Property, plant and equipment	367	407	338	(9.8)	8.6
Deferred tax assets	159	260	94	(38.8)	69.1
Investment property	156	160	175	(2.5)	(10.9)
Other assets	414	430	632	(3.7)	(34.5)
Goodwill and intangible assets	6,707	6,836	6,971	(1.9)	(3.8)
Total assets	95,540	97,463	97,294	(2.0)	(1.8)
Liabilities					
Deposits and short-term borrowings	34,638	37,866	46,538	(8.5)	(25.6)
Derivatives	2,460	1,556	214	58.1	large
Payables due to other banks	20	29	24	(31.0)	(16.7)
Bank acceptances	2	3	121	(33.3)	(98.3)
Payables and other liabilities	1,633	2,342	1,601	(30.3)	2.0
Current tax liabilities	72	154	5	(53.2)	large
Employee benefit obligations	239	251	305	(4.8)	(21.6)
Unearned premium liabilities	3,582	3,528	3,367	1.5	6.4
Outstanding claims liabilities	7,550	7,506	7,856	0.6	(3.9)
Gross policy liabilities	5,888	5,547	5,782	6.1	1.8
Unvested policyholder benefits	452	397	341	13.9	32.6
Managed funds units on issue	788	506	527	55.7	49.5
Securitisation liabilities	4,336	5,711	6,593	(24.1)	(34.2)
Debt issues	17,236	15,661	8,034	10.1	114.5
Total liabilities excluding loan capital	78,896	81,057	81,308	(2.7)	(3.0)
Loan capital					
Subordinated notes	2,207	2,312	2,824	(4.5)	(21.8)
Preference shares	867	865	863	0.2	0.5
Total loan capital	3,074	3,177	3,687	(3.2)	(16.6)
Total liabilities	81,970	84,234	84,995	(2.7)	(3.6)
Net assets	**13,570**	**13,229**	**12,299**	**2.6**	**10.3**
Equity					
Share capital	12,526	12,425	11,307	0.8	10.8
Reserves	93	(123)	(202)	(175.6)	(146.0)
Retained profits	942	921	1,187	2.3	(20.6)
Total equity attributable to owners of the Company	13,561	13,223	12,292	2.6	10.3
Non-controlling interests	9	6	7	50.0	28.6
Total equity	**13,570**	**13,229**	**12,299**	**2.6**	**10.3**

The consolidated Balance Sheet includes the assets and liabilities of the statutory funds of the Group's life insurance businesses which are subject to restrictions under the *Life Insurance Act 1995*.

		HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Ratios and statistics for the half year ended 31 December 2009						
Performance ratios						
Earnings per share [1]						
Basic	(cents)	29.0	7.6	25.3	281.6	14.6
Diluted	(cents)	28.3	7.6	24.7	272.4	14.6
Cash earnings per share [1]						
Basic	(cents)	35.2	14.9	33.7	136.2	4.5
Diluted	(cents)	32.5	14.9	30.3	118.1	7.3
Return on average shareholders' equity	(%)	5.4	1.4	4.2	285.7	28.6
Cash return on average shareholders' equity	(%)	6.6	2.7	5.5	144.4	20.0
Return on average total assets	(%)	0.75	0.19	0.54	294.7	38.9
Insurance trading ratio	(%)	12.8	10.2	5.3	25.5	141.5
Shareholder summary						
Dividend per ordinary share	(cents)	15.0	20.0	20.0	(25.0)	(25.0)
Payout ratio						
Net profit after tax	(%)	52.0	277.8	78.0	(81.3)	(33.3)
Cash earnings	(%)	42.8	142.0	58.6	(69.9)	(27.0)
Weighted average number of shares						
Basic	(million)	1,256.4	1,184.5	1,017.9	6.1	23.4
Diluted	(million)	1,359.8	1,184.5	1,133.7	14.8	19.9
Number of shares at end of period	(million)	1,262.6	1,250.2	1,006.2	1.0	25.5
Net tangible asset backing per share	($)	5.43	5.11	5.29	6.3	2.6
Share price at end of period	($)	8.70	6.70	8.40	29.9	3.6
Productivity						
Banking cost to income ratio	(%)	49.1	42.3	39.6	16.1	24.0
General Insurance expense ratio	(%)	25.8	26.8	28.0	(3.7)	(7.9)
Financial position						
Total assets	($ million)	95,540	97,463	97,294	(2.0)	(1.8)
Capital						
Bank capital adequacy ratio – Total	(%)	13.70	12.77	10.67	7.3	28.4
Bank capital adequacy ratio – Tier 1	(%)	11.96	11.31	8.83	5.7	35.4
Adjusted fundamental Tier 1 ratio	(%)	6.24	5.78	3.89	8.0	60.4
General Insurance domestic minimum capital ratio coverage	(times)	1.81	1.60	1.73	13.1	4.6

(1) Refer Appendix 3 for details of Earnings per share and Return on average shareholders' equity calculations. Refer Appendix 7 for definitions.

Group Capital

In October 2009, the Group completed the second stage of its legal entity restructuring. In addition, the incoming Group CEO has aligned the organisational structure with the legal entity structure, providing clear operational accountability for line businesses.

An important component of the Group's future strategy will be a simplification of Group capital management and reporting. Currently, the Bank is the holding company for the Group and its capital position is complicated by the legal ownership of the General Insurance and Life subsidiaries. The Group is still considering the merits of moving to a formal Non-Operating Holding Company (NOHC) structure to eliminate this complexity. In disclosing capital ratios below, the impact of eliminating the Bank's investments in subsidiaries has been shown.

Group capital ratios

At 31 December 2009, the Group's headline capital ratios remain above internal targets.

The Bank's capital adequacy ratio at 13.70% has increased by nearly 1% over the half.

The Bank's Tier 1 ratio at 11.96% has increased from 11.31% at 30 June 2009. Eliminating the Bank's investments in subsidiaries reduces this ratio to 8.49%, significantly higher than 7.89% at 30 June 2009.

The banking business line's Tier 1 core capital ratio, which removes hybrid capital and eliminates the investments in subsidiaries, is 6.25%. This has improved from 5.78% at 30 June 2009.

Reflecting the stronger earnings over the half year, the regulatory domestic general insurance group increased its Minimum Capital Requirement (MCR) cover to 1.81 times from 1.60 times. The general insurance business line's Tier 1 core capital coverage of the MCR has increased from 1.27 to 1.41 times.

The core capital information in the table below is for business lines and differs from the regulatory reporting groups used in the banking capital adequacy and general insurance MCR calculations in Appendix 4.

	AS AT 31 DECEMBER 2009				
	GENERAL INSURANCE $M	BANKING $M	LIFE $M	CONSOLIDATION $M	TOTAL $M
Total Tier 1 capital	2,685	4,793	1,477	(1,380)	7,575
Less preference shares	-	(879)	-	-	(879)
Less Tier 2 deductions for investments in subsidiaries, capital support	-	(1,413)	-	1,413	-
Tier 1 core capital	**2,685**	**2,501**	**1,477**	**33**	**6,696**
Tier 1 core capital ratios	**1.41 times**	**6.25%**			
Total capital	**3,452**	**5,487**	**1,477**	**33**	**10,449**
Total capital ratios	**1.82 times**	**13.71%**			

Detailed Group capital tables (including consolidation entries) are provided at Appendix 4.

The Group expects its capital position to strengthen considerably in future years as the Non-core Banking portfolio run-off and operational improvements implemented during 2009/10 increase internally generated capital. However, in the short-term, the Board has decided to adopt a conservative position regarding the level of capital held within the business. Accordingly, the interim dividend of 15 cents represents a payout of cash earnings slightly below the bottom end of the stated 50% to 60% target range.

Dividends

The interim dividend of 15 cents per share is fully franked and due to be paid on 1 April 2010. The record date for determining entitlements to the dividends is 5 March 2010.

	HALF YEAR ENDED		
	DEC-09 $M	JUN-09 $M	DEC-08 $M
Franking credits			
Franking credits available for subsequent financial years based on a tax rate of 30% after proposed dividend	561	523	407

Income tax

	HALF YEAR ENDED		
	DEC-09 $M	JUN-09 $M	DEC-08 $M
Profit before income tax expense	567	132	275
Income tax using the domestic corporation tax rate of 30%	170	39	83
Increase in income tax expense due to:			
Non-deductible expenses	7	8	13
Imputation gross-up on dividends received	1	1	3
Statutory funds	28	7	(61)
Income tax offsets and credits	(2)	(2)	(10)
Amortisation of Promina acquisition intangible assets	3	12	(5)
Other	2	(25)	(9)
	209	40	14
Over/(under) provision in prior year	(9)	(2)	2
Income tax expense on pre-tax net profit	**200**	**38**	**16**
Effective tax rate	**35.3%**	**28.8%**	**5.8%**
Income tax expense by segment			
General Insurance	144	88	69
Banking	9	11	37
Life	76	2	(21)
Other	(29)	(63)	(69)
Total income tax expense	200	38	16

The Group's consolidated effective tax rate for the six months ended 31 December 2009 was 35.3%.

The effective tax rate is above the corporate tax rate primarily due to the statutory fund adjustment of around $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. The Life net profit before tax includes the beneficial tax impact of the reduction in policyowner liabilities. In recent prior years, the reverse (a tax credit) was required as negative investment markets reduced the value of policyowner assets.

The effective tax rate has also increased due to non-deductible distributions from Converting Preference Shares ($5 million) in addition to the non-deductible distributions from the remaining Reset Preference Shares ($1 million).

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General Insurance

Basis of preparation

Financial information in this section includes both fire service levies and the impact of discount rate movements. These impacts are eliminated in the General Insurance Profit contribution table in Appendix 5.

Result overview

General Insurance recorded a pre-tax profit of $491 million for the half year to December 2009.

The ITR was $401 million, representing an insurance trading ratio of 12.8%. The underwriting profit was $141 million reflecting a substantial improvement on the underwriting loss of $606 million in the prior corresponding period.

Gross Written Premium (GWP) increased by 4.4% to $3.5 billion. Short-tail classes have experienced strong growth with Home up 13.9% and Motor up 6.8%. Premium rates in these classes have continued to increase following several years of adverse weather experience and greater reinsurance costs. Retention rates have remained strong.

In long-tail classes, Compulsory Third Party (CTP) rates increased in both New South Wales and Queensland resulting in an overall GWP increase of 17%. Commercial insurance lines grew by 1.4% aided by stable retention and modest rate increases.

As previously announced, from 1 July 2009, Suncorp withdrew from a number of underperforming product lines including Covermore travel insurance. Adjusting for these discontinued lines, underlying GWP growth was 7.5%.

Net claims reduced by 20.5% to $2.2 billion. Short-tail claims expenses were positively impacted by more favourable weather conditions with the cost of natural hazard claims being $56 million below the Group's long-run allowance. Short-tail claims also benefited from a $70 million central estimate release as prior year outstanding claims have been favourably settled or re-estimated. Reductions in average claim costs, driven through cost initiatives, have contributed to favourable reserve releases.

In long-tail claims, favourable releases from the commercial liability portfolio have been offset by the increase in the assumptions for wage inflation to 4.5% from 4.0%. The increase in expectations for wage inflation, costing $75 million, reverses the adjustment made in December 2008 and reflects recent unemployment and inflation data demonstrating the resilience of the Australian economy.

Risk margins remain at approximately 18% of outstanding claims reserves providing an approximate level of confidence of 90%.

Total operating expenses decreased overall by 3.2% to $812 million. Acquisition expenses reduced by $66 million including a $19 million benefit for the Liability Adequacy Test (LAT) and an $18 million reduction in the allocation of Bank expenses. Other underwriting expenses increased by $39 million to $381 million. This increase is predominantly due to a $16 million increase in Fire Services Levies flowing from premium increases and the accrual of a $16 million restructuring charge.

Investment income on insurance funds was $260 million. The underlying yield on this portfolio has reduced to around 4.2%, however there has been an $81 million mark-to-market gain from credit spread contraction and increased holdings of CPI-linked bonds giving rise to a favourable mismatch against the discount rate impacts on the claims provisions.

Investment returns on shareholder funds decreased to $100 million reflecting the reduction in yields offset by the contraction in credit spreads.

Joint venture and other income improved during the period as the Group's joint venture partners benefited from improved investment returns and more favourable weather conditions.

The Group's New Zealand businesses produced a strong result with premium growth, in NZ$ terms, of 6.3% and an ITR of NZ$42 million representing an ITR ratio of 11.9%.

Profit contribution – General Insurance

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Gross written premium	3,490	3,472	3,343	0.5	4.4
Gross unearned premium movement	(53)	(182)	(91)	(70.9)	(41.8)
Gross earned premium	3,437	3,290	3,252	4.5	5.7
Outwards reinsurance expense	(293)	(297)	(264)	(1.3)	11.0
Net earned premium	3,144	2,993	2,988	5.0	5.2
Net incurred claims					
Claims expense	(2,667)	(2,462)	(3,185)	8.3	(16.3)
Reinsurance and other recoveries revenue	476	607	430	(21.6)	10.7
	(2,191)	(1,855)	(2,755)	18.1	(20.5)
Total operating expenses					
Acquisition expenses [1]	(431)	(458)	(497)	(5.9)	(13.3)
Other underwriting expenses [1]	(381)	(345)	(342)	10.4	11.4
	(812)	(803)	(839)	1.1	(3.2)
Underwriting result	141	335	(606)	(57.9)	(123.3)
Investment income – insurance funds	260	(31)	764	large	(66.0)
Insurance trading result	401	304	158	31.9	153.8
Managed schemes net contribution	8	3	16	166.7	(50.0)
Joint venture and other income	23	11	(10)	109.1	(330.0)
General Insurance operational earnings	432	318	164	35.8	163.4
Investment income – shareholder funds	100	(24)	154	large	(35.1)
Contribution to profit from General Insurance activities before tax and capital funding	532	294	318	81.0	67.3
Capital funding [2]	(41)	26	(65)	(257.7)	(36.9)
Contribution to profit from General Insurance activities before tax	**491**	**320**	**253**	**53.4**	**94.1**

(1) Comparative information has been restated to be consistent with the current treatment of expense disclosures between acquisition costs and underwriting expenses.

(2) Includes interest expense on subordinated notes and preference shares allocated to General Insurance. The 30 June 2009 capital funding charge includes a $76 million gain from the redemption of subordinated notes.

	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Balance sheet – General Insurance					
Assets					
Cash and cash equivalents	515	760	588	(32.2)	(12.4)
Investment securities	10,455	10,277	10,464	1.7	(0.1)
Derivatives	28	66	144	(57.6)	(80.6)
Loans, advances and other receivables	1,654	1,783	1,813	(7.2)	(8.8)
Reinsurance and other recoveries	1,249	1,310	1,278	(4.7)	(2.3)
Deferred insurance assets	858	718	707	19.5	21.4
Investments in associates and joint ventures [1]	217	157	156	38.2	39.1
Due from subsidiaries	-	-	224	n/a	(100.0)
Investment property	156	160	186	(2.5)	(16.1)
Property, plant and equipment	41	46	56	(10.9)	(26.8)
Other assets	146	174	184	(16.1)	(20.7)
Goodwill and intangible assets [2]	5,690	5,778	5,877	(1.5)	(3.2)
Total assets	21,009	21,229	21,677	(1.0)	(3.1)
Liabilities					
Payables and other liabilities	419	943	820	(55.6)	(48.9)
Derivatives	95	69	73	37.7	30.1
Due to subsidiaries [2]	193	177	-	9.0	n/a
Deferred tax liabilities [2]	96	85	169	12.9	(43.2)
Employee benefit obligations	107	92	111	16.3	(3.6)
Unearned premium liabilities	3,582	3,527	3,366	1.6	6.4
Outstanding claims liabilities	7,410	7,369	7,729	0.6	(4.1)
Other financial liabilities	55	39	45	41.0	22.2
Subordinated notes	695	729	985	(4.7)	(29.4)
Total liabilities	12,652	13,030	13,298	(2.9)	(4.9)
Net assets	**8,357**	**8,199**	**8,379**	**1.9**	**(0.3)**

[1] This includes the revaluation in the National Transport Insurance joint venture.

[2] Certain asset and liability balances in the prior periods have been restated to include the Promina acquisition intangible assets and related tax balances allocated to General Insurance as part of the Legal Entity Restructure project.

	HALF YEAR ENDED		
	DEC-09 %	JUN-09 %	DEC-08 %
General Insurance ratios			
Acquisition expenses ratio	13.7	15.3	16.6
Other underwriting expenses ratio	12.1	11.5	11.4
Total operating expenses ratio	25.8	26.8	28.0
Loss ratio	69.7	62.0	92.2
Combined operating ratio	95.5	88.8	120.2
Insurance trading ratio	**12.8**	**10.2**	**5.3**

Gross written premium

	HALF YEAR ENDED DEC-09 $M	JUN-09[1] $M	DEC-08[1] $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Gross written premium by product					
Australia					
Motor	1,140	1,119	1,068	1.9	6.7
Home	791	690	692	14.6	14.3
Commercial	722	691	713	4.5	1.3
Compulsory third party	406	392	347	3.6	17.0
Workers' compensation	79	136	74	(41.9)	6.8
Other [2]	14	158	118	(91.1)	(88.1)
	3,152	**3,186**	**3,012**	**(1.1)**	**4.6**
New Zealand					
Motor	65	57	60	14.0	8.3
Home	76	68	69	11.8	10.1
Commercial	174	135	171	28.9	1.8
Other	23	26	31	(11.5)	(25.8)
	338	**286**	**331**	**18.2**	**2.1**
Total					
Motor	1,205	1,176	1,128	2.5	6.8
Home	867	758	761	14.4	13.9
Commercial	896	826	884	8.5	1.4
Compulsory third party	406	392	347	3.6	17.0
Workers' compensation	79	136	74	(41.9)	6.8
Other [2]	37	184	149	(79.9)	(75.2)
	3,490	**3,472**	**3,343**	**0.5**	**4.4**

[1] The June 2009 and December 2008 periods have been restated as the Five Star product now forms part of Commercial and was previously Motor.

[2] The decrease is due to the business exiting from its partnership with Covermore effective 1 July 2009. Gross written premium for the year to 31 December 2008 was $95 million and for the half year to 30 June 2009 was $120 million.

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Gross written premium by geography					
Queensland	921	905	847	1.8	8.7
New South Wales	1,114	1,242	1,132	(10.3)	(1.6)
Victoria	733	691	668	6.1	9.7
Western Australia	190	145	181	31.0	5.0
South Australia	99	97	93	2.1	6.5
Tasmania	55	48	51	14.6	7.8
Other	40	58	40	(31.0)	-
Total Australia	3,152	3,186	3,012	(1.1)	4.6
New Zealand	338	286	331	18.2	2.1
Total	**3,490**	**3,472**	**3,343**	**0.5**	**4.4**

Gross written premium continued

Motor

Motor insurance premium increased by 6.8% to $1.2 billion.

There have been a significant number of new entrants in the motor insurance market. These new entrants are predominantly using pricing levers and the internet channel to attempt to gain sustainable scale. Despite these challenges, Suncorp continues to grow at acceptable margins as a result of the benefits of Integration, refreshed brand strategies and an ongoing investment in the internet channel.

In Australia, unit growth was 4.4% underpinned by stable customer retention levels and significant new business growth. Average written premium growth was 2.3%.

In New Zealand, growth of 8.3% reflects strong unit growth offset by a weaker New Zealand dollar.

GWP growth was greatest in the Shannons (21%), APIA (9%) and AAMI (8%) brands.

Home

Home insurance premium increased by 13.9% to $867 million.

Premium rates for home insurance continue to increase following several years of adverse natural hazard claims and higher reinsurance costs. Despite these increases, customer retention has remained strong, net units have increased and the Group's market share has remained stable.

In Australia, growth is predominantly attributable to a 12.5% increase in average premiums and a 1.8% increase in net units.

In New Zealand, growth of 10.1% reflects strong unit growth offset by a weaker New Zealand dollar.

All brands delivered premium growth. The mass market brands, Suncorp (13%), AAMI (13%), APIA (11%) and GIO (11%) all performed strongly.

Commercial Insurance

Commercial Insurance premium income increased 1.4% to $896 million.

Despite difficult economic conditions and a competitive market, Australian Commercial Insurance premium income grew by 1.3% aided by stable retention, rate increases and a targeted focus on broker business. Premium rates have been increased in the majority of product lines to maintain margin due to the impact of lower investment returns and an industry-wide deterioration in large losses.

The New Zealand commercial GWP grew by 1.8% despite an adverse exchange rate.

GWP in the corporate portfolio has been stable due to limited infrastructure, large construction and engineering opportunities. Retention has remained strong across the majority of the portfolio, premiums have increased and policy numbers have remained stable, however, the prior year comparative benefited from a number of large project wins which have not been repeated.

During 2009, the Vero brand has been refreshed and established as the Commercial Insurance broker brand. The Group continues to leverage its investments in front end technology and servicing capability and this has resulted in increased market share in target industries and product lines.

The Packaged Business performed well with the Property portfolio, in particular, showing increases in both volumes (7%) and average premium (2%).

Gross written premium continued

Compulsory Third Party (CTP)

The CTP portfolio increased 17% to $406 million.

Average premiums are up in both Queensland (17.1%) and New South Wales (8.6%). New business has been boosted by increased new motor vehicle sales resulting from improved consumer confidence and the Federal Government business tax rebate. Retention has remained stable but some consumers have responded to increased premiums by moving to 6 month rather than annual policies.

Suncorp continues to be the leading CTP insurance provider in Queensland. In New South Wales, the Group remains the second largest CTP provider and utilises a two-brand strategy to optimise margin by focusing on attracting and retaining better risks.

Workers' Compensation

Suncorp underwrites Workers' Compensation under the GIO brand in Western Australia, ACT, Tasmania and Northern Territory.

Despite subdued wage growth, Workers' Compensation premium income increased by 6.8% to $79 million following premium rate increases and new business inflows.

Other premium income

Other premium income is $37 million and is predominantly made up of travel insurance and Deposit Power. From 1 July 2009, Suncorp ceased to write travel insurance in partnership with Covermore.

Reinsurance

Outwards reinsurance expense for the half year was $293 million, up 11% due to growth in risk exposures and reinsurance premium rate increases.

The property catastrophe treaty is the largest element of the Group's reinsurance program, covering home, motor and commercial property lines against major catastrophes such as windstorm, hail, bushfire and earthquake. The Group's joint venture partners participate in this treaty.

The Group's property catastrophe retention has increased from $150 million to $200 million, and the limit on the property catastrophe treaty increased from $5.35 billion to $6.05 billion.

The Group purchased aggregate catastrophe reinsurance cover for the 2009/10 year. The cost of events above $10 million is aggregated until the retention of $250 million is exceeded. This policy then provides $355 million of capacity for events with claim losses above $10 million.

Reinsurance security was maintained for the 2010 financial year program, with over 90% of long-tail business and 80% short-tail business protected by reinsurers rated 'A+' or better.

Reinsurance continued

	MAXIMUM SINGLE RISK RETENTION DEC-09 $M	MAXIMUM EVENT RISK RETENTION DEC-09 $M
Property (1)	10	200
General liability	10	10
Global liability	10	10
Workers' compensation	10	10
CTP	10	10
Motor (1)	10	200
Home owners' warranty	5	5
Professional Indemnity (2)	10	10
Travel & Personal Accident	5	5
Marine	10	10

(1) $200 million is the maximum retention. These classes are also protected by the property aggregate treaty.

(2) Retention is $5 million for the majority of occupations and industries.

Claims expense

Short-tail claims expense

Short-tail claims expenses have decreased by 12.7% to $1.5 billion. Weather was generally favourable for the half, with an absense of major natural hazard events. The incidence of smaller attritional natural hazard claims remain high. The total cost of natural hazard claims was $56 million below the Group's long-run allowances.

Short-tail claims expense has also been reduced by a prior year release of $70 million. This release reflects the effect of improved claims management processes on the ultimate cost of claims outstanding at 30 June 2009 as well as favourable reserving developments in short-tail commercial portfolios. Integration project designed to improve average motor repair costs and an absence of claims inflation were the major drivers of this release.

Long-tail claims expense

Long-tail claims expenses decreased by 33% to $706 million. This decrease is primarily due to the reduction in discount rates in the prior corresponding period.

The valuation of outstanding claims at December 2009 resulted in a minor release of $4 million for the Australian long-tail business. Releases of around $70 million from the commercial liability portfolio have been offset by an increase in wage inflation assumptions by 0.5% to 4.5%.

The following additional issues then impact the outstanding claim reserves:

1. **Current accident period strain** occurs because the business adopts a more conservative claim reserving basis for the purpose of preparing its financial statements than its premium pricing basis. In the half year to 31 December 2009, the current accident period strain was $58 million on a net central estimate basis.
2. **Net risk margin strain** is the additional risk margin provided on the current accident period referred to above, less the risk margin released from claims settled during the year as well as prior period releases and adjusted for the change in the yield curve. This was a net strain of $30 million for the half year, reflecting natural growth and some minor changes in diversification across the portfolio.
3. **Superimposed inflation** is the allowance for claims costs inflating at a rate greater than the average weekly earnings index. There is some evidence of superimposed inflation in some classes of business, following several years of highly favourable claims experience post tort-law reform. If superimposed inflation were not to occur, this would result in a release of approximately $70 million for the half year.

Risk margins

The Group has not significantly changed its approach to setting risk margins since 30 June 2009, with these remaining at approximately 18% of outstanding claim reserves and giving an approximate level of confidence of 90%.

Outstanding claims provisions over time

This table shows the gross and net outstanding claims liabilities. The net outstanding claims liabilities are shown split between the net central estimate, the discount on net central estimate and the (90th percentile, discounted) risk margin components. The net outstanding claims liabilities are also shown by major class of insurance business.

	HALF YEAR ENDED			DEC-09	DEC-09
	DEC-09 $M	JUN-09 $M	DEC-08 $M	vs JUN-09 %	vs DEC-08 %
Gross outstanding claims liabilites	7,410	7,369	7,729	0.6	(4.1)
Reinsurance and other recoveries	(1,249)	(1,310)	(1,278)	(4.7)	(2.3)
Net outstanding claims liabilities	**6,161**	**6,059**	**6,451**	**1.7**	**(4.5)**
Expected future claim payments and claims handling expenses	6,294	6,096	6,175	3.2	1.9
Discount to present value	(1,093)	(965)	(726)	13.3	50.6
Risk margin	960	928	1,002	3.4	(4.2)
Net outstanding claims liabilities	**6,161**	**6,059**	**6,451**	**1.7**	**(4.5)**
Personal					
Australia CTP	3,144	2,971	3,189	5.8	(1.4)
Australia short-tail	661	705	780	(6.2)	(15.3)
New Zealand	41	50	50	(18.0)	(18.0)
Commercial					
Australia long-tail	1,980	1,958	2,048	1.1	(3.3)
Australia short-tail	217	254	255	(14.6)	(14.9)
New Zealand	118	121	129	(2.5)	(8.5)
Total	**6,161**	**6,059**	**6,451**	**1.7**	**(4.5)**

Outstanding claims provisions breakdown

This table shows the net outstanding claim reserves split between the net central estimate (discounted) and the risk margin (90th percentile, discounted), broken down by class of business. It also shows the change in net central estimate by class of business.

	ACTUAL $M	NET CENTRAL ESTIMATE (DISCOUNTED) $M	RISK MARGIN (90TH PERCENTILE, DISCOUNTED) $M	CHANGE IN NET CENTRAL ESTIMATE [(1)] $M
Personal				
Australia CTP	3,144	2,709	435	40
Short-tail and other	661	599	62	(47)
New Zealand	41	37	4	(2)
Commercial				
Australia long-tail	1,980	1,571	409	(44)
Australia short-tail	217	194	23	(23)
New Zealand	118	91	27	(1)
Total	**6,161**	**5,201**	**960**	**(77)**

(1) This column is equal to the closing central estimate for outstanding claims, (before the impact of change in interest rates) incurred before the opening balance sheet date, less the opening net central estimate for outstanding claims, plus payments and claims handling expenses, less investment income earned on net central estimate. A negative sign indicates that there has been a release from outstanding reserves.

Claims development table

				ACCIDENT YEAR				
	PRIOR $M	2005 $M	2006 $M	2007 $M	2008 $M	2009 $M	2010[1] $M	TOTAL $M
Consolidated								
Estimate of ultimate claims cost								
At end of accident year		1,173	1,209	1,247	1,290	1,295	695	
One year later		1,064	1,120	1,180	1,151	1,344		
Two years later		939	1,039	1,074	1,120			
Three years later		899	963	1,011				
Four years later		848	902					
Five years later		817						
Current estimate of cumulative claims cost		817	902	1,011	1,120	1,344	695	
Cumulative payments		(588)	(507)	(384)	(236)	(122)	(14)	
Outstanding claims – undiscounted	1,075	229	395	627	884	1,222	681	5,113
Discount	(357)	(38)	(60)	(88)	(132)	(208)	(128)	(1,011)
Deferred premium	-	-	-	-	-	-	(6)	(6)
Outstanding claims – long-tail	718	191	335	539	752	1,014	547	4,096
Outstanding claims – short-tail and other portfolios								835
Claims handling expense								270
Risk margin								960
Total net outstanding claims liabilities								6,161
Reinsurance and other recoveries on outstanding claims liabilities								1,249
Total gross outstanding claims liabilities								**7,410**

[1] The most recent period includes information up to 31 December 2009 only. All other periods are for the twelve months to 30 June.

The first row in this table shows the estimated undiscounted ultimate claims by accident year. Reading down the columns, each successive number shows the ultimate cost by accident year estimated one year later. For example, the current estimate of ultimate claims costs for the 2006 year ($902 million) is 25% lower than that originally estimated ($1,209 million).

The remainder of the table then reconciles the undiscounted long-tail reserves to the 31 December 2009 provisions booked. This requires allowance for discounting, reserves for short-tail classes, claims handling expenses, risk margin etc.

Operating expenses

Total operating expenses have decreased by 3.2% to $812 million. The total operating expenses ratio has improved to 25.8% from 28.0%.

Acquisition expenses have decreased by $66 million to $431 million. The key elements of this decrease are a favourable liability adequacy test adjustment of $19 million; a reduction in bank allocation of expenses providing a $18 million benefit, reduced travel insurance commissions and tight control of discretionary expenses.

Other underwriting expenses have increased by $39 million to $381 million largely due to an increase in Fire Service Levies ($16 million) and a restructuring charge ($16 million).

Managed schemes

Net profit from the managed scheme business was $8 million, down from $16 million in the prior corresponding period. This is largely due to a loss of market share and reduced incentive fees in New South Wales.

Joint ventures

The Group participates in insurance joint ventures with motoring clubs in Queensland, South Australia and Tasmania. The 'joint venture and other income' contribution for the half to December 2009 was a profit of $23 million, up from a loss of $10 million in the prior half. Favourable results are predominantly due to improved investment returns and more favourable weather conditions.

The Group has indicated that it intends to exercise its options to divest the 50% joint venture stakes in Queensland and South Australia.

Investment income on insurance funds

The Australian General Insurance Technical Reserve portfolios are managed against a uniform benchmark allocation of 60% credit, 10% inflation, 10% Government and 20% Semi-Government Bonds. New Zealand's portfolio is managed against an allocation of 62% cash and 38% credit. The credit ratings of these investments are outlined on page 26.

The total investment income on technical reserves was $260 million. This result comprises:

- Underlying yield income of $164 million;
- Investment income against the discount rate movements on claims of $14 million;
- An accounting mismatch of $1 million representing additional assets not matched against interest rate sensitive liabilities; and
- An economic mismatch of $81 million caused by credit spreads and other duration and yield curve movements.

Performance for the year has been positive. The minor negative market rate adjustment impact of a drift lower in price of the underlying Government curve was greatly outweighed by the positive market rate adjustment impact of a continued tightening of credit spreads.

Throughout the year, continued narrowing of credit spreads has had significant influence over the positive mismatch between assets and liabilities. More recently, the inclusion of index linked bonds within the portfolio has resulted in a positive mismatch effect on the portfolio with prices moving lower at a slower pace than those witnessed across nominal bonds.

Investment income on shareholder funds

Investment income on shareholder funds for the half to December 2009 was $100 million, down from the prior corresponding period's result of $154 million. The decrease is largely due to the reduced yields when compared to December 2008. Performance returns achieved on domestic fixed interest and international equities are outlined below. International equities are held in the New Zealand portfolios.

Shareholder fund performance

	DEC-09		JUN-09		DEC-08	
	BENCHMARK RETURN %	ACTUAL RETURN %	BENCHMARK RETURN %	ACTUAL RETURN %	BENCHMARK RETURN %	ACTUAL RETURN %
Performance returns						
Shareholders' Funds:						
Fixed Interest – Domestic	4.47	3.80	11.05	10.67	2.83	2.93
Equities – International	11.56	11.97	3.57	8.38	(18.50)	(16.88)

Allocation of investments – General Insurance

	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Allocation of investments held against:					
Insurance funds					
Cash and short-term deposits	330	556	351	(40.6)	(6.0)
Interest bearing securities and other	7,514	7,465	7,815	0.7	(3.9)
Total	**7,844**	**8,021**	**8,166**	**(2.2)**	**(3.9)**
Shareholders' Funds					
Cash and short-term deposits	146	209	304	(30.1)	(52.0)
Interest bearing securities	2,818	2,291	2,383	23.0	18.3
Overseas equities [(1)]	67	56	52	19.6	28.8
Property and other	137	185	327	(25.9)	(58.1)
Total	**3,168**	**2,741**	**3,066**	**15.6**	**3.3**

(1) Refers to investments held by the New Zealand entities.

Allocation of investment income – General Insurance

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Investment income on insurance funds					
Cash and short-term deposits	8	6	12	33.3	(33.3)
Interest bearing securities and other	252	(37)	752	large	(66.5)
Total	**260**	**(31)**	**764**	**large**	**(66.0)**
Investment income on shareholder funds					
Cash and short-term deposits	2	1	4	100.0	(50.0)
Interest bearing securities	87	5	136	large	(36.0)
Australian equities	-	-	10	n/a	(100.0)
Overseas equities	4	-	11	n/a	(63.6)
Property	3	(32)	4	(90.6)	(25.0)
Other revenue	5	2	3	150.0	66.7
Other expenses	(1)	-	(14)	n/a	(92.9)
Total	**100**	**(24)**	**154**	**large**	**(35.1)**
Total investment income	**360**	**(55)**	**918**	**large**	**(60.8)**

Credit risk exposure – fixed interest investments

The General Insurance fixed interest portfolios are restricted to investment grade securities to ensure there is adequate capital protection of the assets under all market conditions. Below is the summary of the exposure for both investments on technical reserves and shareholder funds.

	HALF YEAR ENDED		
	DEC-09	JUN-09	DEC-08
AVERAGE	%	%	%
AAA	45.3	51.9	64.7
AA	39.5	31.5	22.7
A	12.6	14.5	10.6
BBB	2.6	2.1	2.0
	100.0	**100.0**	**100.0**

Profit contribution
– Personal Lines Australia

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Gross written premium	2,351	2,359	2,225	(0.3)	5.7
Net earned premium	2,173	2,085	2,063	4.2	5.3
Net incurred claims	(1,619)	(1,399)	(1,894)	15.7	(14.5)
Acquisition expenses	(274)	(270)	(339)	1.5	(19.2)
Other underwriting expenses	(209)	(192)	(184)	8.9	13.6
Total operating expenses	(483)	(462)	(523)	4.5	(7.6)
Underwriting result	71	224	(354)	(68.3)	(120.1)
Investment income – insurance funds	165	14	442	large	(62.7)
Insurance trading result	236	238	88	(0.8)	168.2

	%	%	%
Ratios			
Acquisition expenses ratio	12.6	12.9	16.4
Other underwriting expenses ratio	9.6	9.2	8.9
Total operating expenses ratio	22.2	22.1	25.3
Loss ratio	74.5	67.1	91.8
Combined operating ratio	96.7	89.2	117.1
Insurance trading ratio	10.9	11.4	4.3

Market overview

The personal insurance sector has proved resilient through the economic downturn, with consumers continuing to seek protection for their assets. Following recent major weather events and a substantial increase in reinsurance costs, the business has significantly increased premium rates, predominantly in the Home portfolio.

In Queensland CTP, the Regulator raised the ceiling premium price (for vehicle class 1 sedans and station wagons) by $7 in October 2009. Suncorp has filed at the ceiling price along with all other insurers. In New South Wales CTP, the headline rate increased by approximately 7.8% or $30 effective July 2009.

Insurance Trading Result (ITR)

Personal lines Australia reported an insurance trading result of $236 million for the half year. This represents an ITR ratio of 10.9%. Key features included:

- Momentum from the hardening rate cycle continued into the 2010 financial year resulting in increased average premium rates in the Home and Motor portfolios.
- A favourable period for weather events resulted in natural hazard event costs being below long-run allowances.
- Prior period releases of $47 million from short-tail personal lines. The claims integration benefits program was a significant driver through improvements in average motor repair costs along with a benign claims inflationary environment.
- The Covermore travel insurance portfolio was placed into run-off from 1 July 2009. It had previously contributed a $12 million loss in the first half of the 2009 financial year. The run-off is profit neutral for the first half of the 2010 financial year.
- The CTP loss ratio increased to 118.5% from 48.1% as a result of the central estimate strengthening by $40 million due to an adjustment to wage inflation. The prior period benefited from an $82m release.

Profit contribution – Commercial Lines Australia

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Gross written premium	801	827	787	(3.1)	1.8
Net earned premium	685	653	643	4.9	6.5
Net incurred claims	(412)	(310)	(670)	32.9	(38.5)
Acquisition expenses	(110)	(122)	(97)	(9.8)	13.4
Other underwriting expenses	(120)	(131)	(126)	(8.4)	(4.8)
Total operating expenses	(230)	(253)	(223)	(9.1)	3.1
Underwriting result	43	90	(250)	(52.2)	(117.2)
Investment income – insurance funds	88	(47)	305	(287.2)	(71.1)
Insurance trading result	131	43	55	204.7	138.2

	%	%	%
Ratios			
Acquisition expenses ratio	16.1	18.7	15.1
Other underwriting expenses ratio	17.5	20.1	19.6
Total operating expenses ratio	33.6	38.8	34.7
Loss ratio	60.1	47.5	104.2
Combined operating ratio	93.7	86.3	138.9
Insurance trading ratio	19.1	6.6	8.6

Market overview

The Australian commercial insurance market continues to see signs of hardening with premium increases across the majority of product lines. Clients in the SME sector have reduced coverage in an effort to minimise costs and reductions in large infrastructure projects have impacted insurance opportunities.

Workers' Compensation underwritten markets are hardening with average premium increases of around 3%. GIO continues its strategy of careful risk selection to ensure Workers' Compensation business is of optimum quality.

Insurance Trading Result (ITR)

Commercial lines Australia reported an ITR of $131 million for the half year, equal to an ITR ratio of 19.1%. Key factors impacting the ITR were:

- The loss ratio decreased to 60.1% from 104.2%, due to:
  - the absence of major weather events and storm activity; and
  - reduced frequency of large losses in commercial property.
- Central estimate releases were $67 million after the AWE adjustment. These are largely attributable to short-tail, public liability and workers' compensation portfolios where actual claims payments experience continues to perform favourably to valuation assumptions. The total quantum of reserve releases has been reduced by the increase in the wage inflation assumption.
- There has been a marginal decrease in expense ratios due to tight discretionary expense control.
- Favourable expectation in future claims experience from improved economic conditions has led to a favourable liability adequacy test adjustment of $19 million.
- Investment income is lower than prior periods due to reduced yields.

Profit contribution – New Zealand

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Gross written premium	338	286	331	18.2	2.1
Net earned premium	286	255	283	12.2	1.1
Net incurred claims	(160)	(146)	(191)	9.6	(16.2)
Acquisition expenses	(47)	(66)	(61)	(28.8)	(23.0)
Other underwriting expenses	(52)	(22)	(33)	136.4	57.6
Total operating expenses	(99)	(88)	(94)	12.5	5.3
Underwriting result	27	21	(2)	28.6	large
Investment income – insurance funds	7	2	17	250.0	(58.8)
Insurance trading result	34	23	15	47.8	126.7
	%	%	%		
Ratios					
Acquisition expenses ratio	16.4	25.9	21.6		
Other underwriting expenses ratio	18.2	8.6	11.7		
Total operating expenses ratio	34.6	34.5	33.3		
Loss ratio	55.9	57.3	67.5		
Combined operating ratio	90.5	91.8	100.8		
Insurance trading ratio	11.9	9.0	5.3		

New Zealand results expressed in NZ$

	HALF YEAR ENDED DEC-09 NZ $M	JUN-09 NZ $M	DEC-08 NZ $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Gross written premium	420	378	395	11.1	6.3
Net earned premium	355	334	341	6.3	4.1
Net incurred claims	(199)	(194)	(226)	2.6	(11.9)
Acquisition expenses	(58)	(87)	(73)	(33.3)	(20.5)
Other underwriting expenses	(65)	(30)	(38)	116.7	71.1
Total operating expenses	(123)	(117)	(111)	5.1	10.8
Underwriting result	33	23	4	43.5	large
Investment income – insurance funds	9	4	21	125.0	(57.1)
Insurance trading result	42	27	25	55.6	68.0
	%	%	%		
Ratios					
Acquisition expenses ratio	16.3	26.0	21.4		
Other underwriting expenses ratio	18.3	9.0	11.1		
Total operating expenses ratio	34.6	35.0	32.5		
Loss ratio	56.1	58.1	66.3		
Combined operating ratio	90.7	93.1	98.8		
Insurance trading ratio	11.9	8.1	7.3		

Market overview

The New Zealand operation produced a strong result for the half year to December 2009. GWP grew 6.3% compared to the same period in 2008 reflecting continuing rate increases in both Commercial and Personal lines businesses.

The New Zealand market is showing the early signs of hardening but with the varied markets within industry at different stages of the insurance cycle, recovery remains fragile.

Vero New Zealand is committed to maintaining its market leading approach to principles of risk selection and pricing. It is committed to maintaining a sustainable world class insurance business within the New Zealand Insurance industry. This position is endorsed by Vero New Zealand winning Insurer of the Year for the 5th time in the past 7 years.

Vero New Zealand will continue to focus on ways to reduce operational expenses without damaging the reputation of either its brands or its world class customer satisfaction levels. These customer satisfaction metrics and the high calibre of its employees gives Vero New Zealand a competitive edge over other underwriters within the New Zealand market.

Insurance Trading Result (ITR)

An Insurance Trading Result of NZ$42 million was reported for the half year to December 2009, equal to an ITR ratio of 11.9%. This is an increase of 63% on the December 2008 ITR ratio. The main components impacting the ITR were:

- Net Earned Premiums increased 4.1% primarily due to increased GWP.
- The overall loss ratio has decreased significantly to 56.1% due to lower than expected volumes of working and large loss claims.
- New Zealand experienced a benign claims environment during the period.
- The overall expenses ratio was 34.6%, a slight increase on the same period in 2008.
- Investment income from insurance funds reduced to NZ$9 million as a result of a fall in interest rates.

Profit contribution by class of business – short-tail and long-tail
(includes New Zealand)

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Short-tail					
Gross written premium	2,725	2,699	2,653	1.0	2.7
Net earned premium	2,410	2,318	2,323	4.0	3.7
Net incurred claims	(1,485)	(1,718)	(1,702)	(13.6)	(12.7)
Acquisition expenses	(349)	(361)	(384)	(3.3)	(9.1)
Other underwriting expenses	(327)	(286)	(280)	14.3	16.8
Total operating expenses	(676)	(647)	(664)	4.5	1.8
Underwriting result	249	(47)	(43)	large	large
Investment income – insurance funds	55	32	90	71.9	(38.9)
Insurance trading result	304	(15)	47	large	large

	%	%	%
Ratios			
Acquisition expenses ratio	14.5	15.6	16.5
Other underwriting expenses ratio	13.6	12.3	12.1
Total operating expenses ratio	28.1	27.9	28.6
Loss ratio	61.6	74.1	73.3
Combined operating ratio	89.7	102.0	101.9
Insurance trading ratio	12.6	(0.6)	2.0

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Long-tail					
Gross written premium	765	773	690	(1.0)	10.9
Net earned premium	734	675	665	8.7	10.4
Net incurred claims	(706)	(137)	(1,053)	415.3	(33.0)
Acquisition expenses	(82)	(97)	(113)	(15.5)	(27.4)
Other underwriting expenses	(54)	(59)	(62)	(8.5)	(12.9)
Total operating expenses	(136)	(156)	(175)	(12.8)	(22.3)
Underwriting result	(108)	382	(563)	(128.3)	(80.8)
Investment income – insurance funds	205	(63)	674	(425.4)	(69.6)
Insurance trading result	97	319	111	(69.6)	(12.6)

	%	%	%
Ratios			
Acquisition expenses ratio	11.2	14.4	17.0
Other underwriting expenses ratio	7.4	8.7	9.3
Total operating expenses ratio	18.5	23.1	26.3
Loss ratio	96.2	20.3	158.3
Combined operating ratio	114.7	43.4	184.6
Insurance trading ratio	13.2	47.3	16.7

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Core Bank

Basis of preparation

The core and non-core banking tables represent an indicative view of relative performance. Whilst every effort has been made to ensure that the tables are as accurate as possible, necessary assumptions around the allocation of funding and expenses have been made.

Result overview

Core Bank profit before tax and bad debts for the half year to 31 December 2009 was $226 million.

Operating conditions for the Core Bank are positive with stable net interest margins and low bad and doubtful debt charge experience.

Over the last twelve months the Bank has achieved considerable success in delivering on its key priorities of de-risking portfolios in line with risk appetite, reducing reliance on short-term wholesale funding markets, managing capital and reshaping the Core Bank for sustained profitability.

Net interest margin to interest earning assets in the Core Bank was 1.76% for the half year to 31 December 2009, while the margin to lending assets was 2.01% for the period. Higher funding costs have continued to reduce lending spreads, and competition for deposits has been strong. The margin performance has benefited from increased spreads on transaction accounts in line with the rising interest rate environment.

Competition remains intense within the banking market, despite the absence of non-bank lenders, with major competitors continuing to use their market position aggressively in pricing and advertising.

Expense management continued to be a strong focus, with Core Bank operating expenses totalling $223 million. Discretionary spending was reduced and the cost base improved to reflect the narrower strategic focus of the Core Bank. This was offset by a reallocation of expenses within the Group relating to an increased share of group overheads and restructured cost recovery arrangements for distribution of insurance products via the Bank's branch network.

Credit quality in the Core Bank remains very strong, with gross impaired assets reducing slightly over the half year to $142 million. Gross non-performing loans declined 20.3% to $314 million, with past due loans declining 30.9% to $172 million.

Core Bank impairment losses for the half year were limited to $2 million. The Bank refined its collective provisioning model during the period, resulting in a write-back of the Core Bank provision balance of $19 million. Excluding this, the bad debt charge would have been $16 million or, on an annualised basis, 17 basis points of credit risk weighted assets. Impaired asset coverage of provisions and equity reserve for credit losses is greater than 100%.

	HALF YEAR ENDED DEC-09 $M	QUARTER ENDED JUN-09 $M
Profit contribution – Core Bank		
Net interest income	371	187
Non-interest income		
Net banking fee income	58	33
MTM on financial instruments	17	(6)
Other income	3	2
	78	29
Total income from Banking activities	449	216
Operating expenses	(223)	(102)
Contribution to profit from Banking activities before impairment losses on loans and advances	226	114
Impairment losses on loans and advances	(2)	(18)
Contribution to profit before tax from normal business activities	**224**	**96**
One-off non-recurring items		
Write-off of software implementation project	-	(11)
Net profit from redemption of subordinated notes	-	53
Contribution to profit before tax from core banking activities	**224**	**138**

	HALF YEAR ENDED DEC-09 %	QUARTER ENDED JUN-09 %
Ratios and statistics		
Cost to income ratio	49.67	47.22
Net interest margin	1.76	1.72
Net interest margin (lending assets)	2.01	1.97
Net interest spread	1.44	1.57
Bad debts to gross loans and advances	0.01	0.19
Deposit to loan ratio	68.98	64.13

	DEC-09 $M	JUN-09 $M	DEC-09 vs JUN-09 %
Loans, advances and other receivables			
Housing loans	23,756	22,191	7.1
Securitised housing loans	4,638	6,111	(24.1)
Total housing loans	28,394	28,302	0.3
Consumer loans	596	610	(2.3)
Retail loans	28,990	28,912	0.3
Commercial (SMEs)	4,147	4,271	(2.9)
Agribusiness	3,440	3,646	(5.7)
Business loans	7,587	7,917	(4.2)
Total lending	**36,577**	**36,829**	**(0.7)**
Other receivables [1]	451	1,015	(55.6)
Gross banking loans, advances and other receivables	37,028	37,844	(2.2)
Provision for impairment	(81)	(96)	(15.6)
Loans, advances and other receivables	**36,947**	**37,748**	**(2.1)**
Risk weighted assets	**19,002**	**18,468**	**2.9**

[1] Other receivables are made up primarily of trade finance and foreign exchange advances.

Total lending in the Core Bank reduced 0.7% over the half year to $36,577 million.

The Bank continued to focus on personal lending through its proprietary channel; however it constrained aggregate lending growth due to its focus on improving the balance sheet funding mix. With deposit funding now at the higher end of the target 60% - 70% range, the opportunity exists to increase lending volumes in the Bank's core markets of personal, agribusiness and commercial/SME.

The Core Bank continues to focus on expanding distribution through its proprietary channels and using intermediaries as a variable channel to supplement existing sales force distribution.

Core Bank risk weighted assets increased 2.9% as the proportion of mortgages funded through securitisation, and therefore receiving regulatory capital relief, was reduced.

Personal lending

Housing lending

Home loan receivables, including securitised assets, grew 0.3% over the half year.

While challenging lending conditions continued throughout the period, signs of improvement are emerging. Government stimulus of the first home buyer market increased home lending activity and investors began to re-enter the market late in the period.

The Bank focused on higher quality full personal relationship business and was able to use its strong levels of customer satisfaction in Queensland to maintain home loan balances in that state. The Bank also continued expansion activities in New South Wales and Western Australia.

Consumer lending

Low levels of consumer lending growth continued during the period, reflecting economic conditions and the Bank limiting new exposures to consumer loans.

Moderate growth in margin lending balances reflects investor caution regarding debt and leverage levels. While sentiment remains cautious, the recent improvement in equity markets is likely to drive growth in margin lending balances.

	DEC-09 $M	JUN-09 $M	DEC-09 vs JUN-09 %
Consumer loans by purpose			
Personal loans	344	376	(8.5)
Overdrafts	4	5	(20.0)
Credit cards	7	7	-
Margin lending	241	222	8.6
	596	**610**	**(2.3)**

Business lending

Business lending conditions during the period remained challenging, with low levels of business confidence and a general trend of deleveraging across the economy. Core business loans contracted 4.2% over the half year.

Commercial (SME)

Commercial loans to small-to-medium businesses reduced 2.9% as customers took opportunities to reduce leverage and pay down balances.

Suncorp's commercial lending portfolio is focused on the sub $30 million market, providing full banking services, and utilising the Bank's branch network in Queensland and areas of New South Wales and Western Australia.

Agribusiness

The agribusiness portfolio reduced 5.7% for the half year.

The agribusiness segment has experienced several climatic extremes over the recent period. Optimism in the sector is generally improving and favourable conditions have allowed many farmers to repay debt and reduce loan exposures.

Agribusiness remains a core strength of the Bank, having experience in this sector through the most extreme economic and seasonal variations.

Funding and deposits

	DEC-09 $M	JUN-09 $M	DEC-09 vs JUN-09 %
Retail funding			
Retail deposits			
Transaction	6,125	6,110	0.2
Investment	3,511	3,673	(4.4)
Term	12,874	11,635	10.6
Core retail deposits	22,510	21,418	5.1
Retail treasury	2,721	2,202	23.6
Total retail funding	25,231	23,620	6.8
Wholesale funding			
Domestic funding sources			
Short-term wholesale	3,015	6,672	(54.8)
Long-term wholesale	525	734	(28.5)
Subordinated notes	375	378	(0.8)
Reset preference shares	78	78	-
Convertible preference shares	390	390	-
	4,383	8,252	(46.9)
Overseas funding sources [1]			
Short-term wholesale	1,043	1,429	(27.0)
Long-term wholesale	1,472	1,863	(21.0)
Subordinated notes	442	477	(7.3)
	2,957	3,769	(21.5)
Total wholesale funding	7,340	12,021	(38.9)
Total funding (excluding securitisation)	**32,571**	**35,641**	**(8.6)**
Securitised funding			
APS 120 qualifying	2,902	4,658	(37.7)
APS 120 non-qualifying	1,806	1,065	69.6
Total securitised funding	4,708	5,723	(17.7)
Total funding (including securitisation)	**37,279**	**41,364**	**(9.9)**
Total funding is represented on the balance sheet by:			
Deposits	25,231	23,620	6.8
Short-term borrowings	4,058	8,101	(49.9)
Securitisation liabilities	4,708	5,723	(17.7)
Bonds, notes and long-term borrowings	1,997	2,597	(23.1)
Subordinated notes	817	855	(4.4)
Preference shares	468	468	-
Total	**37,279**	**41,364**	**(9.9)**
Retail funding as a percentage of total lending	**69%**	**64%**	

[1] Foreign currency borrowings are hedged back into Australian dollars.

Retail funding

Core retail deposits grew 5.1% for the half year, reflecting the Bank's strong focus on attracting deposit funds from new and existing customers through competitive pricing and leading customer service.

The recent volatility in financial markets has influenced institutions across the banking sector to continue to secure funding through deposit gathering. This has led to high levels of competitive pricing throughout the industry.

The pricing of deposits is expected to remain highly competitive for some time, with higher rates across deposit products as well as fee-free offers on transaction accounts.

The expansion of the Bank's branch network in its target markets of Queensland, Western Australia and New South Wales has supported continued deposit growth for the period.

Wholesale funding

The Bank continued with its strategy of de-risking its funding profile, match funding the Non-core Bank and applying an appropriate funding mix to the core portfolio.

The extreme global financial market challenges of a year ago have largely abated but a new paradigm of higher costs and increased risk awareness remains. The introduction of the Government Guarantee for wholesale funding has allowed all financial institutions access to international funding markets, thereby continuing the supply of funds to households and businesses.

During the half year, Suncorp raised wholesale funds both with and without the Government Guarantee. The Core Bank has focused on increasing deposit levels, thereby reducing the need for new wholesale funding. The Bank has no requirement to access new long-term wholesale funding until mid 2011, although will continue to monitor markets closely and will likely consider transactions earlier than this for strategic reasons.

Recent decisions to remove the Government Guarantee for wholesale funding are not expected to have a significant impact on the Bank.

	HALF YEAR ENDED DEC-09 $M
Net interest income	
Interest revenue lending assets	1,160
Interest revenue other assets [1]	107
Interest expense deposits and funding	(886)
	381
Interest expense preference shares	(10)
	371
Net interest margin (interest earning assets)	**1.76%**
Net interest margin (lending assets)	**2.01%**

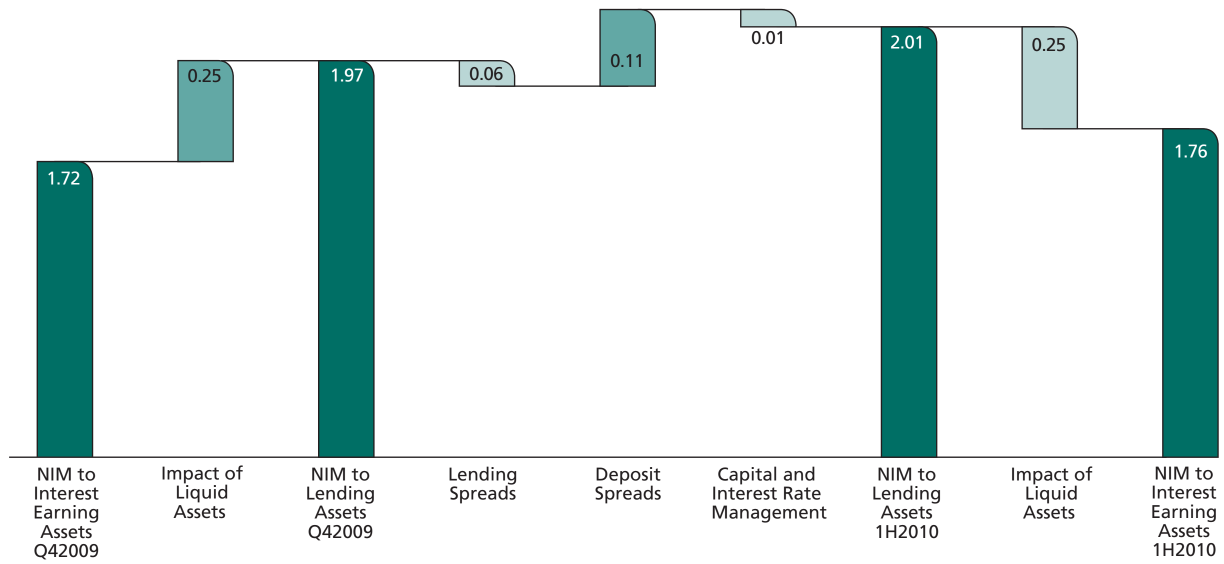
(1) Includes liquid asset portfolio.

Net interest income for the period was $371 million, driven by a higher yield curve and home and business loan pricing which, in part, offset the higher weighted average cost of funding.

The net interest margin measured against interest earning assets was 1.76% for the half year, while net interest margin measured against lending assets was 2.01%.

The extent of the difference in the two ratios reflects the Bank's conservative approach to liquidity management, with higher liquid asset balances diluting the margin to interest earning assets. The cost of holding excess liquidity is included in both measures and as such the margin on lending assets is a more accurate measure of the Bank's profitability.

Change in net interest margin (NIM): Core Bank, %



Lending spreads (net of yield curve changes) negatively impacted the margin by 6 basis points. The Core Bank experienced higher funding costs throughout the half due to higher costs of wholesale funding and reduced volumes of lower cost securitisation funding. The Bank continued to increase price for risk across the portfolio, although competitive pressures have limited opportunities. In December, the Bank raised variable home loan interest rates to recover some of the increased costs of wholesale funding.

The change in deposit spreads added 11 basis points to margins. The rise in official interest rates and movement in the yield curve favourably impacted the return on transaction accounts. Rises in rates have been largely passed on to deposit customers through higher term deposit and savings account rates. Transaction accounts continue to provide a stable source of funding for the Bank.

Net banking fee income

	HALF YEAR ENDED DEC-09 $M	QUARTER ENDED JUN-09 $M
Net banking fee income		
Lending fee revenue	30	18
Lending fee expense	(20)	(11)
Net lending fees	10	7
Transaction fees	40	21
Interchange fees	8	5
	58	**33**

Net banking fee income for the half was $58 million, with lower lending volumes reflected in lower fee income.

Other operating revenue

As part of its ordinary operations, the Bank purchases liquid assets and uses short-dated hedging instruments for interest rate risk management purposes. These are accounted for on a mark-to-market basis.

Mark-to-market gains on these assets were $18 million for the half year.

As these assets are normally held to maturity, gains are expected to unwind in the future, with the impact realised in net interest income.

The movement in the mark-to-market position on these instruments during the period is as follows:

	HALF YEAR ENDED DEC-09 $M
Balance at the beginning of the half year	(6)
Unwind to net interest income	(1)
Gain/(loss) current period	18
Balance at the end of the half year	**11**

The expected future amortisation profile of gains is as follows:

Expected unwind profile	JUN-10 $M	DEC-10 $M	JUN-11 $M	DEC-11 $M
Balance at the beginning of the half year	11	6	3	1
Unwind to net interest income in future periods	(5)	(3)	(2)	(1)
Balance at the end of the half year	**6**	**3**	**1**	**-**

Operating expenses

Operating expenses for the half year to 31 December 2009 were $223 million, resulting in a Core Bank cost to income ratio of 49.7%.

Costs for the period remained consistent with previous periods as the Core Bank continued to focus on simplifying its operations through removing inefficiency and concentrating on core products and capabilities.

During the period the Group continued to focus on improving consistency and transparency in the apportionment of operating expenditures related to product distribution. This approach led to a review of the allocation of group overhead costs and costs associated with the distribution of insurance products via the branch network. The impact of this review is an additional $22 million in distribution and group overhead costs for the half being applied to the Bank, when compared to the December 2008 half year.

The Bank has taken a prudent approach to cost management throughout the period of economic uncertainty. This has resulted in reduced discretionary spend and advertising and promotional spend over the half year. With improving conditions and positive economic indicators, increased investment is anticipated in the second half to stimulate growth.

Impairment losses on loans and advances

	HALF YEAR ENDED DEC-09 $M	QUARTER ENDED JUN-09 $M
Impairment losses on loans and advances		
Collective provision for impairment	(19)	2
Specific provision for impairment	4	10
Actual net write-offs	17	6
	2	**18**

Impairment losses on loans and advances in the Core Bank were $2 million for the half year to 31 December 2009.

Economic indicators have continued to improve since June 2009, thereby reducing the levels of new accounts entering non-performing and allowing the orderly resolution of accounts.

During the period the Bank revised its collective provision methodology to reflect emerging portfolio trends earlier than the previous approach. This resulted in a reclassification of collective provisions from core to non-core. Total collective provision balances reduced $19 million for the half year. Excluding the change in methodology, the collective provision would have reduced by $5 million and the total core bank impairment charge would have been $16 million for the half, equating to 17 basis points of credit risk weighted assets.

Total specific provision charges for the Core Bank were $4 million for the half year. The majority of this increase occurred in the first quarter, with the balance of the specific provision account remaining steady from September to December 2009.

Impaired assets

Gross impaired assets in the core portfolio remained steady over the half year to 31 December 2009, at $142 million.

Continuing improvement in trading conditions for commercial and agribusiness customers has assisted in the resolution of previously impaired accounts and resulted in a further decline in new accounts entering impairment.

As business conditions continue to improve, the ability to resolve accounts improves. Accounts remain well secured over physical property, with outcomes in line with expectations.

	DEC-09 $M	JUN-09 $M	DEC-09 vs JUN-09 %
Impaired asset balances			
Gross balances of individually impaired loans			
with specific provisions set aside	142	100	42.0
without specific provisions set aside	-	45	(100.0)
Gross impaired assets	142	145	(2.1)
Specific provision for impairment	(46)	(42)	9.5
Net impaired assets	96	103	(6.8)
Size of gross individually impaired assets			
Less than one million	22	22	-
Greater than one million but less than ten million	97	58	67.2
Greater than ten million	23	65	(64.6)
	142	145	(2.1)
Past due loans not shown as impaired assets	172	249	(30.9)
Gross non-performing loans	314	394	(20.3)
Interest income on impaired assets recognised in the contribution to profit (1)	1	1	-
Analysis of movements in gross individually impaired assets			
Balance at the beginning of the half year	145	n/a	n/a
Recognition of new impaired assets	35	n/a	n/a
Increases in previously recognised impaired assets	9	n/a	n/a
Impaired assets written off during the half year	(13)	n/a	n/a
Impaired assets which have been restated as performing assets or repaid	(34)	n/a	n/a
Balance at the end of the half year	**142**	**n/a**	**n/a**
	%	%	
Gross individually impaired assets as a percentage of gross loans, advances and other receivables	0.38	0.38	
Gross non-performing loans as a percentage of gross loans, advances and other receivables	0.85	1.04	

(1) The June 2009 comparative period represents contribution to profit for the quarter ended 30 June 2009.

Provision for impairment

	DEC-09 $M	JUN-09[1] $M	DEC-09 vs JUN-09 %
Collective provision			
Balance at the beginning of the period [1]	54	52	3.8
Charge against contribution to profit	(19)	2	large
Balance at the end of the period	35	54	(35.2)
Specific provision			
Balance at the beginning of the period [1]	42	35	20.0
Charge against impairment losses	4	10	(60.0)
Charge against interest income	-	(3)	(100.0)
Balance at the end of the period	46	42	9.5
Total provision for impairment – Banking activities	81	96	(15.6)
Equity reserve for credit loss			
Balance at the beginning of the period [1]	62	33	87.9
Transfer from retained earnings	(7)	29	(124.1)
Balance at the end of the period	55	62	(11.3)
Pre-tax equivalent coverage	79	89	(11.2)
Total provision for impairment and equity reserve for credit loss coverage – Core Banking activities	160	185	(13.5)

	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:		
Collective provision	24.65	37.24
Specific provision	32.39	28.97
Total provision	57.04	66.21
Equity reserve for credit loss coverage	55.63	61.38
Total provision and equity reserve for credit loss coverage	112.68	127.59

[1] Opening balances for June 2009 are as at 1 April 2009.

Average banking interest earning assets and liabilities

	HALF YEAR ENDED DEC-09			QUARTER ENDED JUN-09		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Assets						
Interest earning assets						
Trading securities	4,598	97	4.18	5,084	50	3.94
Gross loans, advances and other receivables	36,507	1,148	6.24	37,995	571	6.03
Other interest earning assets	820	22	5.32	600	8	5.35
Total interest earning assets	41,925	1,267	5.99	43,679	629	5.78
Liabilities						
Interest bearing liabilities						
Retail deposits	23,919	495	4.11	23,259	261	4.50
Wholesale liabilities	14,204	380	5.31	17,799	170	3.83
Debt capital	933	21	4.46	1,009	11	4.37
Total interest bearing liabilities	39,056	896	4.55	42,067	442	4.21
Analysis of interest margin and spread						
Interest earning assets	41,925	1,267	5.99	43,679	629	5.78
Interest bearing liabilities	39,056	896	4.55	42,067	442	4.21
Net interest spread			1.44			1.57
Net interest margin (interest earning assets)	41,925	371	1.76	43,679	187	1.72
Net interest margin (lending assets)	36,507	371	2.01	37,995	187	1.97

Non-core Bank

Result overview

During 2009 the Bank announced its strategy regarding the separation of non-core activities and commenced run-off of non-core loans.

The operating environment for the Bank's non-core segments has changed significantly since the commencement of financial market difficulties in 2008. There continues to be a strong move towards deleveraging across the broader economy, with corporates and property companies focusing on reducing risk and exposures.

The non-core portfolio is administered by a separate management team dedicated to the portfolio, working closely with customers to achieve pay down of receivables. This has resulted in run-off of the non-core portfolios continuing ahead of schedule, with run-off of $1.9 billion for the six months.

The Bank has taken a risk averse approach to funding of non-core portfolios, reducing financing risk through match funding liabilities to maturity. This approach has resulted in the Bank applying large portions of its wholesale funding raised in late 2008 and during 2009 to the non-core portfolio. An outcome of this risk management approach has been an increase in the weighted average cost of wholesale funding and a consequent reduction in net interest margins in the non-core book.

In line with the challenging economic and market conditions, selected large corporates and property companies in the non-core book continue to face difficult conditions. Non-core impairment losses for the half year were $272 million.

Non-core specific provision charges increased by $155 million over the period. The increase includes $180 million for new single name exposures, four of which were highlighted in the Bank's APS330 disclosure in November 2009. Outside of these single names, the specific provisions for other impaired assets increased $73 million. Offsetting this was the removal of the specific provision for Babcock and Brown International of $98 million.

The non-core collective provision reduced by $40 million as single name accounts, which had previously been identified on the Bank's watchlist and covered in collective provisions, were transferred to impaired asset status. Arrears levels continued to improve, with non-core past due loans, which are not impaired assets, reducing 38.5% to $123 million.

	HALF YEAR ENDED DEC-09 $M	QUARTER ENDED JUN-09 $M
Profit contribution – Non-core Bank		
Net interest income	95	66
Non-interest income		
Net banking fee income	21	13
MTM on financial instruments	-	(2)
Other income	(1)	7
	20	18
Total income from Banking activities	115	84
Operating expenses	(54)	(23)
Contribution to profit from Banking activities before impairment losses on loans and advances	61	61
Impairment losses on loans and advances	(272)	(200)
Contribution to profit before tax from non-core banking activities	**(211)**	**(139)**

	HALF YEAR ENDED DEC-09 %	QUARTER ENDED JUN-09 %
Ratios and statistics		
Cost to income ratio	46.96	27.38
Net interest margin	0.78	1.14
Net interest margin (lending assets)	1.13	1.55
Net interest spread	0.53	0.59
Bad debts to gross loans and advances	3.15	4.56

	DEC-09 $M	JUN-09 $M	DEC-09 vs JUN-09 %
Loans, advances and other receivables			
Corporate	3,004	3,287	(8.6)
Development finance	5,579	6,055	(7.9)
Property investment	5,909	6,647	(11.1)
Lease finance	1,150	1,541	(25.4)
Structured finance	3	4	(25.0)
Non-core Portfolio	15,645	17,534	(10.8)
Other receivables	1,508	-	n/a
Gross banking loans, advances and other receivables	17,153	17,534	(2.2)
Provision for impairment	(739)	(663)	11.5
Loans, advances and other receivables	**16,414**	**16,871**	**(2.7)**
Risk weighted assets	**15,932**	**17,578**	**(9.4)**

Portfolio run-off

Portfolio run-off continues to track favourably to expectations. For the six month period $1.9 billion has run off from the non-core portfolio, $300 million ahead of management expectations.

Trading conditions in non-core segments remain difficult, with mixed opportunity to sell and refinance assets, as well as weak levels of confidence in property markets.

Some signs of improvement are emerging in asset sales and a return of home buyers to the market, enabling developers to reduce stock levels.

Opportunities for asset sales and refinancing will continue to develop, although investors and financiers remain cautious.

Business portfolios

Corporate lending

The corporate lending book has continued to run off ahead of expectations, reducing by 8.6% for the half year to 31 December 2009. The return of confidence in funding markets, and increased confidence from investors, has enabled increased run-off over the period.

Development finance

The balance of development finance loans continued to decline over the period, reducing 7.9% to $5.6 billion.

Conditions in development finance markets have remained challenging over the period. Recent Government first home buyer stimulus has provided some confidence to the market, allowing developers to reduce stock levels and repay debt. Removal of the stimulus has reduced some sales, although home financing and investment levels improved late in the period.

Property investment

Property investment includes assets such as shopping centres, commercial offices, and industrial warehouses and excludes construction projects.

Property investment loans reduced 11.1% for the half year to 31 December 2009. Conditions in the property investment segment have not proven to be as difficult as was anticipated. The market has experienced some increase in vacancy rates over the cycle, but continues to have good interest coverage and, while valuations have reduced, portfolio performance to date has been better than expected.

Lease finance

Outstanding balances in the lease finance portfolio reduced 25.4% for the half year, to $1.2 billion.

Lease finance receivables continue to reduce in line with its natural amortising repayment profile.

	DEC-09 $M	JUN-09 $M	DEC-09 vs JUN-09 %
Funding			
Wholesale funding			
Domestic funding sources			
Short-term wholesale	4,261	5,337	(20.2)
Long-term wholesale	4,829	3,788	27.5
Subordinated notes	321	321	-
Reset preference shares	66	66	-
Convertible preference shares	333	331	0.6
	9,810	9,843	(0.3)
Overseas funding sources [1]			
Short-term wholesale	1,275	1,145	11.4
Long-term wholesale	10,768	9,616	12.0
Subordinated notes	374	407	(8.1)
	12,417	11,168	11.2
Total funding (excluding securitisation)	**22,227**	**21,011**	**5.8**
Securitised funding			
APS 120 qualifying	-	382	n/a
APS 120 non-qualifying	-	88	n/a
Total securitised funding	-	470	n/a
Total funding (including securitisation)	**22,227**	**21,481**	**3.5**
Total funding is represented on the balance sheet by:			
Short-term borrowings	5,536	6,482	(14.6)
Securitisation liabilities	-	470	(100.0)
Bonds, notes and long-term borrowings	15,597	13,404	16.4
Subordinated notes	695	728	(4.5)
Preference shares	399	397	0.5
Total funding (including securitisation)	**22,227**	**21,481**	**3.5**

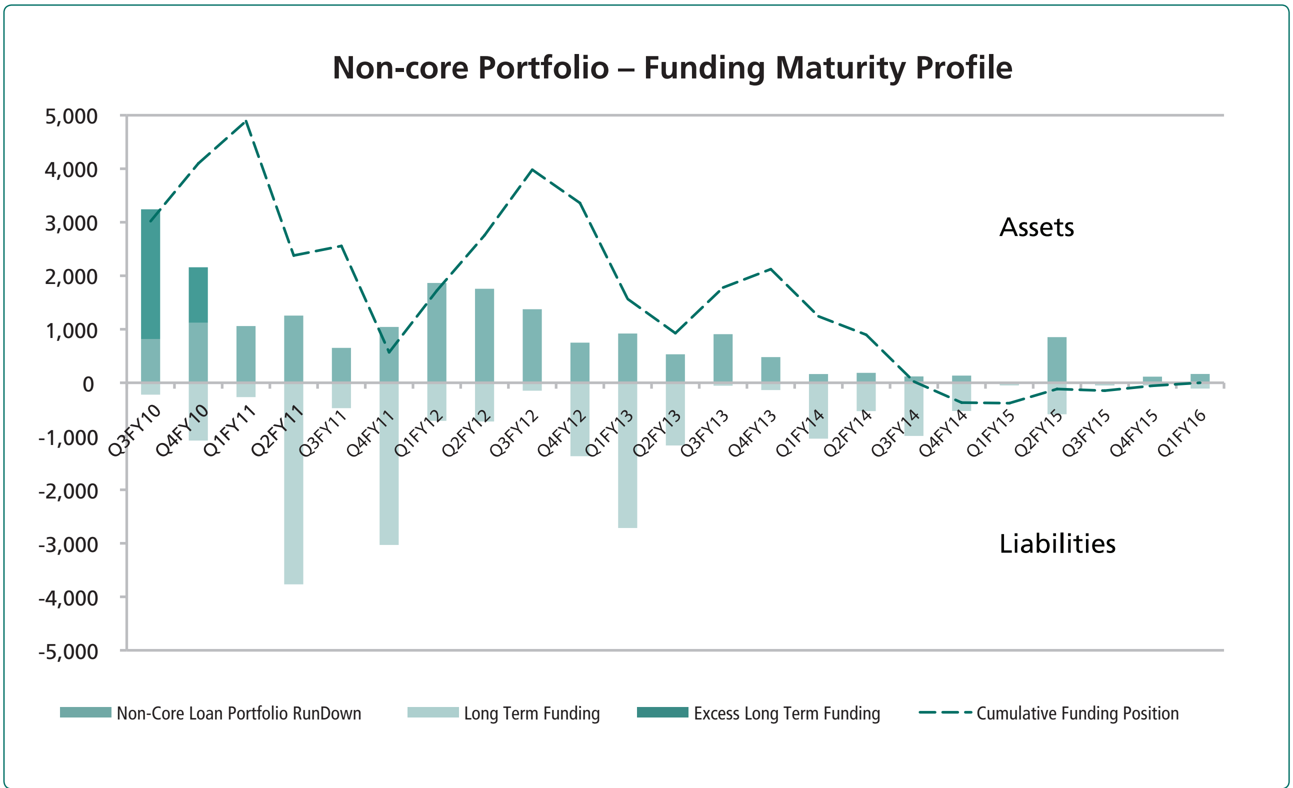
[1] Foreign currency borrowings are hedged back into Australian dollars.

The strategy to match fund the non-core portfolio has placed the Bank in a very low funding and liquidity risk profile position.

Total wholesale funding across the Bank has been apportioned to the core and non-core portfolios, enabling the separate management of balance sheet and funding risk. The asset maturity of the non-core portfolio has been modelled based upon expected run-off over time, taking into account individual account management issues and repayment profiles. From this, a liability profile has been constructed with regard to the following principles:

- The non-core portfolio is to be positively funded to maturity
- Short-term funding is to fund liquid assets only
- Liquid assets are to be maintained to ensure adequate pay down of maturities as and when they occur.

The chart below illustrates the cumulative funding position of the Non-core Bank, showing that the portfolio remains positively funded to maturity.

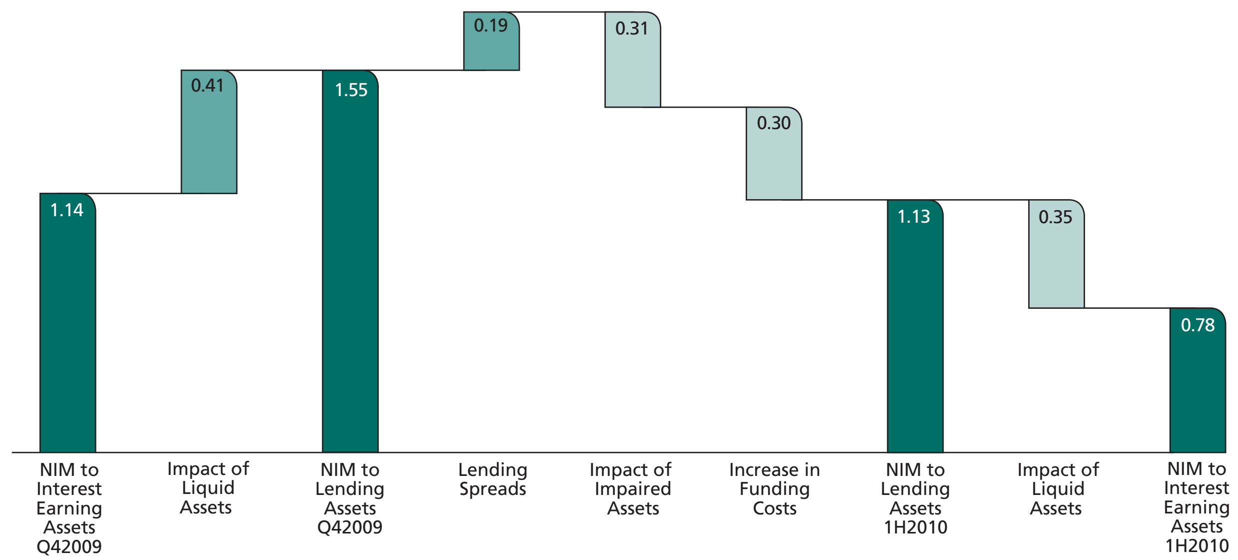


The Non-core Bank continues to hold $7.5 billion in short-term liquid assets. Of these, $3 billion are funded by long-term liabilities. Excess liquidity will continue to be held in the Non-core Bank in expectation of the repayment of these long-term maturities due in 2011.

	HALF YEAR ENDED DEC-09 $M
Net interest income	
Interest revenue lending assets	527
Interest revenue other assets	143
Interest expense deposits and funding	(566)
	104
Interest expense preference shares	(9)
	95
Net interest margin (interest earning assets)	**0.78%**
Net interest margin (lending assets)	**1.13%**

Net interest income in the Non-core Bank was $95 million and was impacted by higher costs of long-term wholesale funding and declining non-core balances.

Change in net interest margin (NIM): Non-core Bank, %



Increased lending spreads benefited the net interest margin by 19 basis points during the half year to 31 December 2009. The Bank continued to revise its pricing approach in non-core segments, repricing facilities for risk and increased funding costs where contractually possible.

The increase in impaired assets has had a significant impact on non-core margins. The higher volume of impaired assets, where interest is not brought to account, as well as the rise in interest rates generally, has resulted in a 31 basis point reduction in margins.

The program of match funding the non-core portfolio, while significantly reducing the risk of refinancing, has reduced margins in the Non-core Bank by 30 basis points for the half year.

The non-core portfolio continues to hold liquid assets in anticipation of paydown of wholesale liabilities. It is anticipated that liquid assets will continue to accumulate prior to the repayment of term issuance in the 2011 financial year.

Net banking fee income

	HALF YEAR ENDED DEC-09 $M	QUARTER ENDED JUN-09 $M
Net banking fee income		
Lending fee revenue	20	13
Lending fee expense	(1)	(1)
Net lending fees	19	12
Transaction fees	2	1
Interchange fees	-	-
	21	**13**

Net banking fee income for non-core assets was $21 million. Non-core fees continue to reduce in line with receivables balances.

Operating expenses

Operating expenses of the non-core portfolio were $54 million for the half year to 31 December 2009.

Since inception of the Bank's strategy to concentrate on core portfolios and pursue the orderly run-off of non-core assets, the Bank has undertaken a dedicated program of cost extraction in line with portfolio run-off. This process has identified the cost base associated with the non-core portfolio, namely direct management costs, servicing costs and decentralisation of activities required to operate a separately managed non-core portfolio. It is anticipated that this separate cost management program will continue until the end of 2013.

In conjunction with the transition to the core and non-core portfolios, the Bank began its program of simplification. Through this process the Bank's distribution, customer development, operations and financial functions were restructured. Total costs of restructuring incurred during the half year were $16 million, and has been included in the non-core result.

Impairment losses on loans and advances

	HALF YEAR ENDED DEC-09 $M	QUARTER ENDED JUN-09 $M
Impairment losses on loans and advances		
Collective provision for impairment	(40)	(5)
Specific provision for impairment	155	183
Actual net write-offs	157	22
	272	**200**

Impairment losses on non-core loans and advances were $272 million for the half year to 31 December 2009. While loan losses have reduced from their peak in mid 2009, difficult conditions continue for non-core segments.

For the half year to December 2009, specific provision charges were $155 million. Continued difficulties with single name exposures in the corporate and property development segments contributed to higher specific provisions. The increase in non-core specific provision includes $180 million for new single name exposures, four of which were highlighted in the Bank's APS330 disclosure in November 2009. Outside of these single names, the specific provisions for other impaired assets increased $73 million. Offsetting this was the removal of the specific provision for Babcock and Brown International of $98 million.

The transfer of single name accounts to specific provisions, as well as an improvement in the credit quality of the remaining non-core portfolio, has reduced the collective provision charge held.

In December 2008, the Bank took the prudent measure of introducing an economic overlay to its collective provisioning methodology to protect against sharply deteriorating economic conditions. During the December 2009 half, the Bank refined its collective provisioning methodology and has embedded the economic overlay into the credit factors applied in calculating the collective provision.

Bad debts written off of $157 million includes the crystallisation of the Babcock and Brown International loss of $104 million.

Impaired assets

	DEC-09 $M	JUN-09 $M	DEC-09 vs JUN-09 %
Impaired asset balances			
Gross balances of individually impaired loans			
with specific provisions set aside	2,077	1,250	66.2
without specific provisions set aside	-	79	(100.0)
Gross impaired assets	2,077	1,329	56.3
Specific provision for impairment	(551)	(435)	26.7
Net impaired assets	1,526	894	70.7
Size of gross impaired assets			
Less than one million	33	28	17.9
Greater than one million but less than ten million	211	243	(13.2)
Greater than ten million	1,833	1,058	73.3
	2,077	1,329	56.3
Past due loans not shown as impaired assets	123	200	(38.5)
Gross non-performing loans	2,200	1,529	43.9
Interest income on impaired assets recognised in the contribution to profit	-	-	n/a
Analysis of movements in gross individually impaired assets			
Balance at the beginning of the half year	1,329	n/a	n/a
Recognition of new impaired assets	1,019	n/a	n/a
Increases in previously recognised impaired assets	25	n/a	n/a
Impaired assets written off during the half year	(154)	n/a	n/a
Impaired assets which have been restated as performing assets or repaid	(142)	n/a	n/a
Balance at the end of the half year	**2,077**	**n/a**	**n/a**

	%	%
Gross individually impaired assets as a percentage of gross loans, advances and other receivables	12.11	7.58
Gross non-performing loans as a percentage of gross loans, advances and other receivables	12.83	8.72

Impaired assets in the non-core portfolio increased $748 million to $2.1 billion.

During the half year, seven single name exposures totalling $800 million were transferred from watchlist to impaired. Of these, one account of approximately $50 million was resolved during the half, with the customer repaying the vast majority of the debt.

Trading conditions in the non-core portfolio remain difficult, with a long period of deleveraging and extended work out periods. The separate intensive management unit established in January 2009 continues to work closely with customers in the corporate and property segments to early identify key sensitivity points and triggers for possible impairment, and to achieve pay down of receivables.

Past due loans, which are not impaired assets, improved 38.5% to $123 million over the half year.

	DEC-09 $M	JUN-09[(1)] $M	DEC-09 vs JUN-09 %
Provision for impairment			
Collective provision			
Balance at the beginning of the period [(1)]	228	233	(2.1)
Charge against contribution to profit	(40)	(5)	700.0
Balance at the end of the period	188	228	(17.5)
Specific provision			
Balance at the beginning of the period [(1)]	435	265	64.2
Charge against impairment losses	155	183	(15.3)
Charge against interest income	(39)	(13)	200.0
Balance at the end of the period	551	435	26.7
Total provision for impairment – Banking activities	739	663	11.5
Equity reserve for credit loss			
Balance at the beginning of the period [(1)]	133	-	n/a
Transfer from retained earnings	103	133	(22.6)
Balance at the end of the period	236	133	77.4
Pre-tax equivalent coverage	337	190	77.4
Total provision for impairment and equity reserve for credit loss coverage – Banking activities	1,076	853	26.1

	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:		
Collective provision	9.05	17.16
Specific provision	26.53	32.73
Total provision	35.58	49.89
Equity reserve for credit loss coverage	16.23	14.30
Total provision and equity reserve for credit loss coverage	51.81	64.18

(1) Opening balances for June 2009 are as at 1 April 2009.

Average banking interest earning assets and liabilities

	HALF YEAR ENDED DEC-09			QUARTER ENDED JUN-09		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Assets						
Interest earning assets						
Financial assets	7,401	143	3.83	6,358	69	4.35
Gross loans, advances and other receivables	16,714	527	6.25	17,636	266	6.05
Total interest earning assets	24,115	670	5.51	23,994	335	5.60
Liabilities						
Interest bearing liabilities						
Wholesale liabilities	22,041	556	5.00	20,476	258	5.05
Debt capital	874	19	4.31	908	9	3.98
Total interest bearing liabilities	22,915	575	4.98	21,384	267	5.01
Analysis of interest margin and spread						
Interest earning assets	24,115	670	5.51	23,994	335	5.60
Interest bearing liabilities	22,915	575	4.98	21,384	267	5.01
Net interest spread			0.53			0.59
Net interest margin (interest earning assets)	24,115	95	0.78	23,994	68	1.14
Net interest margin (lending assets)	16,714	95	1.13	17,636	68	1.55

Life

Basis of preparation

Changes in reporting methodology in this report include bringing underlying investment income into the calculation of underlying profit and the reclassification of the unwind of policy liabilities. The unwind, which refers to the profit impact of changes in the value of policy liabilities due to the passing of time, is now included in Planned Margins. Comparatives have been restated.

Underlying investment income has been derived by applying long-term expected earning rates, consistent with those used in the Embedded Value calculation, to actual shareholder invested assets.

The sub-heading Funds Management has been eliminated with the three businesses that previously comprised this group now shown as distinct lines of business. The business that was referred to in previous disclosures as 'Retail Investments' is now reported by its divisional name: 'Superannuation & Investments'. Results will be reported by the following business lines: Life Risk, Superannuation & Investments and Asset Management.

Result overview

Suncorp Life is a trans-Tasman life risk specialist with complementary businesses in superannuation and investment and asset management. Products are distributed through financial advisers, both aligned and external, and direct to the Suncorp customer base.

Life reported underlying profit after tax of $86 million for the half year. Net profit after tax was $105 million.

These results, while down on the prior period, can be broadly explained by the steps taken in 2008/09 to derisk the Participating Book, as well as pressures on lapse rates and claims due to the economic cycle.

In the half year to December 2009 Suncorp Life has progressed its strategy with specific areas of focus including:

- growing distribution capability and reach;
- improving customer retention; and
- continuing a program of simplification and cost control.

In Life Risk, in-force premium grew by 6.2% to $757 million and Suncorp Life's key External Financial Adviser distribution channel has seen new business growth of approximately 9%. Planned margins were up 5.3% to $40 million. Life risk profit was $36 million representing a 21.7% reduction on the prior period. Policy lapse rates negatively impacted life risk profit and these were a key focus of attention for the business over the half.

In Superannuation & Investments, Funds under Administration is up 4.6% to $13 billion. Profit was down 24% to $19 million, driven by reduced planned profit margins in the Participating Book as a result of de-risking the portfolio in the previous year, together with the flow on impact of lower investment market returns over the previous two years.

In Asset Management, Funds under Management is up 6.5% to $25 billion with a profit of $7 million.

Underlying Investment Income is unchanged at $29 million for the half. This is the first time that Suncorp Life has incorporated underlying investment income into its underlying profit and brings Life into line with industry practice. Underlying investment income applies long-term market rates on shareholder invested assets and the assumptions used are consistent with the embedded value assumptions for the prior half, as shown on page 63.

Market Adjustments, while not impacting underlying performance, impact net profit after tax and are favourable year to date ($19 million) due to rising equity markets. Investment income experience is a new disclosure and is the difference between the expected return on investments (underlying investment income) and the actual return for the half. Investment experience was $20 million, up from the $57 million shortfall in the half to 31 December 2008.

Operating expenses were down by 8.7% to $157 million due to ongoing tight control of discretionary expenditure and benefits flowing through from structural rationalisation, reduction in duplication and simplification of the business.

Suncorp Life first disclosed its Embedded Value (EV) at 31 December 2008 in June 2009. Subsequently Life has calculated embedded values as at 30 June 2009 and 31 December 2009. At June 2009, the EV had decreased to $2,145 million, largely on the back of an increase in the risk free discount rates. At 31 December 2009, Suncorp Life's EV was $2,301 million, an increase of 7% driven largely by expected returns and strong investment performance.

Life continued to achieve industry accolades in the last half, with a 2009 NMG Business Capability Index survey of the top industry risk advisers in Australia ranking Asteron second out of the top 10 insurers for business capability, and Asteron being awarded 2009 Core Data Risk Company of the Year.

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Profit contribution – Life					
Excluding Life Insurance policyholders' interests					
Life Risk					
Planned profit margin release [1]	40	40	38	-	5.3
Mortality experience	(1)	-	4	n/a	(125.0)
Morbidity experience	3	2	(3)	50.0	(200.0)
Other experience	(6)	6	5	(200.0)	(220.0)
Loss capitalisation	-	-	2	n/a	(100.0)
Life Risk	**36**	**48**	**46**	**(25.0)**	**(21.7)**
Superannuation & Investments	19	14	25	35.7	(24.0)
Distribution [3]	(5)	(7)	(5)	28.6	-
Asset Management	7	4	6	75.0	16.7
Underlying investment income	**29**	**20**	**29**	**45.0**	**-**
Total Life underlying profit after tax	**86**	**79**	**101**	**8.9**	**(14.9)**
Market adjustments					
Annuities market adjustments	6	18	(34)	(66.7)	(117.6)
Life Risk policy liability discount rate changes [2]	(7)	(87)	126	(92.0)	(105.6)
Investment income experience	20	(29)	(57)	(169.0)	(135.1)
Market adjustments	**19**	**(98)**	**35**	**(119.4)**	**(45.7)**
Net profit after tax and including non-controlling interests	**105**	**(19)**	**136**	**large**	**(22.8)**

(1) Planned profit margin release includes the unwind of policy liabilities which refer to the profit impact of changes in the value of policy liabilities due to the passing of time. Previous disclosures reported elements of the unwind within both planned profit margin release and net investment income on shareholder assets. For consistency, the entire unwind of policy liabilities now forms part of planned profit margin release. Comparatives have been restated to reflect this change.

(2) Risk free rates are used to discount Life Risk policy liabilities. Due to deferred acquisition costs there are net negative policy liabilities (an asset). An increase in discount rates leads to a loss whilst a decrease leads to a gain.

(3) The Distribution loss relates to net costs incurred selling life and wealth products through our distribution channels.

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Shareholder investment income					
Shareholder investment income on invested assets	49	(9)	(28)	large	(275.0)
Less underlying investment income	(29)	(20)	(29)	45.0	-
Investment income experience	**20**	**(29)**	**(57)**	**(169.0)**	**(135.1)**

Underlying investment income has been derived by applying long-term expected earning rates, consistent with those used in the prior periods Embedded Value calculations, to actual invested shareholder assets.

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Operating expenses					
Total operating expenses	**157**	**166**	**172**	**(5.4)**	**(8.7)**

Balance Sheet – Life

	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Total Assets					
Assets					
Invested assets	5,004	4,489	4,331	11.5	15.5
Assets backing annuity policies	138	143	164	(3.5)	(15.9)
Assets backing participating policies	2,501	2,491	2,750	0.4	(9.1)
Reinsurance ceded	311	310	337	0.3	(7.7)
Other assets [(1)]	263	337	346	(22.0)	(24.0)
Goodwill and intangible assets [(1)]	944	966	990	(2.3)	(4.6)
	9,161	**8,736**	**8,918**	**4.9**	**2.7**
Liabilities					
Payables [(1)]	149	256	281	(41.8)	(47.0)
Outstanding claims liabilities	145	139	130	4.3	11.5
Deferred tax liabilities [(1)]	104	49	7	112.2	large
Policy liabilities	5,888	5,547	5,782	6.1	1.8
Unvested policyholder benefits [(2)]	452	397	342	13.9	32.2
	6,738	**6,388**	**6,542**	**5.5**	**3.0**
Total Net Assets	**2,423**	**2,348**	**2,376**	**3.2**	**2.0**
Policyholder assets					
Invested assets	3,791	3,336	3,247	13.6	16.8
Assets backing annuity policies	138	143	164	(3.5)	(15.9)
Assets backing participating policies	2,501	2,491	2,750	0.4	(9.1)
Deferred tax assets	12	54	75	(77.8)	(84.0)
Other assets [(1)]	46	39	70	17.9	(34.3)
	6,488	**6,063**	**6,306**	**7.0**	**2.9**
Liabilities					
Payables	16	8	6	100.0	166.7
Policy liabilities	6,020	5,658	5,958	6.4	1.0
Unvested policyholder benefits [(2)]	452	397	342	13.9	32.2
	6,488	**6,063**	**6,306**	**7.0**	**2.9**
Policyholder Net Assets	-	-	-	n/a	n/a
Shareholder assets					
Assets					
Invested assets	1,213	1,153	1,084	5.2	11.9
Reinsurance ceded	311	310	337	0.3	(7.7)
Other assets [(1)]	217	298	276	(27.2)	(21.4)
Goodwill and intangible assets [(1)]	944	966	990	(2.3)	(4.6)
	2,685	**2,727**	**2,687**	**(1.5)**	**(0.1)**
Liabilities					
Payables [(1)]	133	248	275	(46.4)	(51.6)
Outstanding claims liabilities	145	139	130	4.3	11.5
Deferred tax liabilities [(1)]	116	103	82	12.6	41.5
Policy liabilities	(132)	(111)	(176)	18.9	(25.0)
	262	**379**	**311**	**(30.9)**	**(15.8)**
Shareholder Net Assets	**2,423**	**2,348**	**2,376**	**3.2**	**2.0**

(1) Certain asset and liability balances in the prior periods have been restated to include the Promina acquisition intangible assets and related tax balances allocated to Life as part of the Legal Entity Restructure project.

(2) Consists of participating business policyholder retained profits.

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Invested shareholder assets [1]					
Cash	232	246	205	(5.7)	13.2
Fixed interest securities	797	693	546	15.0	46.0
Equities	173	199	290	(13.1)	(40.3)
Property	10	11	39	(9.1)	(74.4)
Other	1	4	4	(75.0)	(75.0)
Total	**1,213**	**1,153**	**1,084**	**5.2**	**11.9**

[1] Excludes assets backing annuity and participating business.

Life Risk – market environment

Policy lapses impacted Suncorp Life's profit and this was a major focus for product and service development. Life's lapse rates, according to Plan for Life September 2009, are 2.5% below the industry average.

Market conditions put pressure on claims management, but the impact of some income protection claims was managed by effective rehabilitation of claimants and other initiatives.

Overall growth rates for new business slowed but sales through External Financial Advisers grew on top of the step change growth rates of the previous two half years. Asteron launched an innovative wellbeing program (Asteron Life!) to encourage positive health outcomes for life policyholders and further differentiate Asteron from competitors.

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Life Risk new business by product [1]					
Term and TPD	15	14	17	7.1	(11.8)
Trauma	9	8	9	12.5	-
Disability income	11	10	10	10.0	10.0
Other	5	5	6	-	(16.7)
Total individual	**40**	**37**	**42**	**8.1**	**(4.8)**
Group	2	3	4	(33.3)	(50.0)
Total	**42**	**40**	**46**	**5.0**	**(8.7)**

[1] For internal and external consistency the definition of New Business has been changed to align with that used by the sales force internally. Comparatives have been restated to reflect this change.

Individual new business sales were lower by $2 million at $40 million. Overall, new business sales were $4 million lower at $42 million. Suncorp Life's key External Financial Adviser distribution channel has seen new business growth of approximately 9%, incorporated in overall new business sales.

	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Life Risk in-force annual premium [1]					
Term and TPD	282	272	263	3.7	7.2
Trauma	112	106	101	5.7	10.9
Disability income	184	177	175	4.0	5.1
Other	24	24	24	-	-
Total individual	**602**	**579**	**563**	**4.0**	**6.9**
Group	155	154	150	0.6	3.3
Total	**757**	**733**	**713**	**3.3**	**6.2**

[1] Annual premiums reflect the balance at the end of the period, 31 December 2009.

Superannuation & Investments – market environment

Despite a recovery in equity markets, Superannuation & Investments sales were lower than expected as retail investors remained cautious. There has been an improvement in net flows due to lower than expected redemptions, attributable to the strategic focus on customer retention.

The flow-on impacts of the Global Financial Crisis have had an impact on the profitability of the Participating Book, which was progressively de-risked in 2008/09 to protect the capital security of policyholders. As a result of reduced exposure to growth assets, planned future profits have effectively been reduced.

Life has been proactive in consolidation, migrating legacy funds into its Suncorp WealthSmart product, with final stages planned for 2010. This ensures Life is well placed to take advantage of cost reductions while improving customer experience.

	HALF YEAR ENDED				
	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Superannuation & Investments New Business					
Superannuation	91	66	131	37.9	(30.5)
Pensions	56	51	112	9.8	(50.0)
Investments	16	12	18	33.3	(11.1)
Total	**163**	**129**	**261**	**26.4**	**(37.5)**

While investors remained cautious with total investment sales 37.5% lower at $163 million, sales were up 26.4% compared to the June 2009 half.

	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Funds under administration					
Opening balance at start of period	11,851	12,445	14,430	(4.8)	(17.9)
Net inflows/(outflows)	(4)	(533)	(340)	(99.2)	(98.8)
Investment income and other	1,169	(61)	(1,645)	large	(171.1)
Balance at end of period	**13,016**	**11,851**	**12,445**	**9.8**	**4.6**
Funds under supervision					
Opening balance at start of period	47,874	29,786	27,502	60.7	74.1
Mandate inflows/(outflows)	(6,102)	18,088	2,284	(133.7)	(367.2)
Balance at end of period	**41,772**	**47,874**	**29,786**	**(12.7)**	**40.2**

Funds under administration (FUA) have increased 4.6% to $13 billion. FUA predominantly comprise the Australian Superannuation & Investments business and New Zealand Guardian Trust.

Funds under supervision (FUS) have grown by 40.2% to $41.8 billion, reflecting the New Zealand Guardian Trust becoming trustee for a number of new bank securitisation structures in the June 2009 half.

Asset Management – market environment

Asset Management results have been buoyed by investment returns based on strengthening equity markets in the first half and improving operational efficiency. Investment appetite at both institutional and retail levels is improving.

	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Funds under management					
Opening balance at start of period	23,385	23,408	24,183	(0.1)	(3.3)
Net inflows/(outflows)	(457)	(559)	(141)	(18.2)	224.1
Investment income and other	1,993	536	(634)	271.8	(414.4)
Balance at end of period	**24,921**	**23,385**	**23,408**	**6.6**	**6.5**

	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Funds under management by source					
General Insurance	10,836	10,519	10,839	3.0	(0.0)
Life companies	6,425	6,463	6,675	(0.6)	(3.7)
External	7,660	6,403	5,894	19.6	30.0
Total funds under management	**24,921**	**23,385**	**23,408**	**6.6**	**6.5**

Funds under management (FUM) have increased by 6.5% to $24.9 billion since December 2008, with external FUM increasing 30% to $7.6 billion primarily due to market strength. Net outflows of $457 million relate almost exclusively to withdrawals by Suncorp subsidiaries.

Life Embedded Value

Suncorp Life includes the two Australian life companies (Asteron Life Ltd and Suncorp Life & Superannuation Limited), the NZ life company (Asteron Life Limited NZ) and various other legal entities in the Suncorp Life group of companies.

Embedded Value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits at 70%. The Embedded Value does not consider the value of future new business that the company is expected to write.

The components of value are shown in the table below.

	DEC-09 $M	JUN-09 $M	DEC-08 $M
Embedded Value			
Adjusted net worth	**191**	**138**	**123**
Value of distributable profits	1,766	1,691	1,778
Value of imputation credits	344	316	274
Value of in-force	**2,110**	**2,007**	**2,052**
Traditional Embedded Value	**2,301**	**2,145**	**2,175**
Value of one year's new sales (VOYS)	**46**	**53**	**95**

Note that in relation to the above values:

- The components of value relate to Suncorp Life in its entirety
- The risk discount rate was equal to 4% above risk-free rate
- Adjusted net worth taken as net assets in excess of target capital requirements. Adjusted net worth for non-life company entities has not been reduced on account of minimum regulatory capital in these entities. However appropriate adjustment for this capital requirement has been made in the value of in-force
- Value of in-force is the present value of distributable profits emerging (in excess of target capital), together with the value of associated franking credits
- Value of one year's new sales (VOYS) also includes an allowance for the cost of holding target capital.

Change in Embedded Value

The reduction in the Embedded Value between 31 December 2008 and 30 June 2009 was largely related to an increase in the risk free discount rate over that period (which was also a key driver of the reduction in VOYS), together with increases in claims and lapse assumptions for risk business, somewhat offset by increases in expected long-term earning rates and reduced expense assumptions.

The Embedded Value increased during the period from $2,145 million at 30 June 2009 to $2,301 million at 31 December 2009. This represents an increase of 7%.

As can be seen from the table below, a large proportion of the increase relates to the expected return on the starting value. Strong investment performance has had positive effects on excess assets above target capital and future profits from participating and unit linked business.

The change in Embedded Value over the current and prior half years is shown in more detail below.

	JUN-09 TO DEC-09 $M	DEC-08 TO JUN-09 $M
Embedded Value at the start of the period	2,145	2,175
Expected return	88	80
Earnings on net worth	13	1
Experience		
Economic	76	(44)
Other	(3)	15
Changes in assumptions		
Discount rate	(17)	(235)
Economic	(12)	99
Expense assumptions	10	50
Discontinuance and claims assumptions	-	(69)
Other	29	29
Value added from new business	23	29
Model changes and other	(7)	(1)
Embedded Value at end of the period prior to	2,345	2,129
Dividends / transfers	(26)	11
Release of franking credits	(18)	5
Embedded Value as at end of the period after transfers	2,301	2,145

Assumptions

The assumptions used for valuing in-force business and the value of one year's new business are based on long-term best estimate assumptions consistent with those underlying the statement of 31 December profit results for Suncorp Life.

Maintenance unit costs were projected with expense inflation for dollar-related expenses and do not assume any improvements in future unit costs from efficiency gains.

The VOYS is based on the mix of business sold in the six months ending on 31 December 2009, with the total volume of sales developed by applying scaling factors to gross up to a full year's sales. Acquisition costs are the actual costs incurred in the half year to 31 December 2009.

Embedded Value includes contractual increases (age and CPI) on retail business but excludes voluntary increases to existing retail policies, whereas new business includes new policies as well as voluntary increases (ie. benefit increases) to existing policies.

The Australian Life Companies are required to hold regulatory capital in excess of policy liabilities. In addition, they hold an additional amount of capital ('target surplus') based on internal requirements. Asteron Life Ltd New Zealand holds capital as prescribed in Professional Standard 5 (PS5), "Solvency Reserving for Life Insurance Business", issued by the New Zealand Society of Actuaries and an additional amount of target surplus is held within that company. In determining the economic values, the value of this capital is discounted based on the expected time it is required to be held prior to being available for distribution to shareholders.

The Suncorp Life Embedded Value also includes the value of entities other than the life companies, including Suncorp Metway Investment Management Ltd, Tyndall Investment Management Ltd, Tyndall Investment Management New Zealand Ltd, Suncorp Portfolio Services Limited and New Zealand Guardian Trust Ltd, for which values were based on discounted cash flow projections. In addition, a number of smaller entities within the division were valued at net assets.

Economic assumptions are shown below.

	DEC-09		JUN-09	
	AUSTRALIA % PER ANNUM	NEW ZEALAND % PER ANNUM	AUSTRALIA % PER ANNUM	NEW ZEALAND % PER ANNUM
Embedded value assumptions				
Investment return for underlying asset classes (gross of tax)				
Risk free rate (at 10 years)	5.7	6.2	5.6	6.0
Cash	6.5	6.3	6.2	6.2
Fixed interest	6.6	6.5	6.6	6.7
Australian equities (inc. allowance for franking credits) (1)	11.0	10.7	10.8	11.1
International equities	9.9	9.7	9.8	10.1
Property	8.4	8.7	8.3	9.1
Investment returns (net of tax)	5.5	5.6	5.4	5.7
Inflation				
Benefit indexation	3.0	2.5	3.0	2.5
Expenses indexation	3.0	2.5	3.0	2.5
Risk discount rate	9.7	10.2	9.6	10.0

(1) New Zealand assumption covers Australasian equities.

Sensitivity Analysis

The tables below set out the sensitivity of the Embedded Value and value of new business as at 31 December 2009 to changes in key economic and business assumptions.

	DEC-09 $M
Base Embedded Value	**2,301**
Embedded Value assuming	
Discount rate 1% higher	2,160
Investment returns 1% higher	2,365
Discontinuance rates 10% higher	2,130
Renewal expenses 10% higher	2,216
Claims 10% higher [1]	2,138
Base value of one year's new business	**46**
Value of one year's new business assuming	
Discount rate 1% higher	37
Investment returns 1% higher	51
Discontinuance rates 10% higher	32
Renewal expenses 10% higher	44
Claims 10% higher [1]	28

[1] Claims decrements include mortality, lump sum morbidity, disability income incidence and 10% worse for disability income recovery rates.

These sensitivities are indicative only as the variations caused by changes to assumptions are not always linear, symmetrical, or independent.

Appendix 1 – Consolidated income statement for the half year ended 31 December 2009

This consolidated income statement presents revenue and expense categories that are reported for statutory purposes.

	HALF YEAR ENDED			DEC-09	DEC-09
	DEC-09 $M	JUN-09 $M	DEC-08 $M	vs JUN-09 %	vs DEC-08 %
Revenue					
Banking interest revenue	1,937	2,003	2,673	(3.3)	(27.5)
Banking interest expense	(1,466)	(1,456)	(2,050)	0.7	(28.5)
	471	547	623	(13.9)	(24.4)
Banking fee and commission revenue	118	134	132	(11.9)	(10.6)
Banking fee and commission expense	(39)	(45)	(53)	(13.3)	(26.4)
General insurance premium revenue	3,437	3,292	3,256	4.4	5.6
Life insurance premium revenue	379	356	363	6.5	4.4
Reinsurance and other recoveries revenue	564	633	554	(10.9)	1.8
General insurance investment revenue/(loss)	348	(62)	888	large	(60.8)
Life insurance investment revenue/(loss)	874	2	(700)	large	(224.9)
Gain on sale of subsidiaries	50	-	-	n/a	n/a
Other revenue	221	355	310	(37.7)	(28.7)
	6,423	5,212	5,373	23.2	19.5
Expenses					
Operating expenses	(1,610)	(1,677)	(1,709)	(4.0)	(5.8)
General insurance claims expense	(2,667)	(2,411)	(3,227)	10.6	(17.4)
Life insurance claims expense	(252)	(214)	(223)	17.8	13.0
Outwards reinsurance premium expense	(389)	(400)	(349)	(2.8)	11.5
(Increase)/decrease in net policy liabilities	(527)	(59)	926	large	(156.9)
(Increase)/decrease in unvested policyowner benefits	(55)	(56)	(27)	(1.8)	103.7
Outside beneficial interests in managed funds	(82)	144	(70)	(156.9)	17.1
Non-banking interest expense	(20)	(59)	(54)	(66.1)	(63.0)
	(5,602)	(4,732)	(4,733)	18.4	18.4
Share of profits (losses) of associates and joint ventures	20	7	(10)	185.7	(300.0)
Profit before impairment losses on loans and advances and tax	841	487	630	72.7	33.5
Impairment losses on loans and advances	(274)	(355)	(355)	(22.8)	(22.8)
Profit before tax	**567**	**132**	**275**	**329.5**	**106.2**
Income tax expense	(200)	(38)	(16)	426.3	large
Profit for the period	**367**	**94**	**259**	**290.4**	**41.7**
Attributable to:					
Owners of the Company	364	90	258	304.4	41.1
Non-controlling interests	3	4	1	(25.0)	200.0
Profit for the period	**367**	**94**	**259**	**290.4**	**41.7**

Appendix 2 – Operating expenses

This table presents further details on the Group's operating expenses disclosed in the consolidated income statement in Appendix 1.

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Operating expenses					
Staff expenses	700	704	803	(0.6)	(12.8)
Total staff expenses	700	704	803	(0.6)	(12.8)
Equipment and occupancy expenses					
Depreciation:					
Buildings	1	-	1	n/a	-
Plant and equipment	35	34	39	2.9	(10.3)
Leasehold improvements	15	15	12	-	25.0
Loss on disposal of property, plant and equipment	2	2	1	-	100.0
Operating lease rentals	58	81	75	(28.4)	(22.7)
Other	26	17	22	52.9	18.2
Total equipment and occupancy expenses	137	149	150	(8.1)	(8.7)
Other expenses					
Hardware, software and data line expenses	59	61	49	(3.3)	20.4
Advertising and promotion expenses	93	89	83	4.5	12.0
Office supplies, postage and printing	41	53	49	(22.6)	(16.3)
Amortisation:					
Brand names	12	12	12	-	-
Consumer relationships	52	65	64	(20.0)	(18.8)
Outstanding claims liability intangible	11	13	14	(15.4)	(21.4)
Franchise agreements	-	1	-	(100.0)	-
Software	54	65	44	(16.9)	22.7
Acquisition costs – insurance activities	247	243	270	1.6	(8.5)
Financial expenses	102	89	83	14.6	22.9
Other	102	133	88	(23.3)	15.9
Total other expenses	773	824	756	(6.2)	2.2
Total operating expenses	**1,610**	**1,677**	**1,709**	**(4.0)**	**(5.8)**

Appendix 3 – Ratio calculations

		HALF YEAR ENDED	
	DEC-09 $M	JUN-09 $M	DEC-08 $M
Earnings per share			
Numerator			
Earnings:			
Earnings used in calculating basic earnings per share	364	90	258
Interest expense on reset preference shares (net of tax)	4	-	3
Interest expense on convertible preference shares (net of tax)	17	-	19
Earnings used in calculating diluted earnings per share	385	90	280

		HALF YEAR ENDED	
	DEC-09 NO. OF SHARES	JUN-09 NO. OF SHARES	DEC-08 NO. OF SHARES
Denominator			
Weighted average number of shares:			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,256,407,901	1,184,505,264	1,017,863,348
Effect of conversion of reset preference shares	17,159,799	-	19,233,129
Effect of conversion of convertible preference shares	86,221,804	-	96,639,537
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,359,789,504	1,184,505,264	1,133,736,014

Return on average shareholders' equity

Numerator

Earnings for return on average shareholders' equity is the earnings used in calculating basic earnings per share.

	DEC-09 $M	JUN-09 $M	DEC-08 $M
Denominator			
Adjusted average shareholders' equity			
Opening total equity	13,229	12,299	12,366
Less non-controlling interests	(6)	(7)	(6)
Opening adjusted equity	13,223	12,292	12,360
Closing total equity	13,570	13,229	12,299
Less non-controlling interests	(9)	(6)	(7)
Closing adjusted equity	13,561	13,223	12,292
Average adjusted equity	**13,392**	**12,757**	**12,326**

Appendix 3 – Ratio calculations continued

	HALF YEAR ENDED		
	DEC-09	JUN-09	DEC-08
Issued shares			
Ordinary shares each fully paid			
Number at the end of the period	1,270,897,282	1,257,377,460	1,013,349,641
Dividend declared for the period (cents per share)	15	20	20
Reset Preference shares (classified as liability) each fully paid			
Number at the end of the period	1,440,628	1,440,628	1,440,628
Dividend declared for the period ($ per share) [(1)]	2.55	2.51	2.55
Convertible Preference shares (classified as liability) each fully paid			
Number at the end of the period	7,350,000	7,350,000	7,350,000
Dividend declared for the period ($ per share) [(1)]	2.29	2.44	3.85

[(1)] Classified as interest expense.

Appendix 4 – Group Capital

Group capital position

The Group has three distinct business lines with different regulatory requirements for capital. The corporate structure of the Group has the Bank as the holding company for subsidiaries operating General Insurance, Life Insurance and other businesses.

To assist in understanding the regulatory capital position within the Group the following table (including consolidation entries) demonstrates the distribution of regulatory capital and risk-based capital requirements.

	AS AT 31 DECEMBER 2009				
	GENERAL INSURANCE [4] $M	BANKING [4] $M	LIFE $M	CONSOLIDATION $M	TOTAL $M
Tier 1					
Ordinary share capital	-	12,694	-	-	12,694
Subsidiary share capital (eliminated upon consolidation)	8,321	-	2,224	(10,545)	-
Reserves	(21)	-	235	(206)	8
Retained profits [1]	(273)	852	(33)	138	684
Preference shares	-	879	-	-	879
Insurance liabilities in excess of liability valuation	407	-	-	-	407
Less goodwill, brands	(5,667)	(7,837)	(919)	7,820	(6,603)
Less software assets	(23)	(59)	(30)	-	(112)
Less deductible capitalised expenses	-	(98)	-	-	(98)
Less deferred tax asset	(59)	(224)	-	-	(283)
Less other required deductions [3]	-	(1)	-	-	(1)
Less Tier 1 deductions for investments in subsidiaries, capital support	-	(1,413)	-	1,413	-
Total Tier 1 capital	2,685	4,793	1,477	(1,380)	7,575
Tier 2					
APRA general reserve for credit losses	-	448	-	-	448
Asset revaluation reserves	-	6	-	-	6
Subordinated notes	767	1,653	-	-	2,420
Less Tier 2 deductions for investments in subsidiaries, capital support	-	(1,413)	-	1,413	-
Total Tier 2 capital	767	694	-	1,413	2,874
Total capital base	**3,452**	**5,487**	**1,477**	**33**	**10,449**
Target capital base [2]	2,942	5,203	1,381	-	9,526

(1) For Banking and domestic General Insurance, this represents the business line retained profits determined by using the APRA calculation. New Zealand General Insurance retained profits are on a statutory basis. APRA requires accrual of expected dividends in the Bank and General Insurance current year profits. To allow for consistency across the Group, expected dividends are also included for Life.

(2) APRA requires regulated entities to have internal capital targets. For the Banking business the capital target is a capital adequacy ratio percentage. The target capital for the General Insurance business is based on a multiple of the various MCR components. The Life business capital target is an amalgamation of target capital for Statutory Funds, minimum capital required for shareholder funds and net tangible asset requirements for investment management entities.

(3) Other required deductions includes surpluses in defined benefit funds and internal funding transactions of a capital nature.

(4) These numbers are for the consolidated segments. They do not align with the regulatory reporting groups used in the Banking capital adequacy and General Insurance minimum capital requirements calculations.

Appendix 4 – Group Capital continued

	AS AT 31 DECEMBER 2009				
	GENERAL INSURANCE $M	BANKING $M	LIFE $M	CONSOLIDATION [1] $M	TOTAL $M
Group capital position continued					
Reconciliation of total capital base to net assets					
Net assets	8,357	13,421	2,423	(10,631)	13,570
Difference relating to APRA definition of retained profits	(383)	126	(1)	-	(258)
Equity items not eligible for inclusion in capital for APRA purposes					
Reserves (Post AIFRS)	68	145	(3)	1	211
Non-controlling interests	(15)	-	6	-	(9)
Additional items allowable for capital for APRA purposes					
Preference shares	-	879	-	-	879
Subordinated notes	767	1,653	-	-	2,420
Technical provisions in excess of liability valuation	407	-	-	-	407
Holdings of own shares	-	97	-	16	113
Collective provision (net of tax effect)	-	156	-	-	156
Other items, adjustments	-	55	1	1	57
Deductions from capital for APRA purposes					
Goodwill [2], brands	(5,667)	(7,837)	(919)	7,820	(6,603)
Software assets	(23)	(59)	(30)	-	(112)
Deductible capitalised expenses (includes share raising costs)	-	(98)	-	-	(98)
Deferred tax asset	(59)	(224)	-	-	(283)
Other assets excluded from regulatory capital	-	(1)	-	-	(1)
Funding of capital and guarantees by Bank holding company	-	(2,826)	-	2,826	-
Total capital base	**3,452**	**5,487**	**1,477**	**33**	**10,449**

[1] Consolidation mainly represents the Bank's investments in non-banking subsidiaries.

[2] APRA requires the intangible component of the book value of investments in non-banking subsidiaries to be deducted from Tier 1 capital. As it relates to non-banking subsidiaries, it is not amortised at the Banking level. Amortisation and impairment testing occurs within General Insurance and Life and when the entire Group is consolidated. The total intangible deduction from Group capital in the table above of $6,603 million represents the total amortised balance of goodwill and brands etc for the Group.

	AS AT 31 DECEMBER 2009				
	GENERAL INSURANCE $M	BANKING $M	LIFE $M	CONSOLIDATION $M	TOTAL $M
Reconciliation of business line retained profits to reported retained profits					
Reported retained profits/(losses)	110	726	(32)	138	942
Expected group dividend net of Dividend Reinvestment Plan	-	(124)	-	-	(124)
Expected intragroup dividends	(250)	250	-	-	-
Other differences in retained profits for APRA purposes	(133)	-	(1)	-	(134)
	(383)	126	(1)	-	(258)
Business line retained profits/(losses) used in Group capital position	**(273)**	**852**	**(33)**	**138**	**684**

Appendix 4 – Group Capital continued

	DEC-09 $M	JUN-09 $M	DEC-08 $M
Banking capital adequacy			
Consolidated banking capital			
Tier 1			
Fundamental Tier 1			
Ordinary share capital	12,694	12,584	11,411
Retained profits	848	859	1,010
	13,542	13,443	12,421
Residual Tier 1			
Reset preference shares	144	144	144
Convertible preference shares	735	735	735
	879	879	879
Tier 1 deductions			
Goodwill and other intangibles arising on acquisition	(7,837)	(7,818)	(7,816)
Software assets	(59)	(66)	(74)
Other intangible assets	(98)	(118)	(73)
Deferred tax asset	(224)	(186)	(259)
Other Tier 1 deductions	(1)	(1)	(3)
Tier 1 deductions for investments in subsidiaries, capital support	(1,413)	(1,424)	(1,258)
	(9,632)	(9,613)	(9,483)
Total tier 1 capital	4,789	4,709	3,817
Tier 2			
Upper Tier 2			
APRA general reserve for credit losses	448	392	198
Perpetual subordinated notes	170	170	170
Asset revaluation reserves	6	3	-
	624	565	368
Lower Tier 2			
Subordinated notes	1,483	1,466	1,684
	1,483	1,466	1,684
Tier 2 Deductions			
Tier 2 deductions for investments in subsidiaries, capital support	(1,413)	(1,424)	(1,257)
	(1,413)	(1,424)	(1,257)
Total Tier 2 Capital	694	607	795
Capital base	5,483	5,316	4,612
Total assessed risk	40,026	41,626	43,206
Risk weighted capital ratio	13.70%	12.77%	10.67%
Adjusted fundamental Tier (AFT) 1	**2,497**	**2,406**	**1,681**
AFT1 ratio	**6.24%**	**5.78%**	**3.89%**

Appendix 4 – Group Capital continued

	DEC-09 $M	JUN-09 $M	DEC-08 $M
Banking capital adequacy continued			
Reconciliation of deduction for investments in subsidiaries			
Investment securities	13,659	14,535	13,267
Less debt securities held in the banking book	(2,980)	(3,932)	(2,936)
Add back investments in banking subsidiaries not included in regulatory consolidation	36	37	-
Less securities held by entities not consolidated for APRA purposes	(68)	(1)	(27)
Less intangible component deducted from Tier 1 capital – non-banking subsidiaries	(7,815)	(7,796)	(7,794)
Less investments risk-weighted for captial adequacy purposes	(11)	-	-
Deduction for net tangible investment in subsidiaries	2,821	2,843	2,510
Capital support provided to subsidiaries	5	5	5
Capital deduction for investments in subsidiaries, capital support	**2,826**	**2,848**	**2,515**
50% deduction from Tier 1 capital	(1,413)	(1,424)	(1,258)
50% deduction from Tier 2 capital	(1,413)	(1,424)	(1,257)
Deductions for investments in subsidiaries, capital support	**(2,826)**	**(2,848)**	**(2,515)**
Retained profits movement			
Retained profits opening for the half year	859	1,010	676
Add Banking profit after tax for the half year	25	9	23
Less profit after tax of entities not consolidated for APRA purposes	(1)	-	(1)
Add/(less) APRA adjustments	(103)	(190)	127
Less dividend expense/accrual	(191)	(251)	(203)
Add/(less) estimated change in dividend reinvestment plan	(21)	17	(60)
Add/(less) dividends from non-banking subsidiaries	280	264	448
Retained profits closing for the half year	**848**	**859**	**1,010**
Reconciliation of banking deduction for intangible assets to group intangible assets			
Deduction for banking subsidiaries intangible assets	22	22	22
Deduction for non-banking entities intangible assets	7,815	7,796	7,794
Banking deduction for intangible assets	7,837	7,818	7,816
APRA adjustments	(8)	(3)	-
Goodwill reflected in investments in associates	(39)	(39)	(39)
Amortisation of non-banking goodwill	(1,137)	(1,014)	(890)
Software assets [1]	59	66	74
Intangible assets not deducted from capital	(5)	8	10
Group intangible assets	**6,707**	**6,836**	**6,971**

[1] This amount represents the Banking group capital deduction for software assets. Software assets held elsewhere in the Group are included in the capital deduction for goodwill, brands etc.

Appendix 4 – Group Capital continued

	CARRYING VALUE DEC-09 $M	CARRYING VALUE JUN-09 $M	CARRYING VALUE DEC-08 $M	AVERAGE RISK WEIGHTS %	RISK WEIGHTED BALANCE DEC-09 $M	RISK WEIGHTED BALANCE JUN-09 $M	RISK WEIGHTED BALANCE DEC-08 $M
Banking capital adequacy continued							
Risk weighted assets							
Assets							
Cash items	199	210	188	7%	13	23	3
Claims on Australian and foreign Governments	683	1,169	1,613	0%	2	3	3
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	4,358	3,794	2,713	20%	872	759	548
Claims secured against eligible residential mortgages	26,528	24,664	26,153	40%	10,609	9,896	11,566
Past due claims	2,856	2,113	1,123	109%	3,118	2,213	1,534
Other assets and claims	20,791	23,524	23,587	98%	20,320	23,152	23,224
Total Banking assets [(1)]	**55,415**	**55,474**	**55,377**		**34,934**	**36,046**	**36,878**

[(1)] Total Banking assets differ from Banking segment assets due to the adoption of the APRA classification of intangible assets, deferred taxation, incorporation of the trading book in the market risk capital charge and general reserve for credit losses for capital adequacy purposes.

	NOTIONAL AMOUNT DEC-09 $M	CREDIT EQUIVALENT DEC-09 $M	AVERAGE RISK WEIGHTS %	RISK WEIGHTED BALANCE DEC-09 $M	RISK WEIGHTED BALANCE JUN-09 $M	RISK WEIGHTED BALANCE DEC-08 $M
Off balance sheet positions						
Guarantees entered into in the normal course of business	286	170	88%	150	190	208
Commitments to provide loans and advances	6,684	1,620	69%	1,123	1,576	1,926
Capital commitments	14	14	100%	14	45	21
Foreign exchange contracts	20,911	516	25%	127	154	223
Interest rate contracts	66,342	315	44%	140	237	274
Total off balance sheet positions	**94,237**	**2,635**		**1,554**	**2,202**	**2,652**
Market risk capital charge				544	499	998
Operational risk capital charge				2,994	2,879	2,678
Total risk weighted assets				34,934	36,046	36,878
Total assessed risk				**40,026**	**41,626**	**43,206**
Risk weighted capital ratios				%	%	%
Tier 1				11.96	11.31	8.83
Tier 2				1.74	1.46	1.84
Total risk weighted capital ratios				**13.70**	**12.77**	**10.67**

Appendix 4 – Group Capital continued

General Insurance minimum capital ratio

The minimum capital requirement (MCR) for General Insurance is calculated by assessing the risks inherent in the business, which comprise:

- the risk that the liability for outstanding claims is not sufficient to meet the obligations to policyholders arising from losses incurred up to the reporting date (outstanding claims risk);
- the risk that the unearned premium liability is insufficient to meet the obligations to policyholders arising from losses incurred after the reporting date on existing policies (premium liabilities risk);
- the risk that the value of assets is diminished (investment risk); and
- the risk of a catastrophe giving rise to major claims losses up to the retention amount under existing reinsurance arrangements (catastrophe risk).

These risks are quantified to determine the minimum capital required under the APRA prudential standards. This requirement is compared with the capital held in the General Insurance companies. Any provisions for outstanding claims and insurance risk in excess of the amount required to provide a level of sufficiency at 75% is classified as capital.

	DOMESTIC GI GROUP [(1)]			GI GROUP [(2)]		
	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M
Tier 1						
Ordinary share capital	2,758	2,918	3,050	2,893	3,052	3,189
Reserves	6	-	12	6	-	12
Retained profits	529	168	376	742	355	566
Insurance liabilities in excess of liability valuation	554	463	327	581	524	392
Less: Tax effect of excess insurance liabilities	(166)	(91)	(98)	(174)	(109)	(118)
	3,681	3,458	3,667	4,048	3,822	4,041
Less:						
Goodwill and other intangible assets	(1,111)	(1,113)	(1,118)	(1,179)	(1,190)	(1,202)
Other Tier 1 deductions	(59)	(186)	(286)	(69)	(186)	(286)
Total deductions from Tier 1 capital	(1,170)	(1,299)	(1,404)	(1,248)	(1,376)	(1,488)
Total Tier 1 capital	**2,511**	**2,159**	**2,263**	**2,800**	**2,446**	**2,553**
Tier 2						
Subordinated notes	767	784	985	767	784	985
APRA capital base	**3,278**	**2,943**	**3,248**	**3,567**	**3,230**	**3,538**
Outstanding claims risk capital charge	778	770	815	796	787	833
Premium liabilities risk capital charge	405	422	406	439	453	438
Total insurance risk capital charge	1,183	1,192	1,221	1,235	1,240	1,271
Investment risk capital charge	424	453	511	463	492	551
Catastrophe risk capital charge	200	200	150	200	200	150
Total minimum capital requirement (MCR)	**1,807**	**1,845**	**1,882**	**1,898**	**1,932**	**1,972**
MCR coverage ratio (times)	**1.81**	**1.60**	**1.73**	**1.88**	**1.67**	**1.79**

(1) Domestic GI Group - Suncorp's Australian licensed insurers.

(2) GI Group - Sum of MCR for the Domestic GI Group and Vero NZ.

Appendix 4 – Group Capital continued

	DOMESTIC GI GROUP [1]			GI GROUP [2]		
	DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 $M	JUN-09 $M	DEC-08 $M
Retained profits movement						
Retained profits opening for the half year	168	376	1,075	355	566	1,252
Add General Insurance profit after tax for the half year	84	207	185	101	204	185
Add loss/(less profit) after tax of entities not consolidated for APRA purposes	229	(46)	(14)	229	(46)	(2)
Add/(less) APRA adjustments	138	(209)	(420)	147	(209)	(419)
Less dividends paid/received	(90)	(160)	(450)	(90)	(160)	(450)
Retained profits closing for the half year	**529**	**168**	**376**	**742**	**355**	**566**

[1] Domestic GI Group - Suncorp's Australian licensed insurers.

[2] GI Group - Sum of MCR for the Domestic GI Group and Vero NZ.

Appendix 5 – Profit contribution – General Insurance excluding the impact of discount rate movements and excluding Fire Service Levies (FSL)

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Gross written premiums (1)	3,359	3,368	3,228	(0.3)	4.1
Gross unearned premium movement	(38)	(184)	(77)	(79.3)	(50.6)
Gross earned premiums	3,321	3,184	3,151	4.3	5.4
Outwards reinsurance expense	(293)	(297)	(264)	(1.3)	11.0
Net earned premium	3,028	2,887	2,887	4.9	4.9
Net incurred claims					
Claims expense	(2,569)	(2,711)	(2,620)	(5.2)	(1.9)
Reinsurance and other recoveries revenue	476	607	430	(21.6)	10.7
	(2,093)	(2,104)	(2,190)	(0.5)	(4.4)
Total operating expenses					
Acquisition expenses (2)	(431)	(458)	(497)	(5.9)	(13.3)
Other underwriting expenses (2)	(265)	(239)	(241)	10.9	10.0
	(696)	(697)	(738)	(0.1)	(5.7)
Underwriting result	239	86	(41)	177.9	large
Investment income – insurance funds	162	218	199	(25.7)	(18.6)
Insurance trading result	401	304	158	31.9	153.8
Managed schemes net contribution	8	3	16	166.7	(50.0)
Joint venture and other income	23	11	(10)	109.1	(330.0)
General Insurance operational earnings	432	318	164	35.8	163.4
Investment revenue – shareholder funds	100	(24)	154	large	(35.1)
Contribution to profit from General Insurance activities before tax and capital funding	532	294	318	81.0	67.3
Capital funding (3)	(41)	26	(65)	(257.7)	(36.9)
Contribution to profit from General Insurance activities before tax	**491**	**320**	**253**	**53.4**	**94.1**

(1) Net of Fire Service Levies (FSL) of $131 million (30 June 2009: $105 million, 31 December 2008: $114 million).

(2) Comparative information has been restated to be consistent with the current treatment of expense disclosures between acquisition costs and underwriting expenses.

(3) Includes interest expense on subordinated notes and preference shares allocated to General Insurance. The 30 June 2009 capital funding charge includes a $76 million gain from the redemption of subordinated notes.

Appendix 6 – Consolidated Bank

	HALF YEAR ENDED						
	CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Profit contribution – Consolidated Bank							
Net interest income	371	95	466	509	608	(8.4)	(23.4)
Non-interest income							
Net banking fee income	58	21	79	89	75	(11.2)	5.3
MTM on financial instruments	17	-	17	(31)	54	(154.8)	(68.5)
Other income	3	(1)	2	10	5	(80.0)	(60.0)
	78	20	98	68	134	44.1	(26.9)
Total income from Banking activities	449	115	564	577	742	(2.3)	(24.0)
Operating expenses	(223)	(54)	(277)	(244)	(294)	13.5	(5.8)
Contribution to profit from Banking activities before impairment losses on loans and advances	226	61	287	333	448	(13.8)	(35.9)
Impairment losses on loans and advances	(2)	(272)	(274)	(355)	(355)	(22.8)	(22.8)
Contribution to profit before tax from normal business activities	**224**	**(211)**	**13**	**(22)**	**93**	**(159.1)**	**(86.0)**
One-off non-recurring items							
Net profit from sale and recognition of fair value of VISA Inc shares	-	-	-	-	4	n/a	(100.0)
Write-off of software implementation project	-	-	-	(11)	-	(100.0)	n/a
Net profit from redemption of subordinated notes	-	-	-	53	-	(100.0)	n/a
Contribution to profit before tax from Banking activities	**224**	**(211)**	**13**	**20**	**97**	**(35.0)**	**(86.6)**

Appendix 6 – Consolidated Bank continued

	CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Balance sheet – Consolidated Bank							
Assets							
Cash and cash equivalents	315	235	550	1,367	298	(59.8)	84.6
Receivables due from other banks	123	-	123	118	68	4.5	80.9
Trading securities	2,855	4,195	7,050	6,694	8,336	5.3	(15.4)
Derivatives	167	188	355	478	960	(25.7)	(63.0)
Investment securities (1)	11,845	1,814	13,659	14,535	13,267	(6.0)	3.0
Bank acceptances from customers	-	2	2	3	121	(14.3)	(98.0)
Loans, advances and other receivables (2)	36,947	16,412	53,359	54,616	55,215	(2.3)	(3.4)
Due from subsidiaries	268	-	268	-	-	n/a	n/a
Property, plant and equipment	318	-	318	272	267	16.7	19.1
Deferred tax assets	189	166	355	380	259	(6.6)	37.1
Other assets (3)	(331)	578	247	856	1,546	(71.1)	(84.0)
Intangible assets	73	-	73	87	96	(16.3)	(24.0)
Total assets	52,769	23,590	76,359	79,406	80,433	(3.8)	(5.1)
Liabilities							
Deposits and short-term borrowings	29,289	5,536	34,825	38,203	46,615	(8.8)	(25.3)
Derivatives	2,364	-	2,364	1,489	214	58.8	large
Payables due to other banks	20	-	20	29	24	(31.0)	(16.7)
Bank acceptances	-	2	2	3	121	(33.3)	(98.3)
Payables and other liabilities	762	-	762	1,204	1,715	(36.7)	(55.6)
Current tax liabilities	72	-	72	154	-	(53.2)	n/a
Employee benefit obligations	126	-	126	145	181	(13.1)	(30.4)
Due from subsidiaries (2)	86	-	86	291	69	(70.4)	24.6
Securitisation liabilities	4,708	-	4,708	6,193	8,379	(24.0)	(43.8)
Debt issues	1,997	15,597	17,594	16,001	8,286	10.0	112.3
Subordinated notes	817	695	1,512	1,583	1,839	(4.5)	(17.8)
Preference shares	468	399	867	865	864	0.2	0.3
Total liabilities	40,709	22,229	62,938	66,160	68,307	(4.9)	(7.9)
Net assets	**12,060**	**1,361**	**13,421**	**13,246**	**12,126**	**1.3**	**10.7**
Less: investment in non-banking subsidiaries	10,663	-	10,663	10,666	10,331	0.0	3.2
Net assets – banking line of business	**1,397**	**1,361**	**2,758**	**2,580**	**1,795**	**6.9**	**53.6**

(1) Includes investment in subsidiaries of $10.7 billion in core balance (30 June 2009: $10.7 billion, 31 December 2008: $10.3 billion).

(2) Core Bank continues to recognise some assets and liabilities attributed to the Non-core Bank and other subsidiaries as part of the holding company for the Group.

(3) Other assets is mainly made up of accrued interest and prepayments. Other assets also includes interdivisional loans and clearing accounts between core and non-core.

	HALF YEAR ENDED DEC-09 %	JUN-09 %	DEC-08 %
Ratios and statistics			
Cost to income ratio	49.11	42.29	39.62
Net interest margin	1.40	1.51	1.84
Net interest margin (lending assets)	1.74	1.84	2.18
Net interest spread	1.11	1.25	1.53
Bad debts to gross loans and advances	1.00	1.29	1.26
Deposit to loan ratio	48.31	43.45	42.37

Appendix 6 – Consolidated Bank continued

	CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Loans, advances and other receivables							
Housing loans	23,756	-	23,756	22,191	19,762	7.1	20.2
Securitised housing loans	4,638	-	4,638	6,111	8,405	(24.1)	(44.8)
Total housing loans	28,394	-	28,394	28,302	28,167	0.3	0.8
Consumer loans	596	-	596	610	694	(2.3)	(14.1)
Retail loans	28,990	-	28,990	28,912	28,861	0.3	0.4
Commercial (SMEs)	4,147	-	4,147	4,271	5,654	(2.9)	(26.7)
Corporate	-	3,004	3,004	3,287	3,626	(8.6)	(17.2)
Development finance	-	5,579	5,579	6,055	6,089	(7.9)	(8.4)
Property investment	-	5,909	5,909	6,647	5,271	(11.1)	12.1
Lease finance	-	1,150	1,150	1,541	2,177	(25.4)	(47.2)
Agribusiness	3,440	-	3,440	3,646	3,547	(5.7)	(3.0)
Structured finance	-	3	3	4	4	(25.0)	(25.0)
Business loans	7,587	15,645	23,232	25,451	26,368	(8.7)	(11.9)
Total lending	36,577	15,645	52,222	54,363	55,229	(3.9)	(5.4)
Other receivables [1]	451	1,508	1,959	1,015	588	93.0	233.2
Gross banking loans, advances and other receivables	37,028	17,153	54,181	55,378	55,817	(2.2)	(2.9)
Provision for impairment	(81)	(739)	(820)	(759)	(481)	8.1	70.5
Loans, advances and other receivables	**36,947**	**16,414**	**53,361**	**54,619**	**55,336**	**(2.3)**	**(3.6)**
Risk weighted assets	**19,002**	**15,932**	**34,934**	**36,046**	**36,878**	**(3.1)**	**(5.3)**
Geographical breakdown – gross banking loans, advances and other receivables							
Queensland	24,314	9,078	33,392	33,160	33,301	0.7	0.3
New South Wales	6,420	4,717	11,137	12,425	12,301	(10.4)	(9.5)
Victoria	3,607	2,787	6,394	6,856	6,940	(6.7)	(7.9)
Western Australia	1,937	571	2,508	2,622	2,919	(4.3)	(14.1)
South Australia and other	750	-	750	315	356	138.1	110.7
Outside of Queensland loans	12,714	8,075	20,789	22,218	22,516	(6.4)	(7.7)
Gross banking loans, advances and other receivables	**37,028**	**17,153**	**54,181**	**55,378**	**55,817**	**(2.2)**	**(2.9)**

[1] Other receivables are made up primarily of trade finance and foreign exchange advances.

Appendix 6 – Consolidated Bank continued

	CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Funding and deposits							
Retail funding							
Retail deposits							
Transaction	6,125	-	6,125	6,110	5,964	0.2	2.7
Investment	3,511	-	3,511	3,673	4,236	(4.4)	(17.1)
Term	12,874	-	12,874	11,635	10,409	10.6	23.7
Core retail deposits	22,510	-	22,510	21,418	20,609	5.1	9.2
Retail treasury	2,721	-	2,721	2,202	2,791	23.6	(2.5)
Total retail funding	25,231	-	25,231	23,620	23,400	6.8	7.8
Wholesale funding							
Domestic funding sources							
Short-term wholesale	3,015	4,261	7,276	12,009	22,443	(39.4)	(67.6)
Long-term wholesale	525	4,829	5,354	4,522	3,782	18.4	41.6
Subordinated notes	375	321	696	699	701	(0.4)	(0.7)
Reset preference shares	78	66	144	144	144	-	-
Convertible preference shares	390	333	723	721	720	0.3	0.4
	4,383	9,810	14,193	18,095	27,790	(21.6)	(48.9)
Overseas funding sources [1]							
Short-term wholesale	1,043	1,275	2,318	2,573	772	(9.9)	200.3
Long-term wholesale	1,472	10,768	12,240	11,480	4,504	6.6	171.8
Subordinated notes	442	374	816	884	1,138	(7.7)	(28.3)
	2,957	12,417	15,374	14,937	6,414	2.9	139.7
Total wholesale funding	7,340	22,227	29,567	33,032	34,204	(10.5)	(13.6)
Total funding (excluding securitisation)	**32,571**	**22,227**	**54,798**	**56,652**	**57,604**	**(3.3)**	**(4.9)**
Securitised funding							
APS 120 qualifying	2,902	-	2,902	5,040	5,781	(42.4)	(49.8)
APS 120 non-qualifying	1,806	-	1,806	1,153	2,598	56.6	(30.5)
Total securitised funding	4,708	-	4,708	6,193	8,379	(24.0)	(43.8)
Total funding (including securitisation)	**37,279**	**22,227**	**59,506**	**62,845**	**65,983**	**(5.3)**	**(9.8)**
Total funding is represented on the balance sheet by:							
Deposits	25,231	-	25,231	23,620	23,400	6.8	7.8
Short-term borrowings	4,058	5,536	9,594	14,583	23,215	(34.2)	(58.7)
Securitisation liabilities	4,708	-	4,708	6,193	8,379	(24.0)	(43.8)
Bonds, notes and long-term borrowings	1,997	15,597	17,594	16,001	8,286	10.0	112.3
Subordinated notes	817	695	1,512	1,583	1,839	(4.5)	(17.8)
Preference shares	468	399	867	865	864	0.2	0.3
Total	**37,279**	**22,227**	**59,506**	**62,845**	**65,983**	**(5.3)**	**(9.8)**
Retail funding as a percentage of total lending	**69%**	**n/a**	**48%**	**43%**	**42%**		

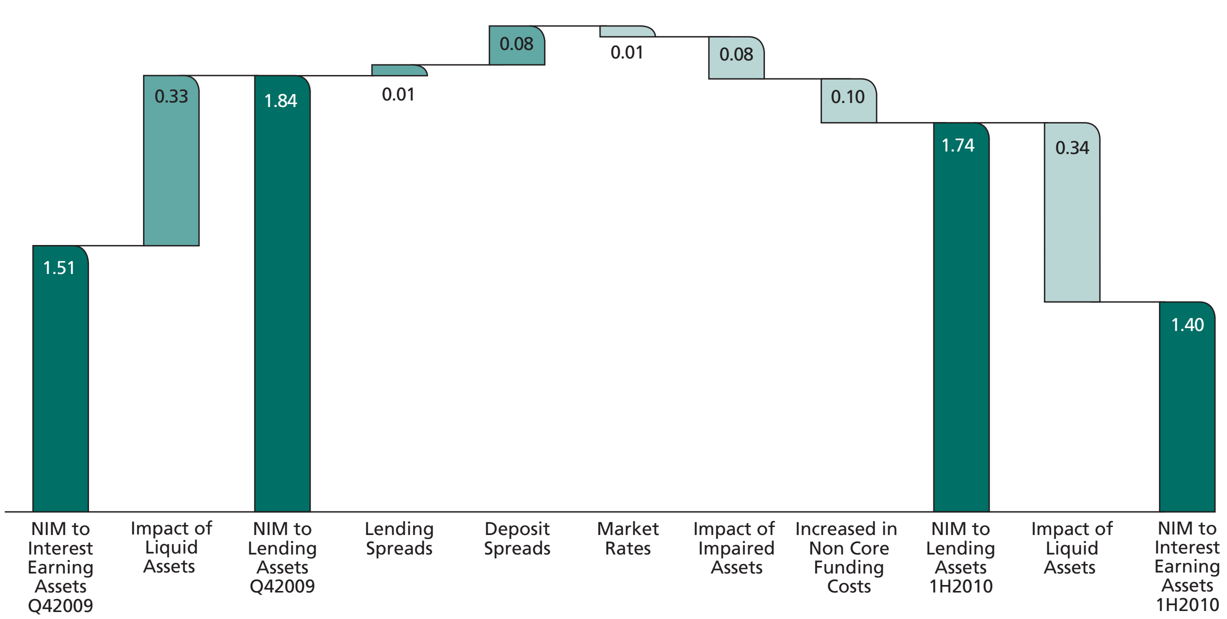
[1] Foreign currency borrowings are hedged back into Australian dollars.

Appendix 6 – Consolidated Bank continued

	CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M
Wholesale funding maturity profile			
Maturity			
0 to 3 months	3,626	4,951	8,577
3 to 12 months	777	4,745	5,522
1 to 3 years	1,103	8,166	9,269
3+ years	549	3,271	3,820
Total wholesale funding	6,055	21,133	27,188

	HALF YEAR ENDED CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M
Net interest income			
Interest revenue lending assets	1,160	527	1,687
Interest revenue other assets	107	143	250
Interest expense deposits and funding	(886)	(566)	(1,452)
	381	104	485
Interest expense preference shares	(10)	(9)	(19)
	371	**95**	**466**

Change in net interest margin (NIM): Consolidated Bank, %



Appendix 6 – Consolidated Bank continued

Net banking fee income

	HALF YEAR ENDED CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Lending fee revenue	30	20	50	60	47	(16.7)	6.4
Lending fee expense	(20)	(1)	(21)	(22)	(25)	(4.5)	(16.0)
Net lending fees	10	19	29	38	22	(23.7)	31.8
Transaction fees	40	2	42	46	53	(8.7)	(20.8)
Interchange fees	8	-	8	5	-	60.0	n/a
	58	**21**	**79**	**89**	**75**	**(11.2)**	**5.3**

Operating expenses

	HALF YEAR ENDED DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Total operating expenses					
Core operating expenses	(223)	n/a	n/a	n/a	n/a
Non-core operating expenses	(54)	n/a	n/a	n/a	n/a
	(277)	n/a	n/a	n/a	n/a
Consisting of:					
Staff expenses	(166)	(133)	(174)	24.8	(4.6)
Equipment and occupancy expenses	(50)	(45)	(48)	11.1	4.2
Hardware, software and dataline expenses	(15)	(12)	(16)	25.0	(6.3)
Advertising and promotion	(13)	(15)	(12)	(13.3)	8.3
Office supplies, postage and printing	(12)	(10)	(13)	20.0	(7.7)
Other [1]	(21)	(29)	(31)	(27.6)	(32.3)
	(277)	**(244)**	**(294)**	**13.5**	**(5.8)**

[1] Other operating expenses is primarily made up of financial, legal, motor vehicle and travel and accommodation expenses.

Impairment losses on loans and advances

	HALF YEAR ENDED CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Impairment losses on loans and advances							
Collective provision for impairment	(19)	(40)	(59)	31	171	(290.3)	(134.5)
Specific provision for impairment	4	155	159	279	174	(43.0)	(8.6)
Actual net write-offs	17	157	174	45	10	286.7	large
	2	**272**	**274**	**355**	**355**	**(22.8)**	**(22.8)**

Appendix 6 – Consolidated Bank continued

	CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Impaired asset balances							
Gross balances of individually impaired loans							
with specific provisions set aside	142	2,077	2,219	1,350	874	64.4	153.9
without specific provisions set aside	-	-	-	124	112	(100.0)	(100.0)
Gross impaired assets	142	2,077	2,219	1,474	986	50.5	125.1
Specific provision for impairment	(46)	(551)	(597)	(477)	(230)	25.2	159.6
Net impaired assets	96	1,526	1,622	997	756	62.7	114.6
Size of gross individually impaired assets							
Less than one million	22	33	55	50	27	10.0	103.7
Greater than one million but less than ten million	97	211	308	301	187	2.3	64.7
Greater than ten million	23	1,833	1,856	1,123	772	65.3	140.4
	142	2,077	2,219	1,474	986	50.5	125.1
Past due loans not shown as impaired assets	172	123	295	449	441	(34.3)	(33.1)
Gross non-performing loans	314	2,200	2,514	1,923	1,427	30.7	76.2
Interest income on impaired assets recognised in the contribution to profit							
Net interest charged and recognised as revenue in the contribution to profit during the half year was	1	-	1	1	1	-	-
Analysis of movements in gross individually impaired assets							
Balance at the beginning of the half year	145	1,329	1,474	986	356	49.5	314.0
Recognition of new impaired assets and increases in previously recognised impaired assets	44	1,044	1,088	557	667	95.3	63.1
Impaired assets written off during the half year	(13)	(154)	(167)	(38)	(3)	339.5	large
Impaired assets which have been restated as performing assets or repaid	(34)	(142)	(176)	(31)	(34)	467.7	417.6
Balance at the end of the half year	**142**	**2,077**	**2,219**	**1,474**	**986**	**50.5**	**125.1**
	%	%	%	%	%		
Gross individually impaired assets as a percentage of gross loans, advances and other receivables	0.38	12.11	4.10	2.66	1.77		
Gross non-performing loans as a percentage of gross loans, advances and other receivables	0.85	12.83	4.64	3.47	2.56		

Appendix 6 – Consolidated Bank continued

Impaired assets

Industry breakdown is shown below based on the source of credit risk whereas the loans, advances and other receivables table on page 79 is based on the nature of the loan. Industry breakdown of impaired assets and specific provisions as at 31 December 2009 are as follows:

	DEC-09			JUN-09			DEC-08		
	GROSS LOANS $M	IMPAIRED ASSETS $M	SPECIFIC PROVISION $M	GROSS LOANS $M	IMPAIRED ASSETS $M	SPECIFIC PROVISION $M	GROSS LOANS $M	IMPAIRED ASSETS $M	SPECIFIC PROVISION $M
Agribusiness	3,352	210	65	3,535	74	14	3,607	49	10
Construction and development	6,017	1,369	306	6,576	804	224	6,507	459	78
Financial services	2,740	-	-	2,078	-	-	1,676	-	-
Hospitality	1,429	34	23	1,742	75	14	1,772	38	-
Manufacturing	812	14	7	904	20	8	966	5	4
Professional services	535	9	3	654	144	115	766	3	-
Property investment	6,368	316	104	7,423	269	69	7,714	236	25
Real estate mortgage	28,578	28	13	28,464	31	8	28,471	24	5
Personal	596	-	-	610	-	-	694	-	-
Government and public authorities	7	-	-	9	-	-	9	-	-
Other commercial and industrial	3,747	239	76	3,383	57	25	3,635	172	108
	54,181	**2,219**	**597**	**55,378**	**1,474**	**477**	**55,817**	**986**	**230**

Appendix 6 – Consolidated Bank continued

	CORE DEC-09 $M	NON-CORE DEC-09 $M	TOTAL DEC-09 $M	JUN-09 $M	DEC-08 $M	DEC-09 vs JUN-09 %	DEC-09 vs DEC-08 %
Provision for impairment							
Collective provision							
Balance at the beginning of the half year	54	228	282	251	80	12.4	252.5
Charge against contribution to profit	(19)	(40)	(59)	31	171	(290.3)	(134.5)
Balance at the end of the half year	35	188	223	282	251	(20.9)	(11.2)
Specific provision							
Balance at the beginning of the half year	42	435	477	230	74	107.4	large
Charge against impairment losses	4	155	159	279	174	(43.0)	(8.6)
Charge against interest income	-	(39)	(39)	(32)	(18)	21.9	116.7
Balance at the end of the half year	46	551	597	477	230	25.2	159.6
Total provision for impairment – Banking activities	81	739	820	759	481	8.0	70.5
Equity reserve for credit loss							
Balance at the beginning of the half year	62	133	195	33	160	490.9	21.9
Transfer (to)/from retained earnings	(7)	103	96	162	(127)	(40.7)	(175.6)
Balance at the end of the half year	55	236	291	195	33	49.2	large
Pre-tax equivalent coverage	79	337	416	279	47	49.1	large
Total provision for impairment and equity reserve for credit loss coverage – Banking activities	160	1,076	1,236	1,038	528	19.1	134.1

	%	%	%	%	%
Provision for impairment expressed as a percentage of gross impaired assets are as follows:					
Collective provision	24.65	9.05	10.05	19.10	25.50
Specific provision	32.39	26.53	26.90	32.36	23.33
Total provision	57.04	35.58	36.95	51.49	48.78
Equity reserve for credit loss coverage	55.63	16.23	18.75	18.93	4.77
Total provision and equity reserve for credit loss coverage	112.68	51.81	55.70	70.42	53.55

Appendix 6 – Consolidated Bank continued

	HALF YEAR ENDED DEC-09								
	CORE PORTFOLIO			NON-CORE PORTFOLIO			TOTAL PORTFOLIO		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Average banking interest earning assets and liabilities									
Assets									
Interest earning assets									
Trading securities	4,598	97	4.18	7,401	143	3.83	11,999	240	3.97
Gross loans, advances and other receivables	36,507	1,148	6.24	16,714	527	6.25	53,221	1,675	6.24
Other interest earning assets	820	22	5.32	-	-	-	820	22	5.32
Total interest earning assets	41,925	1,267	5.99	24,115	670	5.51	66,040	1,937	5.82
Liabilities									
Interest bearing liabilities									
Retail deposits	23,919	495	4.11	-	-	-	23,919	495	4.11
Wholesale liabilities	14,204	380	5.31	22,041	556	5.00	36,245	936	5.12
Debt capital	933	21	4.46	874	19	4.31	1,807	40	4.39
Total interest bearing liabilities	39,056	896	4.55	22,915	575	4.98	61,971	1,471	4.71
Analysis of interest margin and spread									
Interest earning assets	41,925	1,267	5.99	24,115	670	5.51	66,040	1,937	5.82
Interest bearing liabilities	39,056	896	4.55	22,915	575	4.98	61,971	1,471	4.71
Net interest spread			1.44			0.53			1.11
Net interest margin (interest earning assets)	41,925	371	1.76	24,115	95	0.78	66,040	466	1.40
Net interest margin (lending assets)	36,507	371	2.01	16,714	95	1.13	53,221	466	1.74

Appendix 6 – Consolidated Bank continued

	HALF YEAR ENDED JUN-09 TOTAL PORTFOLIO			HALF YEAR ENDED DEC-08 TOTAL PORTFOLIO		
	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Assets						
Interest earning assets						
Trading securities	11,518	260	4.55	9,140	339	7.36
Gross loans, advances and other receivables	55,670	1,729	6.26	55,433	2,326	8.32
Other interest earning assets	688	20	5.86	912	28	6.09
Total interest earning assets	67,876	2,009	5.97	65,485	2,693	8.16
Liabilities						
Interest bearing liabilities						
Retail deposits	20,988	489	4.70	21,352	690	6.41
Wholesale liabilities	41,228	966	4.72	39,150	1,324	6.71
Debt capital [(1)]	1,917	45	4.73	1,917	71	7.35
Total interest bearing liabilities	64,133	1,500	4.72	62,419	2,085	6.63
Analysis of interest margin and spread						
Interest earning assets	67,876	2,009	5.97	65,485	2,693	8.16
Interest bearing liabilities	64,133	1,500	4.72	62,419	2,085	6.63
Net interest spread			1.25			1.53
Net interest margin (interest earning assets)	67,876	509	1.51	65,485	608	1.84
Net interest margin (lending assets)	55,670	509	1.84	55,433	608	2.18

[(1)] Excludes the subordinated notes and preference shares notionally allocated to General Insurance as share of capital funding and the associated interested cost charged to General Insurance.

Appendix 7 – Definitions

ADI	Authorised Deposit-taking Institutions
Adjusted Fundamental Tier 1	Tier 1 equity less preference share capital less the tangible component of investment in subsidiaries
Adjusted Fundamental Tier 1 ratio	Adjusted Fundamental Tier 1 divided by total assessed risk, as defined by APRA
Annuities market adjustments	The value of annuity obligations are determined by discounting future obligations into today's dollars using risk free rates. The values of such obligations fluctuate as market referenced discount rates change. The values of assets backing annuity obligations also fluctuate with investment markets. The net impact of both of these market driven valuation changes are removed from Underlying Profit and recorded as Annuity market adjustments
Bad debts to gross loans and advances	Impairment losses on loans and advances divided by gross banking loans, advances and other receivables
Basic shares	Ordinary shares on issue
Basis points (bps)	A "basis point" is 1/100th of a percentage point
Cash earnings per share	Adjusts the earnings per share ratio by adding back amortisation of Promina acquisition intangible assets and the related tax benefit to after tax profit
Cash return on average shareholders' equity	Adjusts the return on average shareholders equity by adding back amortisation of Promina acquisition intangible assets and the related tax benefit to after tax profit
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA
Combined operating ratio	The percentage of net premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the General Insurance business
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities
Deferred acquisition costs (DAC)	The portion of acquisition costs not yet expensed on the basis that it can be reliably measured and it is probable that it will give rise to premium revenue that will be brought to account in subsequent financial periods
Deposit to loan ratio	Total deposits divided by total loans and advances, excluding other receivables
Diluted shares	Diluted shares is based on the weighted number of ordinary shares adjusted for potential ordinary shares that are dilutive in accordance with AASB 133 Earnings per Share
Earnings per share	Basic earnings per share is calculated by dividing profit after tax for the period by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit after tax for the period adjusted for consequential changes in income or expense associated with the dilutive potential ordinary shares divided by the weighted average number of diluted shares outstanding during the period. Ordinary shares are adjusted for treasury shares

Appendix 7 – Definitions continued

Effective tax rate	Income tax expense divided by operating profit before tax
Embedded value	Embedded value is equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits
Fire service levies (FSL)	The expense relating to the amount levied on policyholders by insurance companies as part of premiums payable on policies with a fire risk component, which is established to cover the corresponding fire brigade charge which the company will eventually have to pay
Funds under administration	Funds where the Australian Superannuation & Investments business and New Zealand Guardian Trust receive a fee for the administration of an asset portfolio
Funds under management	Funds where Suncorp Investment Management or Tyndall has been appointed as the investment manager for both internal Group funds and external funds
Funds under supervision	Funds where New Zealand Guardian Trust receives a fee for acting as a custodian or for providing corporate trustee services
General Insurance – Commercial	Commercial products consist of commercial motor, aviation, home owners' warranty, marine, construction and engineering, property, liability, professional indemnity, industrial special risk, corporate property, motor dealers and workers' compensation
General Insurance – Personal	Personal products consist of home, personal motor, compulsory third party, travel, consumer credit, deposit power, loan protection, and rental bond
General reserve for credit losses	The general reserve for credit losses is classified as upper Tier 2 capital and is the sum of the collective provision net of related deferred tax asset balances and the equity reserve for credit losses
Gross non-performing loans	Gross impaired assets plus past due loans
Insurance trading ratio	The insurance trading result expressed as a percentage of net earned premium
Life insurance policyholders' interests	Amounts due to an entity or person who owns an insurance policy. This need not be the insured. This is distinct from shareholders' interests. Policyholders' interests are excluded from the Life section of the Analysts Pack
Life risk in-force annual premiums	Total annualised statistical premium for all business in-force at the disclosure date (including new business written during the period)
Life risk new business annual premiums	Total annualised statistical premium for policies issued during the reporting period
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities
Net interest margin	Net interest income divided by average interest earning assets or lending assets, as specified

Appendix 7 – Definitions continued

Net interest spread	The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities
Net tangible asset backing	Shareholders' equity attributable to owners of the Company less intangible assets divided by ordinary shares at the end of the period adjusted for treasury shares
Operating expense ratio	The percentage of the net premium that is used to pay all the costs of acquiring (including commission), writing and servicing the General Insurance business
Payout ratio – cash earnings	Ordinary shares at the end of the period multiplied by ordinary dividend per share for the period divided by cash earnings. Ordinary shares are adjusted for treasury shares
Payout ratio – net profit after tax	Ordinary shares at the end of the period multiplied by ordinary dividend per share for the period divided by operating profit after tax. Ordinary shares are adjusted for treasury shares
Return on average total assets	Operating profit after tax divided by average total assets. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Return on average shareholders' equity	Operating profit after tax divided by adjusted average ordinary shareholders' equity. Averages are based on beginning and end of period balances. The ratio is annualised for half years
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA
Total assessed risk	Risk weighted assets, off balance sheet positions, market risk capital charge and operational risk charge
Treasury shares	Ordinary shares of the Company that are acquired by subsidiaries

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Appendix 8 – 2010 Key dates [1]

Ordinary shares (SUN)

Half year results announcement	**24 February 2010**
Ex dividend date [2]	1 March 2010
Record date	5 March 2010
Dividend payment	1 April 2010
Full year results and final dividend announcement	**25 August 2010**
Ex dividend date [2]	30 August 2010
Record date	3 September 2010
Dividend payment	1 October 2009
Annual General Meeting	**4 November 2010**

Floating Rate Capital Notes (SUNHB)

Ex interest date [2]	9 February 2010
Record date	15 February 2010
Interest payment	2 March 2010
Ex interest date [2]	11 May 2010
Record date	17 May 2010
Interest payment	1 June 2010
Ex interest date [2]	10 August 2010
Record date	16 August 2010
Interest payment	31 August 2010
Ex interest date [2]	9 November 2010
Record date	15 November 2010
Interest payment	30 November 2010

Reset Preference Shares (SUNPA)

Ex dividend date [2]	1 March 2010
Record date	5 March 2010
Dividend payment	15 March 2010
Ex dividend date [2]	30 August 2010
Record date	3 September 2010
Dividend payment	14 September 2010

Convertible Preference Shares (SUNPB)

Ex dividend date [2]	1 March 2010
Record date	5 March 2010
Dividend payment	15 March 2010
Ex dividend date [2]	24 May 2010
Record date	28 May 2010
Dividend payment	15 June 2010
Ex dividend date [2]	30 August 2010
Record date	3 September 2010
Dividend payment	14 September 2010
Ex dividend date [2]	26 November 2010
Record date	2 December 2010
Dividend payment	14 December 2010

(1) Dates may be subject to change
(2) Subject to ASX confirmation