Announcement of Consolidated Financial Results for the Half-Year

ended 31 December 2006

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Suncorp-Metway Ltd and controlled entities ABN 66 010 831 722

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Suncorp-Metway Ltd Half-year Results 2007

- Net profit after tax (NPAT) up 16.1% to $527 million
- Underlying profit up 19.7% to $589 million
- Earnings per share for the half-year up 13.9% to 94.4 cents per share
- Return on equity of 22.4%
- Interim ordinary dividend of 52 cents, fully franked, an increase of 10.6% on the half-year to December 2005

	HALF-YEAR ENDED			
	DEC-06	JUN-06	DEC-05	DEC-06 VS DEC-05
	$M	$M	$M	%
Profit overview				
Banking	289	251	255	13.3
General Insurance	383	361	330	16.1
Wealth Management	54	39	42	28.6
L J Hooker and other	7	6	7	-
Consolidation	(9)	(7)	(6)	50.0
Profit before tax	724	650	628	15.3
Tax	(197)	(188)	(174)	13.2
Net profit	527	462	454	16.1
Underlying profit	589	550	492	19.7

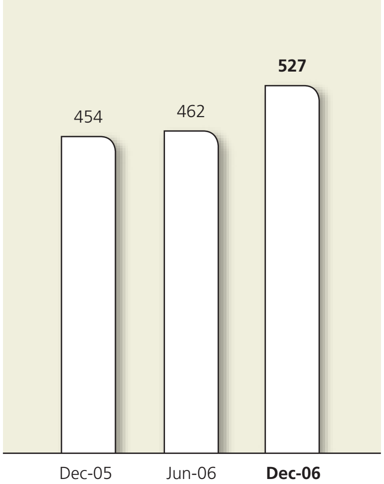
Review of operations

Except where otherwise stated, all figures relate to the half-year ended 31 December 2006. Comparatives are for the half-year ended 31 December 2005, and life insurance policy owners' interests are excluded.

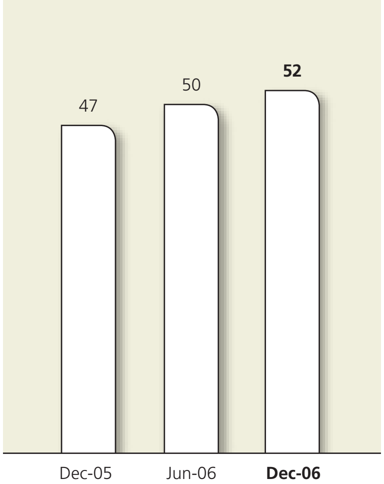
Group overview

- Suncorp has reported a 16.1% increase in net profit after tax (NPAT) to $527 million for the half-year to December 2006. Underlying profit increased by 19.7% to $589 million for the half-year.
- The strength of the result has allowed the Board to declare a 52 cent interim ordinary dividend, an increase of 10.6% on the half to December 2005. This is equivalent to a diluted payout ratio of 55.5% for the half-year.
- Earnings per share on a cash basis, fully diluted, increased by 13.9% to 94.4 cents for the half-year.
- The **Banking** division delivered another good result in an intensely competitive market, with contribution before tax increasing by 13.3% to $289 million for the half-year. The result featured strong growth in receivables, ongoing tight control over costs and continued disciplined credit practices. The Bank continues to proactively manage the price and volume mix to ensure it is well placed to respond to changes in the competitive environment.
- In **General Insurance**, pre-tax profitability remained strong, at $383 million for the half-year, as the business further improved its claims management processes and benefited from a generally favourable claims experience in short tail and long tail classes. Premium growth was in line with forecast expectations, with price based competition increasing across most portfolios and as customers continue to benefit from the tort law reforms reducing premiums. In this environment, the business has remained disciplined around pricing and risk selection to ensure profitable growth.
- The **Wealth Management** division delivered strong growth in pre-tax profit of 28.6% to $54 million for the half-year. The result was driven by strong growth in funds under administration, strong personal risk sales and good retention.
- On 21 October 2006 Suncorp entered into a Merger Implementation Agreement whereby it was proposed that the Group would acquire all of Promina Group Limited's ordinary shares. The transaction is to be completed by way of a Scheme of Arrangement. The implementation of the Scheme is subject to various conditions, including the approval of Promina Group Limited ("Promina") shareholders at a Court-convened meeting to be held on 5 March 2007 and the approval of the Federal Court of Australia (expected to be 12 March 2007).

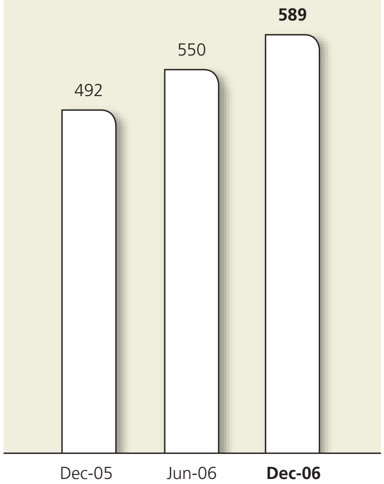
Net profit after tax
Half-year, $m



Dividend
Half-year, cents per share



Underlying profit
Half-year, $m



Review of operations continued

Financial position

- At the end of December 2006, the Group had total assets of $56.3 billion, an increase of 12.7% on December 2005. Liabilities totalled $51.4 billion up 12.2% leaving equity at $4.9 billion, up 18.1%.
- The Group's capital position remains strong, with a capital adequacy ratio of 11.34% in the Bank, an MCR multiple of 1.83 times in the General Insurer and strong capital reserves in the Life Company. The Promina acquisition will have a significant impact on the Group's capital position as the surplus capital will be used to help fund the transaction.
- The adjusted common equity (ACE) ratio in the Bank increased to 6.09% from 5.44% in December 2005. This ratio sits comfortably above the Company's target range of 4.5% to 5%.
- The Group's credit ratings underwent change over the period following the announcement of the proposed merger with Promina. Standard and Poor's has a 'A' positive watch long term counterparty credit rating on the Company, Moody's is at 'A2' review rating direction uncertain and Fitch at 'A' rating watch positive.
- Standard and Poor's has indicated that it expects to assign the merged group an A+ (positive outlook) upon implementation of the merger.

Operational highlights

The strong results for the half-year continue to reflect the disciplined manner in which management is responding to the challenge of increasing competition across all lines of business.

As competition increases, management remains focused on driving profitability through superior customer service, market segmentation, product packaging and logical cross-sell while continuing to capitalise on the diversified financial services model's proven ability to generate efficiencies and drive down unit costs.

The Group has maintained its strict discipline around pricing, return on capital, risk and credit standards while being conscious of the need to maintain and grow market shares.

The Group's strategy continues to serve it well, with each of its businesses now competing strongly in its own right while at the same time making good progress in realising the benefits of its unique position in the Australian financial services marketplace.

The Group is now well placed to embark on the next stage of its strategic journey.

The major operational highlights in the half-year to December 2006 were:

- In **Banking**, net profit before tax grew by 13.3% to $289 million – a record return for a half-year period. The Bank continued to proactively manage price and volume in order to achieve a very respectable 6.9% increase in total income.
- The cost to income ratio improved to 44.4%, an outstanding result and tangible proof of the benefits to the Bank of participating in Suncorp's diversified financial services model.
- In a half-year where tightening monetary policy began to constrain credit formation, the Bank grew total receivables by 14.6% – ahead of industry growth rates for the half.
- In the current competitive environment the Bank manages the price and volume levers to achieve growth at, or slightly above, system rates, and seeks to optimise its distribution capabilities to achieve profitable growth at all levels. The Bank does not seek to grow its market share where it is clearly unprofitable to do so.
- Lending volumes gained momentum throughout the half as initiatives put in place during the previous financial year achieved their full effect. These initiatives, which included improved loan packaging and distribution improvements in the broker and LJ Hooker channels, were supplemented in the half by competitive pricing and further improvements in customer service.
- In Home lending, receivables, including securitised assets grew to $22.4 billion, an increase of 14% from December 2005. This is in line with industry growth rates of 14.2% over the period.
- The Bank continued to optimise its home lending distribution capability with both the direct and indirect channels playing an important role in capturing growth inside and outside its home state of Queensland.
- In Business, lending receivables grew to $18.5 billion an increase of 15.2% on the prior corresponding half-year. This growth was achieved despite continued softness in the property market, which has again constrained lending growth in the sizeable development finance portfolio.
- Growth in retail deposits continued to be strong with core retail deposits (excluding Treasury) growing by 14.2% to $15.5 billion, exceeding the industry growth rate of 13%.
- The net interest margin contracted by 4 basis points from June 2006 and 9 basis points from December 2005 as the Bank responded in a disciplined and measured manner to increasing competition in both lending and retail deposit markets.

Review of operations continued

Operational highlights continued

- Credit quality remains sound overall, with gross impaired assets of $124 million, representing just 0.30% of total gross loans, advances and other receivables. A $2 million increase in the specific provision reflects the small increase in the total value of impaired assets and at $23 million represents a very modest 8 basis points of risk weighted assets, further underscoring the high level of security the Bank holds over its loan book.
- In **General Insurance**, pre-tax profit increased by 16.1% to $383 million for the half-year to December 2006.
- This was underpinned by strong profitability across all classes of business due to the continuing benefits of tort law reforms on personal injury and liability claims as well as benefits flowing from the claims cost reduction projects in short and long tail classes. These benefits were offset by continuing premium reductions in the compulsory third party (CTP) and commercial liability portfolios.
- The insurance trading result (ITR) which is the best measure of the overall performance of a general insurer reached a record $262 million, or 21% of net earned premium, well above the Group's 11% to 14% target range.
- As forecast, a highly competitive operating environment and continued pressure on premium rates impacted overall gross written premium (GWP) growth, which decreased by 1.2% to $1.3 billion to December 2006. Net earned premium increased by 1.2% to $1.2 billion due to higher unearned premium movement over the period.
- A focus on driving profitable growth in short tail classes combined with a benign claims environment and improved claims management processes has resulted in a short tail insurance trading ratio of 11.7%, above the Group's medium term target of 8% to 10%.
- In long tail classes, favourable claims experience continues to provide valuation actuaries with confidence around the sustainable benefits of tort reforms on liability claims experience. This confidence has resulted in releases totaling $120 million contributing to an insurance trading ratio in the long tail book of 36.6%.
- Further highlighting the conservative nature of Suncorp's provisioning, risk margins were maintained at 28% of the central estimate, with a probability of adequacy of approximately 94%.
- In **Wealth Management**, strong growth in funds under administration of 19.5% to $6.8 billion was underpinned by solid investment earnings and good net inflows.
- The value of new business increased by 25.2% and was boosted by increased volumes and improved retention rates on most products.
- Strong investment management was again a feature, with the Suncorp Superannuation Balanced Fund achieving 1st quartile returns over 1, 3, 5 and 7 years as measured by Intech's Growth Fund Survey.

Strategy update

Suncorp's strategic vision to become Australia's most desirable financial services organisation is predicated on the unique position it holds within the financial services sector.

Its strategic intent is based on its three businesses performing strongly in their own right, while also realising the available cost and revenue synergies from bringing together three lines of business in one organisation.

In achieving this vision Suncorp focuses on delivering on six key strategic levers. These levers are now well embedded across Suncorp and inform the Group's annual strategic planning. The Group continues to make excellent progress against each of them.

Customer focus continues to remain the priority. Suncorp's unique business model allows it to gain a high level of insight into its customer needs across the spectrum of financial services solutions.

This insight enables the Group to offer the appropriate solutions in a targeted and logical approach rather than conduct mass offerings of banking and general insurance products.

This focus has enabled logical cross-sell opportunities such as home insurance with home lending, and consumer credit insurance with personal loans. The success of these initiatives amongst others has resulted in Suncorp maintaining its lead against competitors with 2.96 products per customer as at December 2006.

Suncorp has continued to embed customer led design principles across each line of business. These principles, including putting the customer at the centre of everything we do and being attuned to the impacts any decisions may have on customers, have resulted in customer satisfaction scores in the Retail Bank improving for the 6th consecutive month to 78.8%. This is well above the major banks collective score and is an exceptional result given the effort competitors are putting into this area.

Review of operations continued

Strategy update continued

The Group continues to **optimise distribution channels**, capitalising on the direct distribution channel, growing the intermediary business, particularly outside Queensland and through relationship management programs.

The Group has extended its ATM network and improved the accessibility, performance and security of its Internet banking facilities. In November 2006 two factor authentication was introduced to allow customers the option of a secure ID token to use with their internet banking.

The Group also continues to optimise distribution through its national real estate business, LJ Hooker, with sales via this channel up by 86% on the previous corresponding period.

Suncorp continues to invest in developing **high performing teams** and ensuring the Group is seen as a desirable employer. In an increasingly tight labour market, the Group has introduced a number of policies designed to attract, retain and develop its employees. In particular leadership development and training has been an ongoing focus of the organisation.

A talent management framework has also been rolled out across the Group to help employees identify appropriate career opportunities within Suncorp and to support them with required developmental activities. In addition, talent sourcing strategies have been implemented in areas of the business where there is a shortage of staff, thereby identifying ways to more successfully source high performing employees in areas such as relationship management more successfully.

In addition, Suncorp has embarked on a national workplace change program to deliver new work environments designed to improve employee retention and attraction, increase productivity, achieve better outcomes for customers through greater internal collaboration and support Suncorp's diversified financial services strategy. Over the next five years, 6,000+ Suncorp employees across three states will be part of this organisation-wide program. To date, the program has already delivered two new workplaces – 56 Pitt Street Sydney and Brisbane Square – Suncorp's flagship workplace; and a third site (Suncorp Place – Jamison Street Sydney) is due for completion in June 2007.

Suncorp has systems and processes in place to assist with the execution of strategy and to ensure **execution excellence** across the Group. The strategic planning process is embedded across the organisation and it continues to be refined and improved each year. The single desktop program rollout was successfully completed during the half-year to December 2006. Over 10,000 desktops were converted in 300 locations with all employees now able to access 378 different applications from a single desktop.

Success has also been achieved in driving **Group synergies** across the Group, from both cost and revenue perspectives. The Bank's cost to income ratio remains very competitive with its peers especially given its relative size.

The execution of this strategy has allowed Suncorp to achieve another good result in a competitive environment. The Group continues to focus on **profitable market growth** in a disciplined and measured approach via three performing lines of business as well as deriving ongoing benefits from its unique business model.

Outlook

At the macro level, recent tightening of monetary policy is likely to have a continued impact on credit formation, particularly on the retail mortgage market. While it is likely that this will also have some impact on the level of non-performing loans, we do not believe there is a likelihood of a material increase in loan loss expense.

Competition is likely to remain strong across all businesses and geographies.

On a stand alone basis, we believe we are on track to deliver to our outlook for the year to June 2007, which was outlined at our full year results presentation in September 2006.

This means that for the year to June 2007 we would expect to increase profit before tax and bad debts in the **Bank** by approximately 10%, achieve an ITR in the **General Insurer** in the 16% – 19% range, (excluding any major weather events), grow profit on an underlying basis by approximately 10% in **Wealth Management** and, at the **Group** level, achieve ordinary dividend growth of at least 10%.

In the event the proposed merger with Promina proceeds we would anticipate providing updates to the market as appropriate.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Contribution to profit by division for the half-year ended 31 December 2006				
Excluding Life Insurance Policy Owners' Interests				
Banking				
Net interest income [1]	454	426	422	7.6
Non-interest income	75	76	73	2.7
Total income	529	502	495	6.9
Operating expenses	(235)	(235)	(225)	4.4
Impairment losses on loans and advances	(5)	(16)	(15)	(66.7)
Contribution before tax	289	251	255	13.3
General Insurance				
Gross written premium [2]	1,275	1,321	1,290	(1.2)
Net earned premium [2]	1,246	1,225	1,231	1.2
Net incurred claims	(793)	(760)	(873)	(9.2)
Operating expenses[2]	(303)	(303)	(280)	8.2
Investment income – insurance funds	112	103	131	(14.5)
Insurance trading result	262	265	209	25.4
Managed schemes net income	15	12	14	7.1
Joint venture income	33	15	10	230.0
Investment income – Shareholder Funds	102	87	116	(12.1)
Contribution before tax and capital funding	412	379	349	18.1
Capital funding [1]	(29)	(18)	(19)	52.6
Contribution before tax	383	361	330	16.1
Wealth Management				
Contribution from Life Company	46	31	35	31.4
Contribution from Funds Management	8	8	7	14.3
Contribution before tax	54	39	42	28.6
Other				
Contribution from LJ Hooker and other	7	6	7	-
Wealth Management consolidation adjustments [3]	(9)	(7)	(6)	50.0
Contribution before tax	(2)	(1)	1	(300.0)
Profit before tax	724	650	628	15.3
Income tax	(197)	(188)	(174)	13.2
Net profit	**527**	**462**	**454**	**16.1**
Underlying profit [4]	**589**	**550**	**492**	**19.7**

Notes:

[1] Includes interest expense on subordinated debt and preference shares allocated to General Insurance as described in Appendix 5. Preference share dividends are treated as interest expense from 1 July 2005, and are allocated between Banking (Dec-06: $3 million; Jun-06: $5 million; Dec-05: $5 million) and General Insurance (Dec-06: $2 million; Jun-06: $3 million; Dec-05: $3 million) on the basis described in Appendix 5.

[2] Net of certain statutory fees and charges "grossed-up" in income and expenses in the Consolidated Financial Report.

[3] Includes eliminations of deferred acquisition costs (DAC) and treasury share valuations. Within Wealth Management, 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. Certain managed schemes controlled by Wealth Management 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.

[4] Refer following page for calculation of underlying profit.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Reconciliation of underlying profit to profit before tax				
Profit before tax	724	650	628	15.3
General Insurance investment income – Shareholder Funds	(102)	(87)	(116)	(12.1)
Share of General Insurance investment income – joint venture Shareholder Funds	(6)	(5)	(6)	-
Wealth Management investment income in Life Company	(17)	(8)	(15)	13.3
Wealth Management investment income in Funds Management	(2)	(4)	(2)	-
One-off items	(8)	4	3	(366.7)
Underlying profit	589	550	492	19.7
One-off items				
One-off items included in profit before income tax are:				
Corporate real estate	(3)	(4)	(1)	200.0
Change in valuation methodology of Policy liabilities of unit linked statutory fund business	-	-	(2)	(100.0)
Change in valuation methodology of Banking collective provision	11	-	-	n/a
	8	**(4)**	**(3)**	(366.7)
The above items affect the following captions in the contribution to profit:				
Impairment losses on loans and advances	11	-	-	n/a
Contribution from Life Company	-	-	(2)	(100.0)
Operating expenses	(3)	(4)	(1)	200.0
	8	**(4)**	**(3)**	(366.7)

Collective Provision

The valuation methodology used for determining the Bank's collective provision was revised over the period having had a year's experience with the new AIFRS requirements. The revisions improved the accuracy of the modelling security values and recoveries when determining the loss given default assumptions. This revision has resulted in a one-off release of $11 million.

Corporate Real Estate Strategy

The Group's Corporate Real Estate Strategy is focused on providing stimulating and collaborative work spaces for our people.

The major components of the strategy are:

- Site selection, design and level of occupancy to maximise efficiency, effectiveness and flexibility;
- Exit of properties that do not meet our objectives;
- Consolidation of disparate tenancies, including optimisation of CBD corporate presence, move to lower cost geographies where practicable and the adoption of uniform standards of fit-out; and
- Accommodation of call centres independently of offices.

While the one-off costs for the half-year to December 2006 were only $3 million, these costs are expected to reach $8.9 million for the 2007 financial year. The one-off costs consist of relocation expenses, project support and change management. The recurring expenses, which are not treated as one-off, will consist of incremental rental, occupancy and depreciation costs.

Balance Sheet
Excluding Life Insurance Policy Owners' Interests

	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Assets				
Cash and liquid assets	975	487	904	7.9
Receivables due from other banks	10	26	32	(68.8)
Other financial assets				
Trading securities	4,114	3,773	3,659	12.4
Investment securities	5,740	5,720	5,485	4.6
Investments in associates and joint ventures	193	138	133	45.1
Loans, advances and other receivables	42,324	39,367	36,987	14.4
Reinsurance and other recoveries	546	499	478	14.2
Deferred insurance assets	186	210	208	(10.6)
Property, plant and equipment	183	130	109	67.9
Deferred tax assets	204	213	201	1.5
Investment property	197	196	157	25.5
Unlisted investment in life insurance statutory funds	215	174	193	11.4
Intangible assets	1,137	1,124	1,126	1.0
Other assets[1]	291	397	294	(1.0)
Total assets	56,315	52,454	49,966	12.7
Liabilities				
Deposits and short term borrowings	30,592	27,836	28,139	8.7
Payables due to other banks	28	120	55	(49.1)
Bank acceptances	671	316	121	454.5
Payables and other liabilities	1,020	631	898	13.6
Current tax liabilities	71	135	74	(4.1)
Provisions	11	15	6	83.3
Employee benefit obligations	122	139	105	16.2
Deferred tax liabilities	190	188	192	(1.0)
Unearned premiums and unexpired risks	1,372	1,400	1,350	1.6
Outstanding claims liabilities	4,238	4,249	4,276	(0.9)
Securitisation liabilities	5,642	5,710	3,793	48.7
Bonds, notes and long term borrowings	5,756	5,504	5,335	7.9
Subordinated notes	1,524	1,466	1,182	28.9
Other financial liabilities	54	56	59	(8.5)
Preference shares	144	250	250	(42.4)
Total liabilities	51,435	48,015	45,835	12.2
Net assets	**4,880**	**4,439**	**4,131**	**18.1**
Equity				
Share capital	3,144	2,973	2,913	7.9
Reserves	165	121	75	120.0
Retained profits	1,571	1,345	1,143	37.4
Total equity	**4,880**	**4,439**	**4,131**	**18.1**

Notes:

(1) Other assets is mainly made up of accrued interest, prepayments and deferred acquisition costs.

Refer to Appendix 3 for a reconciliation of the Group's Balance Sheet with the individual segments' balance sheets.

Ratios and statistics
for the half-year ended 31 December 2006
Excluding Life Insurance Policy Owners' Interests

		HALF-YEAR ENDED DEC-06	JUN-06	DEC-05	DEC-06 VS DEC-05 %
Performance ratios					
Earnings per share					
Basic	(cents)	94.4	83.7	82.9	13.9
Diluted	(cents)	94.4	83.7	82.9	13.9
Return on average shareholders' equity					
Basic	(%)	22.4	21.7	21.4	4.7
Diluted	(%)	22.4	21.7	21.4	4.7
Return on average total assets	(%)	1.92	1.82	1.83	4.9
Insurance trading ratio	(%)	21.0	21.6	17.0	23.5
Shareholder summary					
Dividend per ordinary share	(cents)	52.0	50.0	47.0	10.6
Payout ratio					
Basic	(%)	55.5	60.4	57.5	(3.5)
Diluted	(%)	55.5	59.9	57.0	(2.6)
Weighted average number of shares					
Basic	(million)	558.2	551.9	547.7	1.9
Diluted	(million)	558.2	552.1	547.9	1.9
Number of shares at end of period					
Basic	(million)	562.2	553.5	550.5	2.1
Diluted	(million)	562.2	553.9	550.9	2.0
Net tangible asset backing per share					
Basic	($)	6.66	5.99	5.46	22.0
Diluted	($)	6.66	5.99	5.46	22.0
Share price at end of period	($)	20.35	19.35	20.05	1.5
Productivity					
Group efficiency ratio	(%)	25.9	27.0	25.5	1.6
Banking cost to income ratio	(%)	44.4	46.8	45.5	(2.4)
General Insurance expense ratio	(%)	24.3	24.7	22.8	6.6
Financial position					
Total assets	($ million)	56,315	52,454	49,966	12.7
Capital					
Bank capital adequacy ratio	(%)	11.34	12.31	10.79	5.1
Bank Adjusted Common Equity ratio	(%)	6.09	6.07	5.44	11.9
General Insurance minimum capital ratio coverage	(times)	1.83	1.79	1.69	8.3

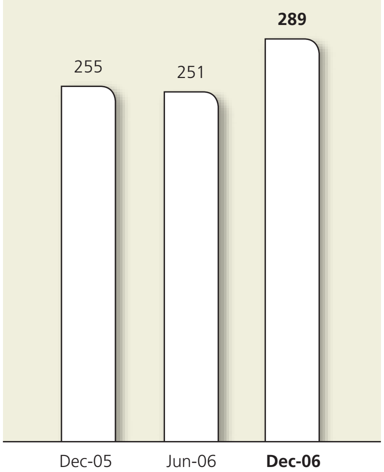
Refer Appendix 4 for definitions.
Refer Appendix 5 for details of Earnings per share and Return on average shareholders' equity calculations.

Segment information – Banking

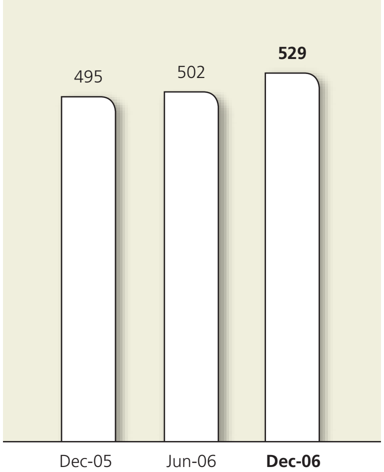
Profit overview

- The Bank reported a net profit before tax of $289 million, an increase of 13.3% on the prior period. This was achieved in an environment of tightening monetary policy and intensifying price led competition.
- Banking profit before tax and bad debts increased by 8.9%.
- Revenue growth of 6.9% was achieved as the Bank proactively managed price and volume to grow overall lending volumes. Discipline around costs was maintained while credit quality remains sound.
- Total receivables, including securitised assets, grew by 14.6% to $41.8 billion, in line with industry growth rates for the year.
- Receivables growth continued to build momentum over the course of the year, with growth of 7.7% in the six months to December 2006, outperforming industry growth of 6.1% over the same period.
- Home loan receivables, including securitised assets, increased by 14% to $22.4 billion for the year. Again, momentum built over the course of the year with growth in the six months to December 2006 of 7.5% outperforming industry growth of 5.5% over the same period.
- Business lending receivables grew by 15.2% to $18.5 billion for the year. Growth in the six months to December 2006 was 8.0%, ahead of industry growth of 6.0% over the same period.
- Retail funding has continued to grow strongly with total retail funds increasing 15.9% to $18.7 billion, which is above the industry rate of 13%.

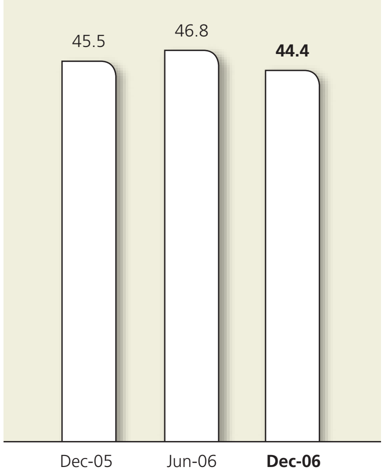
Contribution to profit
Half-year, $m



Total banking income
Half-year, $m



Cost to income ratio
Half-year, %



	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Profit contribution – Banking				
Net interest income				
Interest revenue	1,646	1,462	1,416	16.2
Interest expense	(1,192)	(1,036)	(994)	19.9
	454	426	422	7.6
Net banking fee income				
Banking fee and commission revenue	107	102	100	7.0
Banking fee and commission expense	(40)	(38)	(35)	14.3
	67	64	65	3.1
Other operating revenue				
Net profits on trading and investment securities	(1)	2	2	(150.0)
Net profits on derivative and other financial instruments	3	4	4	(25.0)
Other income	6	6	2	200.0
	8	12	8	-
Non-interest income	75	76	73	2.7
Total income from Banking activities	529	502	495	6.9
Operating expenses				
Staff expenses	(149)	(146)	(138)	8.0
Occupancy expenses	(15)	(13)	(13)	15.4
Computer and depreciation expenses	(22)	(24)	(21)	4.8
Communication expenses	(15)	(14)	(15)	-
Advertising and promotion expenses	(11)	(13)	(12)	(8.3)
Other operating expenses [1]	(23)	(25)	(26)	(11.5)
	(235)	(235)	(225)	4.4
Contribution to profit from Banking activities before impairment losses on loans and advances	294	267	270	8.9
Impairment losses on loans and advances	(5)	(16)	(15)	(66.7)
Contribution to profit before tax from Banking activities	**289**	**251**	**255**	**13.3**
Return on equity (%)	**16.6**	**17.3**	**18.8**	**(11.7)**

Notes:

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

	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Balance sheet – Banking				
Assets				
Cash and liquid assets	575	221	636	(9.6)
Receivables due from other banks	10	26	32	(68.8)
Other financial assets				
Trading securities	4,114	3,773	3,659	12.4
Investment securities	2,145	2,142	2,153	(0.4)
Investments in joint ventures	20	-	-	n/a
Loans, advances and other receivables (1)	41,696	38,683	36,354	14.7
Property, plant and equipment	181	129	108	67.6
Deferred tax assets	121	141	126	(4.0)
Intangible assets	95	82	85	11.8
Other assets(2)	468	563	411	13.9
Total assets	49,425	45,760	43,564	13.5
Liabilities				
Deposits and short term borrowings	30,716	27,972	28,324	8.4
Payables due to other banks	28	120	54	(48.1)
Bank acceptances	671	316	121	454.5
Payables and other liabilities	664	366	702	(5.4)
Current tax liabilities	73	136	74	(1.4)
Provisions	10	14	5	100.0
Employee benefit obligations	117	135	103	13.6
Deferred tax liabilities	66	80	60	10.0
Securitisation liabilities	5,642	5,710	3,793	48.7
Bonds, notes and long term borrowings	5,756	5,504	5,335	7.9
Subordinated notes	1,235	1,271	983	25.6
Preference shares	144	250	250	(42.4)
Total liabilities	45,122	41,874	39,804	13.4
Net assets	**4,303**	**3,886**	**3,760**	**14.4**

Notes:

(1) Includes securitised home loan balances of $5.5 billion (Jun-06 $5.4 billion; Dec-05: $3.7 billion).

(2) Other assets is mainly made up of accrued interest, prepayments and unrealised gains on derivative hedging positions.

		HALF-YEAR ENDED		
	DEC-06 %	JUN-06 %	DEC-05 %	DEC-06 VS DEC-05 %
Banking ratios and statistics				
Cost to income ratio	44.4	46.8	45.5	(2.4)
Cost to average total banking assets ratio	0.99	1.08	1.06	(6.6)
Capital adequacy ratio	11.34	12.31	10.79	5.1
Return on average risk weighted assets ratio	2.18	2.04	2.13	2.3
Net interest margin (1)	2.03	2.07	2.12	(4.2)
Net interest spread	1.69	1.81	1.87	(9.6)

Notes:

(1) Refer table on page 19 for analysis.

	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Asset growth				
Housing loans	16,918	15,366	15,899	6.4
Securitised housing loans	5,459	5,444	3,727	46.5
Total housing loans	22,377	20,810	19,626	14.0
Consumer loans	894	822	694	28.8
Retail loans (1)	23,271	21,632	20,320	14.5
Commercial (SME's)	4,123	3,511	3,376	22.1
Corporate	2,022	1,819	1,450	39.4
Development finance	2,950	2,914	3,020	(2.3)
Property investment	4,071	3,744	3,314	22.8
Lease finance	2,301	2,228	2,171	6.0
Agribusiness	3,050	2,937	2,746	11.1
Business loans (1)	18,517	17,153	16,077	15.2
Structured finance	6	6	6	-
Other receivables (2)	20	16	74	(73.0)
Gross banking loans, advances and other receivables	41,814	38,807	36,477	14.6
Provision for impairment	(118)	(124)	(124)	(4.8)
Loans, advances and other receivables	**41,696**	**38,683**	**36,353**	**14.7**
Risk weighted assets	**27,347**	**25,257**	**24,336**	**12.4**
Geographical breakdown – gross banking loans, advances and other receivables				
Queensland	26,305	24,742	23,053	14.1
New South Wales	8,605	7,815	7,467	15.2
Victoria	4,869	4,561	4,438	9.7
Western Australia	1,745	1,461	1,306	33.6
South Australia and other	290	228	213	36.2
Outside of Queensland loans	15,509	14,065	13,424	15.5
Gross banking loans, advances and other receivables	**41,814**	**38,807**	**36,477**	**14.6**

Notes:

(1) Includes deferred loan establishment fee income and incremental acquisition expenses from 1 July 2005 (Dec-06: $19 million; Jun-06: $13 million; Dec-05: $10 million).

(2) Other receivables is primarily made up of trade finance and foreign exchange advances.

Total lending

Gross receivables, including securitised assets, increased by 14.6% to $41.8 billion for the year to December 2006.

The overall lending environment continues to be highly competitive, supported by an extended period of low unemployment and strong economic growth. Recent tightening in monetary policy has seen some slowing in demand and lower economic activity, with continued effects likely to be felt during 2007.

While the housing market has cooled from its highs, purchasers have continued to be active in the market throughout the year. Suncorp's strong retail lending momentum has continued, with receivables growing at 14.5% for the year to December 2006.

Business lending has continued its strong growth trajectory increasing by 15.2% for the year. The overall business lending environment continues to be strong, led by the extended rally in the resources and non-residential construction sectors.

While Suncorp does not maintain an active presence in these sectors, its competitive advantage in the specialty areas of property investment and agribusiness has driven above system levels of growth overall.

Economic conditions in Queensland and Western Australia continue to be favourable and as such attract the attention of competitors chasing growth. In this environment, the Bank seeks to optimise its distribution capability with the largely Queensland based retail network supported by the broker introduced channel, thereby providing a cost effective national distribution capability.

Asset growth continued

Housing lending

Home lending receivables, including securitised assets, grew to $22.4 billion, an increase of 14% for the year.

The lending momentum reported at the full year has continued in the half-year to December 2006, with housing receivables growing by 7.5%, ahead of industry growth of 5.5%. A suite of initiatives, including the promotion of competitive fixed rate offerings, have succeeded in driving lending growth despite interest rate rises dampening overall demand.

Home lending growth of 12.2% (to $14 billion) on the prior corresponding period was achieved in Queensland despite the high level of competition in that State while the Bank has effectively utilised its indirect distribution network to capture growth in New South Wales and Western Australia.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Housing loans by state				
Queensland	14,036	13,212	12,513	12.2
New South Wales	4,179	3,832	3,590	16.4
Victoria	2,584	2,421	2,353	9.8
Western Australia	1,301	1,084	929	40.0
South Australia	214	207	195	9.7
ACT	46	41	34	35.3
Tasmania	17	13	12	41.7
Outside of Queensland	8,341	7,598	7,113	17.3
	22,377	**20,810**	**19,626**	**14.0**

Consumer lending

Consumer lending, made up principally of personal loans, margin lending and credit card receivables, grew by 28.8% to $894 million. Growth in consumer lending continues to outperform the market, growing at 2.3 times system for the year to December 2006.

This growth has come in an increasingly crowded competitive market and has been achieved through a range of new product initiatives designed to build on the success of established products such as the Suncorp Clear Options Credit Card. The Bank's strategy is to utilise its direct distribution capability to maximise cross-sell opportunities and preserve credit quality, rather than conduct mass offerings of personal lending products.

Continuing positive equities markets have supported ongoing growth in margin lending products, with volumes increasing by 44.9% to $384 million.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Consumer loans by purpose				
Personal loans	315	287	267	18.0
Overdrafts	5	6	5	-
Credit cards	190	168	157	21.0
Margin lending	384	361	265	44.9
	894	**822**	**694**	**28.8**

Asset growth continued

Business lending

Business lending receivables grew to $18.5 billion, an increase of 15.2% on the prior December half-year. Initiatives commenced in the previous period have continued to build lending momentum during the six-month period with lending growth of 8.0% exceeding industry growth of 6.0%.

Growth has been strongest in Queensland and Western Australia where economic conditions and business confidence continue to outperform the rest of the nation. Other interstate lending has shown significant signs of improvement during the period but remains highly sensitive to interest rate rises.

Commercial (SME) banking remains a competitive market place with a renewed focus on the sector by both traditional and new entrants. The growth in this portfolio of 22.1% has benefited from a reclassification of the customer base across the commercial and property investment portfolios. Adjusting for this impact, growth has been approximately 12%.

Lending expectations for Commercial indicate renewed strength in the sector in response to the strong domestic economy and business confidence remains high. This is particularly the case in Queensland and Victoria where stronger growth is offsetting weaker conditions in New South Wales.

Corporate lending, which consists of customers with turnover of between $10 million and $100 million, continues to experience the strongest growth across the Bank, growing by 39.4% to $2.0 billion.

This has been achieved through a range of initiatives, with the Bank successfully attracting high quality corporate clients and participating in quality loan syndications. The recently formed project and structured finance team means the Bank is now well positioned to capitalise on infrastructure investment in Queensland and in select projects outside of Queensland.

Development finance recorded negative growth down 2.3% for the period when compared to the prior December half. There have been signs of improving activity in recent months in both residential and non-residential sectors and this has contributed to growth of 1.3% in the six-months to December 2006. The development finance portfolio continues to improve its geographical diversity, with strongest growth in Western Australia offset by weaker growth in New South Wales and Victoria.

Property investment which includes assets such as shopping centres, commercial offices and industrial warehouses, and excludes construction projects has seen strong growth of 22.8% to $4.1 billion. Adjusting for the re-alignment with the commercial portfolio referred to above, growth in this segment has been approximately 35% for the year. This strong performance reflects the success of initiatives introduced during 2006 and our ability to capitalise on opportunities in niche segments in Queensland and New South Wales.

Agribusiness receivables continue to grow strongly increasing 11% to $3.1 billion. Seasonal conditions remain challenging across eastern Australia with numerous areas significantly impacted by drought. Recent rainfalls in northern New South Wales and Queensland have improved prospects for summer crops, although tough trading conditions are expected for some time.

The agribusiness team has continued to review its product offerings and introduce initiatives to assist customers during these drought periods. Suncorp maintains its long term commitment to the agribusiness sector and continues to work with customers to preserve credit quality during drought periods.

Leasing assets rose 6.0% to $2.3 billion at December 2006. Through focusing growth in low risk, high volume equipment and vehicle leasing, a strong reputation has been established, via third party brokers, in the high growth economies of Queensland and Western Australia.

A breakdown of business lending by state is shown below:

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Business loans by state				
Queensland	11,417	10,747	9,821	16.3
New South Wales	4,365	3,903	3,808	14.6
Victoria	2,266	2,123	2,069	9.5
Western Australia	441	374	374	17.9
South Australia	28	6	5	460.0
Outside of Queensland	7,100	6,406	6,256	13.5
	18,517	**17,153**	**16,077**	**15.2**

	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Funding and deposits				
Retail funding				
Australian retail deposits				
Transaction	4,948	4,506	4,699	5.3
Investment	4,803	4,673	4,553	5.5
Term	5,780	4,957	4,342	33.1
Core retail deposits	15,531	14,136	13,594	14.2
Retail treasury	3,128	2,796	2,505	24.9
Total retail funding	18,659	16,932	16,099	15.9
Wholesale funding				
Domestic funding sources				
Senior wholesale funding	11,364	10,357	11,287	0.7
Subordinated debt	688	964	665	3.5
Preference shares	144	250	250	(42.4)
	12,196	11,571	12,202	(0.0)
Overseas funding sources [(1)]				
Euro commercial paper	1,996	2,274	2,700	(26.1)
Euro medium term note	4,453	3,913	3,573	24.6
Subordinated debt (USD)	547	307	318	72.0
	6,996	6,494	6,591	6.1
Total wholesale funding	19,192	18,065	18,793	2.1
Total funding (excluding securitisation)	**37,851**	**34,997**	**34,892**	**8.5**
Securitised funding				
Australian dollar wholesale [(2)]	3,970	3,646	2,513	58.0
Foreign currency wholesale [(1)]	1,672	2,064	1,280	30.6
Total securitised funding	5,642	5,710	3,793	48.7
Total funding (including securitisation)	**43,493**	**40,707**	**38,685**	**12.4**
Total funding is represented on the balance sheet by:				
Deposits and short term borrowings [(3)]	30,716	27,972	28,324	8.4
Securitisation liabilities	5,642	5,710	3,793	48.7
Bonds, notes and long term borrowings	5,756	5,504	5,335	7.9
Subordinated debt	1,235	1,271	983	25.6
Preference shares	144	250	250	(42.4)
Total	**43,493**	**40,707**	**38,685**	**12.4**
Retail funding as a percentage of total funding (excluding securitisation) [(4)]	**49%**	**48%**	**46%**	**6.5**

Notes:

(1) Hedged back into Australian dollars.

(2) Some held offshore.

(3) Includes term issuance that is presently within one year to maturity.

(4) For the purposes of calculating the percentage of retail funding, securitised liabilities have been excluded given securitised assets are match funded with these liabilities.

Funding and deposits continued

Retail funding

Suncorp continues to outperform the industry in core retail deposits (net of treasury) recording growth of 14.2% to $15.5 billion for the period to December 2006, ahead of the industry growth rate of 13.0%.

This market continues to be highly competitive particularly with rivalling demands for funds from equity markets and recent share floats. Product innovation and improved customer service levels continue to differentiate Suncorp's deposit offerings.

Wholesale funding

The Group has continued its wholesale funding strategy in increasing diversification of its funding sources and deepening its global investor base. In October 2006, Suncorp undertook a EUR500 million five-year floating rate note issue. Thirty investors in nine countries participated in the transaction, which was split between Asia (16%), UK (15%) and continental Europe (69%). Concurrent with the October 2006 senior debt placement Suncorp also undertook its first European subordinated debt transaction issuing EUR150 million ten-year non-call, five-year floating rate notes.

Suncorp continued to use securitisation as a source of wholesale funding placing A$1 billion into the APOLLO Warehouse Trust during the six months to 31 December 2006.

Securitised assets totalled $5.6 billion at the end of December 2006, up 48.7% on the previous December half. Overseas funding now represents 29.6% of all securitised funding.

Profit commentary

Net interest income

Net interest income, including income from securitised loans and funding, rose by 7.6% to $454 million for the six months to December 2006, driven by above system growth in lending and deposits.

Reported net interest margin was 2.03% for the six months to December 2006 down 9 basis points from December 2005 (2.12%).

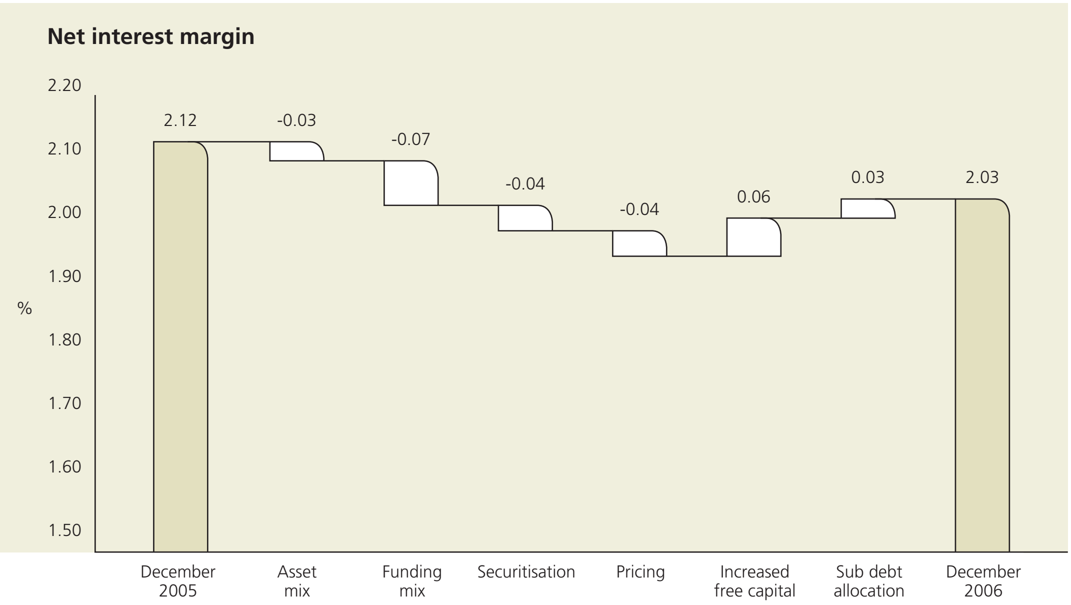
	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Net interest income				
Bank loans and funding	446	412	412	8.3
Securitised loans and funding	12	18	13	(7.7)
	458	430	425	7.8
Net establishment fees and acquisition costs	(1)	1	2	(150.0)
Preference shares	(3)	(5)	(5)	(40.0)
	454	**426**	**422**	**7.6**
	%	%	%	
Net interest margin				
Bank loans and funding	2.26	2.22	2.30	(1.7)
Securitised loans and funding	(0.22)	(0.14)	(0.17)	29.4
	2.04	2.08	2.13	(4.2)
Net establishment fees and acquisition costs	-	0.01	0.01	(100.0)
Preference shares	(0.01)	(0.02)	(0.02)	(50.0)
	2.03	**2.07**	**2.12**	**(4.2)**

Net interest income continued

This reduction in margin is consistent with industry trends and is primarily a result of continuing competition, changes in consumer behaviour and securitisation volumes.

Consumers switching from floating to fixed rate products in a rising interest rate environment contributed a 3 basis point reduction in the margin. There was a 7 basis point negative impact as deposit product offerings in the market continued to drive the mix of retail and business deposits towards high yielding savings accounts as well as a 4 basis point decline due to the higher cost of securitised loans over the period. A combination of movements in market rates and competitive pricing pressures further reduced the margin by 4 basis points and the impact of free capital generated an improvement of 6 basis points.

During the period the Group reviewed the methodology for allocation of subordinated debt across the organisation to reflect a more appropriate allocation of surplus capital. This change contributed $7 million to net interest income for the period improving the margin by 3 basis points.



Net banking fee income

Net banking fee income rose 3.1% to $67 million for the half to December 2006. Lending fee revenue increased 9.7% to $34 million. Banking fee expenses also rose due to trail brokerage paid in the intermediary distribution channel. The competitive environment in banking continued to put pressure on fee charging.

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Net banking fee income				
Lending fee revenue	34	31	31	9.7
Lending fee expense	(15)	(14)	(13)	15.4
Net lending fees	19	17	18	5.6
Transaction fees	47	47	46	2.2
Interchange fees	1	-	1	-
	67	**64**	**65**	**3.1**

Total income

Total income from Banking activities increased by 6.9% to $529 million. In a highly competitive environment the Bank seeks to optimise total income while being conscious of the need to maintain and grow its franchise.

Operating expenses

Operating expenses increased by 4.4% to $235 million for the six months to December 2006.

Staff costs increased by 8.0% or $11 million due to increased staff numbers (FTE) required for additional transactional volumes and higher salaries, a product of the tighter labour market. The relocation of staff to the Group's flagship office at Brisbane Square has increased occupancy costs by $2 million.

In summary, expenses increased 4.4%, well below the increases in revenue of 6.9% resulting in a cost to income ratio of 44.4% down from 45.5% on the prior corresponding period.

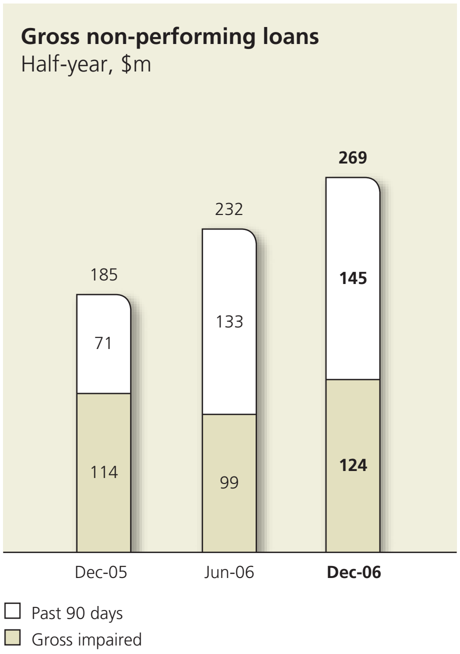
The Bank continues to maintain sound cost control while providing strategic investment in key areas to increase employee engagement, improve customer service and develop capabilities.

Impairment losses on loans and advances

The impairment losses on loans and advances were $5 million for the six months to December 2006, a decrease of $10 million on the prior year. Impairment losses were positively impacted by a downward revision to the collective provision for impairment, as the Bank continues to utilise additional loss history data and adopts more sophisticated measurement procedures.

The overall quality of the portfolio continues to remain sound with increases in specific provisions in line with the position of the overall credit cycle. An increase in the specific provision has occurred during the year primarily due to continuing weakness in construction and development finance in the softer New South Wales and Victorian markets.

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Impairment losses on loans and advances				
Collective provision for impairment	(9)	-	5	(280.0)
Specific provision for impairment	7	10	7	-
Bad debts written off	9	7	5	80.0
Bad debts recovered	(2)	(1)	(2)	-
	5	**16**	**15**	**(66.7)**



Impaired assets

Total non-performing loans have increased from their lows recorded in December 2004 to $269 million at December 2006.

While gross impaired assets increased to $124 million this represents just 0.30% of total lending, in line with levels reported in December 2005. Construction and development represents the largest contributor at $50 million, reflecting continued tough operating conditions in New South Wales. But it is important to note that gross impaired loans in construction and development account for just 1.36% of gross loans in that segment.

While there was a small increase in past 90 day due loans in the period to December 2006, this should be seen in the context of the total growth in receivables over that period. At December 2006 past 90 day loans accounted for just 0.35% of total loans, in line with June 2006 at 0.34%.

The Group's loan book continues to have a significant proportion of its book secured by hard assets such as property with low LVRs. Therefore, in the event a loan becomes non-performing, losses are limited by the extent of security underpinning the loan. This is reflected in the fact that despite an increase in total non-performing loans there has only been a minor upwards revision of the specific provision (to $23 million).

While non-performing loans have increased from their historic lows this should not be seen in the context of any systemic deterioration in loan quality. Indeed, as a percentage of the total loan book, non-performing loans remain low and continue to benefit from improved risk management techniques and a strong domestic economy.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Impaired assets continued				
Gross balances of non-accrual loans				
with specific provisions set aside	76	70	75	1.3
without specific provisions set aside	48	29	39	23.1
Gross impaired assets	124	99	114	8.8
Specific provision for impairment	(23)	(21)	(21)	9.5
Net impaired assets	101	78	93	8.6
Size of gross impaired assets				
Less than one million	32	24	28	14.3
Greater than one million but less than ten million	81	47	34	138.2
Greater than ten million	11	28	52	(78.8)
	124	99	114	8.8
Past due loans not shown as impaired assets				
Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue continues to be recognised in the contribution to profit.				
The value of past due loans is	145	133	71	104.2
Gross non-performing loans	269	232	185	45.4
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	2	3	2	-
Analysis of movements in gross impaired assets				
Balance at the beginning of the half-year	99	114	69	43.5
Recognition of new impaired assets and increases in previously recognised impaired assets	40	39	80	(50.0)
Impaired assets written off during the half-year	(4)	(10)	(6)	(33.3)
Impaired assets which have been restated as performing assets or repaid	(11)	(44)	(29)	(62.1)
Balance at the end of the half-year	124	99	114	8.8
	%	%	%	
Gross impaired assets as a percentage of gross loans, advances and other receivables	0.30	0.26	0.31	(3.2)
Gross non-performing loans as a percentage of gross loans, advances and other receivables	0.64	0.60	0.51	25.5
Gross impaired assets as a percentage of impairment provisions and general reserve for credit loss	53.22	45.83	55.34	(3.8)
Impairment provisions and general reserve for credit loss as a percentage of risk weighted assets	0.85	0.86	0.85	0.7

Impaired assets continued

Industry breakdown is shown below based on the source of credit risk whereas the asset growth table on page 15 is based on the nature of the loan.

Industry breakdown of impaired assets and specific provisions as at 31 December 2006 are as follows:

	GROSS LOANS $M	IMPAIRED ASSETS $M	SPECIFIC PROVISION $M
Agribusiness	3,195	11	3
Construction and development	3,680	50	12
Financial services	879	-	-
Hospitality	1,336	9	2
Manufacturing	663	6	2
Professional services	771	16	1
Property investment	5,091	6	-
Real estate mortgage	22,709	4	1
Personal	894	1	-
Government and public authorities	6	-	-
Other commercial and industrial	2,590	21	2
	41,814	**124**	**23**

Industry breakdown of impaired assets and specific provisions as at 30 June 2006 are as follows:

Agribusiness	3,091	11	3
Construction and development	3,527	41	12
Financial services	972	-	-
Hospitality	1,108	10	2
Manufacturing	650	5	1
Professional services	737	12	1
Property investment	4,334	4	-
Real estate mortgage	21,149	3	-
Personal	822	5	-
Government and public authorities	5	-	-
Other commercial and industrial	2,412	8	2
	38,807	**99**	**21**

Industry breakdown of impaired assets and specific provisions as at 31 December 2005 are as follows:

Agribusiness	2,631	17	9
Construction and development	3,516	45	5
Financial services	579	-	-
Hospitality	963	13	-
Manufacturing	501	5	-
Professional services	615	16	2
Property investment	3,849	3	1
Real estate mortgage	21,263	-	-
Personal	694	4	1
Government and public authorities	3	-	-
Other commercial and industrial	1,863	11	3
	36,477	**114**	**21**

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Provision for impairment				
General provision				
Balance at the beginning of the period	-	-	139	(100.0)
Charge against contribution to profit	-	-	-	n/a
AIFRS adjustment against 1 July 2005 retained profits	-	-	(139)	(100.0)
Balance at the end of the period	-	-	-	n/a
Collective provision				
Balance at the beginning of the period	103	103	-	n/a
AIFRS adjustment against 1 July 2005 retained profits	-	-	98	(100.0)
Charge against contribution to profit	(9)	-	5	(280.0)
Balance at the end of the period	94	103	103	(8.7)
Specific provision				
Balance at the beginning of the period	21	21	17	23.5
AIFRS adjustment against 1 July 2005 retained profits	-	-	4	(100.0)
Charge against contribution to profit	7	10	7	-
Bad debts written-off	(5)	(10)	(7)	(28.6)
Balance at the end of the period	23	21	21	9.5
Total provision for impairment – Banking activities	117	124	124	(5.6)
General reserve for credit loss [(1)]				
Balance at the beginning of the period	93	82	-	n/a
AIFRS adjustment against 1 July 2005 retained profits	-	-	48	(100.0)
Transfer from retained earnings	23	10	34	(32.4)
Balance at the end of the period	116	92	82	41.5
Total provision for impairment and general reserve for credit loss – Banking activities	233	216	206	13.1
	%	%	%	
Provision for impairment expressed as a percentage of gross impaired assets are as follows:				
Collective provision	75.8	104.0	90.4	
Specific provision	18.5	21.2	18.4	
Total provision	94.4	125.3	108.8	
General reserve for credit loss	93.5	92.9	71.9	
Total provision and general reserve for credit loss	187.9	218.2	180.7	

Notes:

(1) In accordance with APRA's AIFRS requirements for loan provisioning the Bank has changed its accounting policy and established an $82 million general reserve for credit loss as at 1 July 2005 through an allocation of retained profits. APRA requires banks to maintain a provisioning benchmark of at least 0.5% of risk weighted assets to adequately cover potential credit losses. The provisioning benchmark consists of eligible collective provisions and the general reserve for credit losses.

For the half-year ended 31 December 2006 the general reserve for credit loss increased by $23 million as a result of an increase in the risk weighted assets of the Bank as well as the change of the collective provisioning methodology adopted during the half.

The ratio of gross impaired assets as a percentage of the impairment provisions and the general reserve for credit loss was 53% as at 31 December 2006 compared to 55% for the corresponding 31 December 2005 period.

Average banking assets and liabilities

	HALF-YEAR ENDED DEC-06 AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %	HALF-YEAR ENDED JUN-06 AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Assets						
Interest earning assets						
Trading securities	4,094	126	6.11	3,695	104	5.68
Gross loans, advances and other receivables	39,576	1,503	7.53	37,128	1,338	7.27
Other interest earning assets	724	17	4.66	768	20	5.25
Total interest earning assets	44,394	1,646	7.35	41,591	1,462	7.09
Non-interest earning assets						
Other assets	2,622			2,304		
Total non-interest earning assets	2,622			2,304		
Total assets	**47,016**			**43,895**		
Liabilities						
Interest bearing liabilities						
Deposits and short term borrowings	29,623	817	5.47	28,883	727	5.08
Securitisation liabilities	5,538	179	6.41	4,276	126	5.94
Bonds, notes and long term borrowings	5,738	165	5.70	5,488	153	5.62
Subordinated notes [1]	799	28	6.95	770	25	6.55
Preference shares [1]	97	3	5.56	151	5	6.25
Total interest bearing liabilities	41,795	1,192	5.66	39,568	1,036	5.28
Non-interest bearing liabilities						
Other liabilities	1,249			620		
Total non-interest bearing liabilities	1,249			620		
Total liabilities	**43,044**			**40,188**		
Net assets	**3,972**			**3,707**		
Analysis of interest margin and spread						
Interest earning assets	44,394	1,646	7.35	41,591	1,462	7.09
Interest bearing liabilities	41,795	1,192	5.66	39,568	1,036	5.28
Net interest spread			1.69			1.81
Net interest margin	44,394	454	2.03	41,591	426	2.07

Notes:

(1) Excludes the subordinated debt and preference shares notionally allocated to General Insurance as share of capital funding and the associated interest cost charged to General Insurance.

Average banking assets and liabilities continued

	HALF-YEAR ENDED DEC-05 AVERAGE BALANCE $M	INTEREST $M	AVERAGE RATE %
Assets			
Interest earning assets			
Trading securities	3,578	102	5.66
Gross loans, advances and other receivables	35,498	1,302	7.28
Other interest earning assets	492	12	4.84
Total interest earning assets	39,568	1,416	7.10
Non-interest earning assets			
Other assets	2,491		
Total non-interest earning assets	2,491		
Total assets	**42,059**		
Liabilities			
Interest bearing liabilities			
Deposits and short term borrowings	26,934	680	5.01
Securitisation liabilities	4,239	126	5.90
Bonds, notes and long term borrowings	5,674	159	5.56
Subordinated notes [(1)]	700	24	6.80
Preference shares [(1)]	151	5	6.25
Total interest bearing liabilities	37,698	994	5.23
Non-interest bearing liabilities			
Other liabilities	803		
Total non-interest bearing liabilities	803		
Total liabilities	**38,501**		
Net assets	**3,558**		
Analysis of interest margin and spread			
Interest earning assets	39,568	1,416	7.10
Interest bearing liabilities	37,698	994	5.23
Net interest spread			1.87
Net interest margin	39,568	422	2.12

Notes:

(1) Excludes the subordinated debt and preference shares notionally allocated to General Insurance as share of capital funding and the associated interest cost charged to General Insurance.

Changes in net interest income: volume and rate analysis

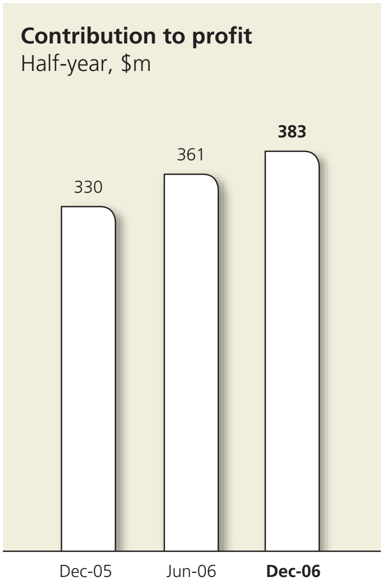
The tables below allocate changes in net interest income between changes in volume and changes in rate over the three half-years. Volume variances have been calculated by multiplying the average of half-years' average interest rates by the movement in average asset and liability balances. Rate variances have been calculated by multiplying the average asset and liability balances by the change in average interest rates, and includes any differences arising from different numbers of days in the periods.

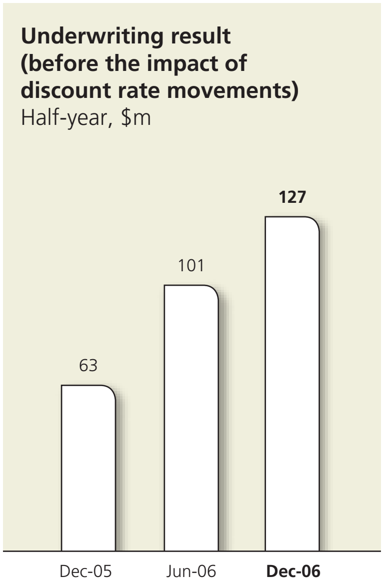
	HALF-YEAR DEC-06 VS JUN-06 CHANGES DUE TO:			HALF-YEAR JUN-06 VS DEC-05 CHANGES DUE TO:		
	VOLUME $M	RATE $M	TOTAL $M	VOLUME $M	RATE $M	TOTAL $M
Interest earning assets						
Trading securities	12	10	22	3	(1)	2
Gross loans, advances and other receivables	91	74	165	59	(23)	36
Other interest earning assets	(1)	(2)	(3)	7	1	8
Change in interest income	102	82	184	69	(23)	46
Interest bearing liabilities						
Deposits and short term borrowings	20	70	90	49	(2)	47
Securitisation liabilities	39	14	53	1	(1)	-
Bonds, notes and long term borrowings	7	5	12	(5)	(1)	(6)
Subordinated notes	1	2	3	2	(1)	1
Preference shares	(2)	-	(2)	-	-	-
Change in interest expense	65	91	156	47	(5)	42
Change in net interest income	**37**	**(9)**	**28**	**22**	**(18)**	**4**

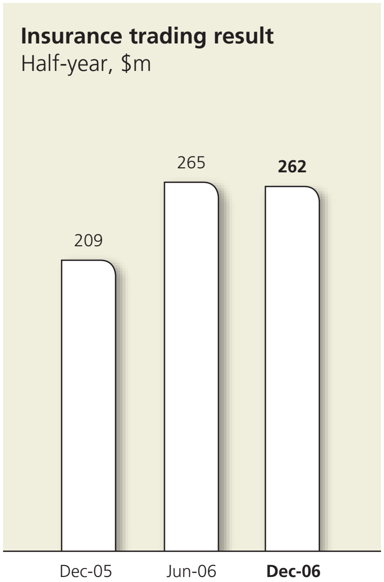
Segment information – General Insurance

Profit overview

- General Insurance pre-tax result of $383 million for the half-year to December 2006 was underpinned by strong profitability across all classes of business due to the continuing benefit of tort law reform on personal injury and liability claims as well as benefits flowing from the claims cost reduction programs in short tail and long tail classes. These benefits were offset by continuing premium reductions in the compulsory third party (CTP) and commercial liability portfolios.
- The insurance trading result increased by 25.4% to $262 million on the prior corresponding period. This equates to a substantial margin of 21.0% on net earned premium, well above the Group's long term 11% – 14% range.
- Return on equity (ROE) for the General Insurance division increased to 28.4% from 23.5% at December 2005.
- Gross written premium (GWP) for the half-year to December 2006 decreased by 1.2% to $1.3 billion, reflecting a highly competitive operating environment and continued pressure on premium rates. Soft market conditions persisted in Commercial lines and competition intensified in Personal lines over the period.
- Premium growth was constrained by the CTP portfolio where GWP declined by 1.9% as the benefits of tort law reforms were passed on to customers in the form of reduced premiums.
- Net earned premium for the half-year to December 2006 increased by 1.2% to $1.2 billion reflecting slightly higher growth than GWP, due to higher unearned premium movement and lower outwards reinsurance expense for the period.
- Net incurred claims, before the impact of discount rate movements, decreased by 8.1% over the prior corresponding period to $816 million and primarily reflects:
  - relatively benign storm activity in the half-year compared to the December 2005 half-year.
  - the claims cost reduction projects have contributed to improved underlying claims in both short and long tail classes.
  - tort law reform which, together with the clams cost reduction projects, continue to improve the claims experience on long tail classes, resulting in prior year central estimate releases of $120 million.
- Total operating expenses for the half-year to December 2006 increased by 8.2% to $303 million, increasing the total operating expense ratio to 24.3% from 22.8% for the December 2005 half-year. The increase was due to higher acquisition costs impacted by lower deferral of acquisition costs (including liability adequacy adjustments) and increased investment in marketing as well as higher underwriting expenses.







Segment information – General Insurance continued

Profit overview continued

- The underwriting result, before the impact of discount rate movements, increased 101.6% to $127 million over the prior corresponding period and the combined operating ratio decreased from 94.9% to 89.8% for the December 2006 half-year.
- Investment income on insurance provisions decreased 7.5% for the half-year, to $135 million before discount rate adjustments. Investment income on insurance provisions fluctuates due to the structural mismatch between the investment portfolio and insurance provisions (discounted at the risk free rate ie Commonwealth Government securities). The lower investment income on insurance provisions for the December 2006 half-year reflects the relatively stronger performance of the investment portfolio in the December 2005 half-year, where semi-government securities, corporate bonds and property significantly outperformed Commonwealth Government securities. In the December 2006 half-year, semi-government and corporate bonds only marginally outperformed Commonwealth Government securities, thus resulting in a lower mismatch gain.
- General Insurance operational earnings, the combination of earnings from managed schemes, motoring club joint ventures and the insurance trading result, increased by 33.0% to $310 million for the half-year.
- Investment returns on Shareholder Funds of $102 million decreased 12.1% on the prior comparative period. This lower result was driven mainly by a lower return from the international equities portfolio to which Shareholder Funds has a benchmark weighting of 10%. The business achieved an active return of 0.6% above the benchmark ASX 200 Accumulation Index on Australian equity investments for the half-year.
- Impacting the bottom line profit result was an increase in capital funding costs to $29 million for the half-year, compared to $19 million in the prior corresponding period. Capital funding costs include an allocation to General Insurance of the Group's preference shares and subordinated debt interest costs. During the half-year, the Group changed its allocation method to be based on future usage of surplus capital, resulting in an increase in funding costs of $7 million for the General Insurance business. The increase in capital funding costs is also attributable to both rate and volume increases during the half-year.

	DEC-06	HALF-YEAR ENDED JUN-06	DEC-05	DEC-06 VS DEC-05
	$M	$M	$M	%
Profit contribution – General Insurance before impact of discount rate movements				
Gross written premiums (1)	1,275	1,321	1,290	(1.2)
Gross unearned premium movement	28	(37)	(1)	Large
Gross earned premiums	1,303	1,284	1,289	1.1
Outwards reinsurance expense	(57)	(59)	(58)	(1.7)
Net earned premium	1,246	1,225	1,231	1.2
Net incurred claims				
Claims expense	(1,002)	(991)	(1,033)	(3.0)
Reinsurance and other recoveries revenue	186	170	145	28.3
	(816)	(821)	(888)	(8.1)
Total operating expenses				
Acquisition costs (2)	(183)	(180)	(171)	7.0
Other underwriting expenses	(120)	(123)	(109)	10.1
	(303)	(303)	(280)	8.2
Underwriting result	127	101	63	101.6
Investment income – insurance funds	135	164	146	(7.5)
Insurance trading result	262	265	209	25.4
Managed schemes net contribution	15	12	14	7.1
Joint venture income	33	15	10	230.0
General Insurance operational earnings	310	292	233	33.0
Investment revenue – Shareholder Funds				
Interest, dividends, rent and other	17	36	35	(51.4)
Realised and unrealised gains/(losses)	92	58	88	4.5
Other revenue (3)	4	5	4	-
Other expenses (4)	(11)	(12)	(11)	-
	102	87	116	(12.1)
Contribution to profit from General Insurance activities before tax and capital funding	412	379	349	18.1
Capital funding (5)	(29)	(18)	(19)	52.6
Contribution to profit from General Insurance activities before tax	**383**	**361**	**330**	**16.1**
Return on equity (%)	**28.4**	**27.3**	**23.5**	**20.9**

Notes:

(1) Net of Fire Service Levies (FSL) of $48 million (Jun-06: $42 million; Dec-05: $38 million).

(2) Net of certain statutory fees and charges included in income and expenses in the Consolidated Interim Financial Report.

(3) Other revenue consists mainly of allocated service fee revenue.

(4) Other expenses is primarily made up of investment management expenses.

(5) Represents interest expense on subordinated debt and preference shares allocated to General Insurance as described in Appendix 5.

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Reconciliation of underlying profit to contribution to profit before tax				
Contribution to profit from General Insurance activities before tax	**383**	**361**	**330**	**16.1**
Investment income – Shareholder Funds	(102)	(87)	(116)	(12.1)
Share of investment income in joint venture Shareholder Funds	(6)	(5)	(6)	-
Underlying profit	**275**	**269**	**208**	**32.2**

Profit contribution – General Insurance including the impact of discount rate movements

The following table represents the General Insurance profit contribution, including the impact of movements in interest rates, in accordance with statutory accounting formats.

Movements in market interest rates have a significant effect on two items of the profit contribution – net incurred claims and investment revenue on insurance provisions.

Because the balance sheet outstanding claims provision, which represents claims to be paid in future periods, is discounted to present value using market interest rates, movements in these interest rates affect the incurred claims in any period.

However, the funds held to pay outstanding claims are mostly invested in fixed interest securities matched to the settlement durations of the outstanding claims. Therefore movements in market interest rates affect the value of the fixed interest securities (and therefore investment revenue on insurance provisions) by an amount that approximately offsets the impact of movements in discount rates on claims provisions (and net incurred claims).

This is called “immunisation”, and it means that movements in market interest rates do not distort the insurance trading result.

To eliminate these movements, and gain a better understanding of the underlying claims and underwriting performance, the table on page 32 removes the impact of changes in discount rates. The adjustment assumes perfect matching of insurance assets and liabilities.

For the half-year, discount rates increased, resulting in a $23 million decrease in net incurred claims and an offsetting decrease in investment income on insurance provisions. The table on page 34 includes the impact of those movements.

Including discount rate movements, net incurred claims therefore decreases to $793 million and the underwriting result increases to $150 million for the half-year. Investment income on insurance provisions decreases to $112 million and the insurance trading result remains unchanged at $262 million.

	DEC-06 $M	HALF-YEAR ENDED JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Profit contribution – General Insurance including the impact of discount rate movements continued				
Gross written premiums [1]	1,275	1,321	1,290	(1.2)
Gross unearned premium movement	28	(37)	(1)	Large
Gross earned premiums	1,303	1,284	1,289	1.1
Outwards reinsurance expense	(57)	(59)	(58)	(1.7)
Net earned premium	1,246	1,225	1,231	1.2
Net incurred claims				
Claims expense	(979)	(930)	(1,018)	(3.8)
Reinsurance and other recoveries revenue	186	170	145	28.3
	(793)	(760)	(873)	(9.2)
Total operating expenses				
Acquisition costs [2]	(183)	(180)	(171)	7.0
Other underwriting expenses	(120)	(123)	(109)	10.1
	(303)	(303)	(280)	8.2
Underwriting result	150	162	78	92.3
Investment income – insurance funds				
Interest, dividends, rent and other	151	148	142	6.3
Realised gains/(losses) – investments	(18)	(20)	(13)	38.5
Unrealised gains/(losses) – investments	(21)	(25)	2	Large
	112	103	131	(14.5)
Insurance trading result	262	265	209	25.4
Managed schemes net contribution	15	12	14	7.1
Joint venture income	33	15	10	230.0
General Insurance operational earnings	310	292	233	33.0
Investment income – Shareholder Funds				
Interest, dividends, rent and other	17	36	35	(51.4)
Realised gains/(losses) – investments	2	35	(6)	(133.3)
Unrealised gains/(losses) – investments	90	23	94	(4.3)
Other revenue [3]	4	5	4	-
Other expenses [4]	(11)	(12)	(11)	-
	102	87	116	(12.1)
Contribution to profit from General Insurance activities before tax and capital funding	412	379	349	18.1
Capital funding [5]	(29)	(18)	(19)	52.6
Contribution to profit from General Insurance activities before tax	**383**	**361**	**330**	**16.1**
Return on equity (%)	**28.4**	**27.3**	**23.5**	**20.9**

Notes:

[1] Net of Fire Service Levies of $48 million (Jun-06: $42 million; Dec-05: $38 million).

[2] Net of certain statutory fees and charges included in income and expenses in the Consolidated Interim Financial Report.

[3] Other revenue consists mainly of allocated service fee revenue.

[4] Other expenses is primarily made up of investment management expenses.

[5] Represents interest expense on subordinated debt and preference shares allocated to General Insurance as described in Appendix 5.

	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Balance sheet – General Insurance				
Assets				
Cash and liquid assets	465	325	324	43.5
Investment securities	5,723	5,727	5,479	4.5
Investment property	197	196	157	25.5
Investments in joint ventures	172	138	133	29.3
Reinsurance and other recoveries – outstanding claims	507	487	452	12.2
Other receivables	650	726	701	(7.3)
Deferred insurance assets	202	207	206	(1.9)
Deferred tax assets	75	66	70	7.1
Intangible assets	929	929	928	0.1
Other assets (1)	55	57	53	3.8
Total assets	8,975	8,858	8,503	5.6
Liabilities				
Interest bearing and non-interest bearing liabilities	80	71	82	(2.4)
Payables	533	523	291	83.2
Provisions	2	2	2	-
Deferred tax liabilities	123	107	128	(3.9)
Outstanding claims liability (2)	4,238	4,251	4,276	(0.9)
Unearned premiums liability (2)	1,355	1,376	1,333	1.7
Unexpired risk liability	16	24	17	(5.9)
Subordinated notes	289	195	200	44.5
Total liabilities	6,636	6,549	6,329	4.9
Net assets	**2,339**	**2,309**	**2,174**	**7.6**

Notes:

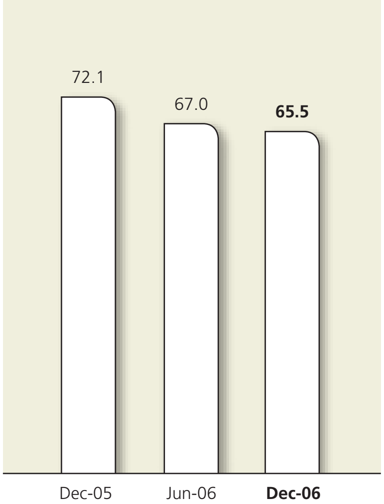
(1) Other assets is primarily made up of accrued interest and prepayments.

(2) Reconciling items such as timing differences and premium debtors arise between insurance liabilities and investment assets.

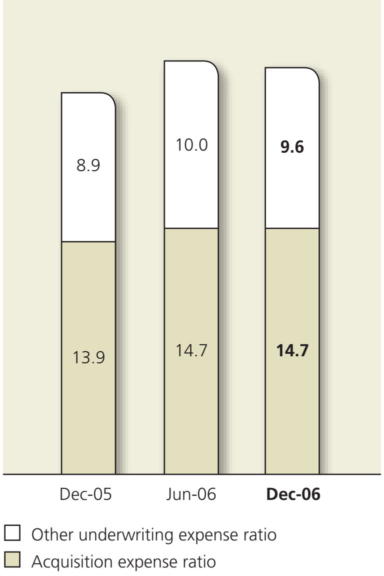
	HALF-YEAR ENDED DEC-06 %	JUN-06 %	DEC-05 %	DEC-06 VS DEC-05 %
General Insurance ratios				
Before impact of discount rate movement				
Acquisition expense ratio	14.7	14.7	13.9	5.8
Other underwriting expenses ratio	9.6	10.0	8.9	7.9
Total operating expenses ratio	24.3	24.7	22.8	6.6
Loss ratio	65.5	67.0	72.1	(9.2)
Combined operating ratio	89.8	91.7	94.9	(5.4)
Insurance trading ratio	21.0	21.6	17.0	23.5
Return on equity ratio	28.4	27.3	23.5	20.9
Including the impact of discount rate movement				
Loss ratio	63.6	62.0	70.9	(10.3)
Combined operating ratio	87.9	86.7	93.7	(6.2)

These ratios relate to the Group's insurance trading operations and do not include other revenues in the General Insurance profit contribution, such as income from managed scheme business or the equity accounted contribution from the Group's 50% interest in motoring club insurance joint ventures.

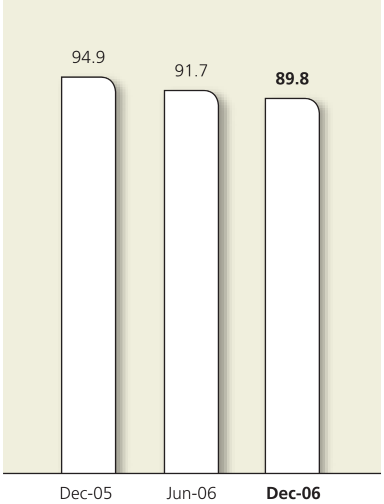
Loss ratio [(1)]
Half-year, %



Expense ratio [(1)]
Half-year, %



Combined operating ratio [(1)]
Half-year, %



(1) Before impact of discount rate movements.

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Profit commentary				
Gross written premium by product				
Compulsory third party	257	268	262	(1.9)
Home	284	275	273	4.0
Motor	374	373	380	(1.6)
Commercial	353	404	367	(3.8)
Other	7	1	8	(12.5)
	1,275	**1,321**	**1,290**	**(1.2)**
Excluding CTP	**1,018**	**1,053**	**1,028**	**(1.0)**
Gross written premium by product including FSL				
Compulsory third party	257	268	262	(1.9)
Home	312	299	292	6.8
Motor	375	374	381	(1.6)
Commercial	372	421	385	(3.4)
Other	7	1	8	(12.5)
	1,323	**1,363**	**1,328**	**(0.4)**
Excluding CTP	**1,066**	**1,095**	**1,066**	**-**

GWP decreased by 1.2% to $1.3 billion compared with the prior corresponding period. Soft market conditions persisted in Commercial lines and competition intensified in Personal lines over the period.

GWP including FSL and statutory charges decreased marginally for the half-year.

Premium growth was constrained further by the CTP and commercial liability portfolios, which continued to experience premium rate reductions as claims benefits were passed on to customers.

Net earned premium increased by 1.2% to $1.2 billion, due to higher unearned premium movement and lower outwards reinsurance expense for the period.

Compulsory third party

The business underwrites CTP insurance in Queensland and New South Wales as a participant in statutory schemes. GWP declined by 1.9% for the half-year to $257 million, which is a very strong result given intense competition and premium rate reductions of 4.3% across the portfolio. Premium rate reductions continued to follow the favourable claims experience emerging across the industry due to reforms to tort law, and as actuarial valuations attribute more assurance to the longer term sustainability of the benefits of those reforms.

Competition has been evidenced by unprecedented levels of CTP advertising in both Queensland and New South Wales as competitors seek to grow their market share. Despite this aggressive price based marketing from competitors, the business achieved good risk in force growth during the half-year.

In Queensland, average premium rates reduced by around 4% during the half-year reducing premium by approximately $7 million. Despite the competitive environment risks in force grew by 1.2% over the half-year with the business maintaining a market share of 51% in Queensland. Growth in risks in force was supported by improved retention rates over the period. The business has remained competitive in the motor dealer channel which accounts for a significant portion of total new business.

In New South Wales, strong risk in force growth of 3.9% over the half-year was offset by reduced average premiums. The mandatory introduction of Phase 1 Life Time Care and Support (LTCS) Scheme in October 2006 contributed to a decline in premium of 3.8%. Premiums will reduce further in April 2007 as the full LTCS Scheme is implemented. The LTCS Scheme will provide treatment, rehabilitation and attendant care services to people severely injured in motor accidents in New South Wales, regardless of who was at fault in the accident. The Scheme will transfer liabilities from insurers to the Government in New South Wales and will reduce overall industry premiums by 17%. The business experienced further reductions in average premium rates of around 4.2% resulting in lower premium by approximately $4 million. The business' successful strategy of targeting preferred risks is evidenced by continuing better than New South Wales CTP industry average claims experience.

Gross written premium by product continued

Home

GWP increased by 4.0% to $284 million for the half-year. Including the effect of increases in FSL and other statutory charges for New South Wales and Victoria premium growth increased to 6.8%.

In Queensland, the business strengthened its position in the Suncorp brand with new business sales improving through increased call centre volumes and strike rates. Outside of Queensland, the GIO brand also improved its solid position in the market with investment in the "We don't just listen – We do" campaign.

There was continued focus on targeting profitable risks with the rollout of the peril-based risk engine for GIO risks in September 2006. Whilst the pricing realignment led to some initial shedding in risks in force, the loss has been in higher risk areas therefore improving risk selection and profitability across the portfolio.

The business continues to implement its strategy of providing a range of tailored offerings and segment focused products and, during the period, the new 'Platinum' product was successfully launched aimed at the higher sum insured customers and has already delivered positive results.

Motor

GWP in Motor declined by 1.6% to $374 million for the half-year. The result was largely due to a decline in risks in force, combined with lower average premium levels for new business.

Competition intensified during the half-year with increased competitor marketing and price-led campaigns by some insurers. The business continued to enforce a disciplined pricing approach in order to maintain profitability across the Motor portfolio. Although this approach led to some loss of business in the half-year, profitability of the underlying business has improved. The overall decline in Motor premiums was turned around in the second quarter of the December half-year providing a positive lead into the half to June 2007.

New business average premium levels have been impacted by changes in new vehicle purchasing patterns by customers, and the reduction in market values of large vehicles. Overall, lower new and used car prices and the effect of consumers switching from larger, more expensive cars to smaller, more economical cars has resulted in a decline in average sums insured in the portfolio during the last 12 months.

New business volume growth was impacted by lower new car sales, particularly in New South Wales and Victoria, as a consequence of higher fuel costs and slower economic conditions generally.

The business continues to focus on unique segmented customer offerings to address customer needs, such as the Family Discount, Named Driver products and Custom Car insurance, while enhancing its customer service. These offerings have performed well in the last six months and continue to support top line growth as well as contribute to the book's profitability.

Commercial insurance

Total GWP in Commercial decreased by 3.8% to $353 million for the half-year to December 2006 despite industry premium rates continuing to decline across the portfolio. This strong result was achieved through a focus on retention strategies for existing profitable customers across all channels. This resulted in an improvement in retention rates in key property and liability portfolios, while average premium levels were maintained in renewal business. The SME packaged business achieved improved retention rates on the December 2005 half-year.

In addition, the business has focused on identifying customers with under-insurance and non-insurance through direct channels. This review will ensure that customers have a comprehensive understanding in relation to the protection of their assets.

Premium reductions reflect continued price competition, assisted by a relatively benign claims environment improving overall profitability in the property classes. Commercial markets, particularly commercial property and liability classes remain soft while competition is emerging in the commercial motor fleet book. This has impacted new volumes as the business continued to maintain underwriting and pricing discipline. In workers' compensation, premium grew solidly for the half-year, driven by underlying wages in force growth. Strong growth is largely attributable to the continued buoyant economic conditions in Western Australia, and the accompanying expansion of business payrolls, as well as improved retention rates across all relevant states.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Gross written premium by state				
Queensland	545	549	553	(1.4)
New South Wales	407	411	424	(4.0)
Victoria	136	133	136	-
Western Australia	114	137	104	9.6
Other	73	91	73	-
	1,275	**1,321**	**1,290**	**(1.2)**
Gross written premium by state including FSL				
Queensland	545	549	553	(1.4)
New South Wales	440	439	449	(2.0)
Victoria	151	147	149	1.3
Western Australia	114	137	104	9.6
Other	73	91	73	-
	1,323	**1,363**	**1,328**	**(0.4)**

The table above sets out GWP by state, and shows the Group's portfolio continues to be broadly diversified geographically.

Premiums in Queensland fell by 1.4% over the December 2005 half-year, as growth was impacted by the decline in CTP premium rates and continued soft commercial market conditions.

In New South Wales, premium growth for the half-year was constrained by negative growth in motor and falling premium rates in commercial business and CTP.

Premiums in Victoria remained flat compared with the prior corresponding period, reflecting growth in short tail personal lines offset by declining premium rates in commercial business.

In Western Australia, premium growth was underpinned by workers' compensation which benefited from buoyant economic conditions and improved customer retention levels.

The table of GWP including FSL shows the impact of the levy increases imposed in both New South Wales and Victoria, with premium growth in New South Wales decreasing by 2.0% and Victoria increasing by 1.3% over the prior corresponding period.

Outward reinsurance expense

Outward reinsurance expense for the half-year was $57 million, a decrease of 1.7% over the prior corresponding period expense of $58 million. This small reduction was due to a decision not to renew certain incidental covers.

The largest element of the Group's reinsurance program relates to a property catastrophe treaty, which covers the home, motor and commercial property accounts against major catastrophes such as windstorm, hail, bushfire and earthquake. The Group's joint venture partners participate in the treaty, allowing economies of scale and a degree of leverage in buying power.

The outcome of the program renewal for the 2007 financial year was to increase the upper limit for each catastrophe event by $250 million to $2.45 billion, reflecting growth in underlying exposures, maintaining a return period of 1 in 250 years across all parts of the whole portfolio. Retention limits under the 2007 program remain unchanged at $100 million. The renewal outcome continues to reflect an optimisation of reinsurance expense, while maintaining the Group's conservative risk position.

Reinsurance security was maintained for the 2007 financial year program, with over 85% of long tail business and 65% of short tail business protected by reinsurers rated 'A+' or better.

Claims expense

Short tail claims expense

Short tail claims expense was particularly favourable due to a combination of relatively benign storm activity, claims cost reduction program benefits and favourable working losses. The strong profitability of the short tail book has been underpinned by a disciplined approach to pricing and risk selection, particularly as competition in the market has intensified. The following key factors affected short tail claims expense:

- Storm related claims cost for the half-year was estimated at $47 million, which was significantly lower than the prior corresponding period storm cost of $70 million. This favourable impact is due to better than average storm claims experience, particularly in home. Storm losses in the half-year were well below the long term average.
- Underlying claims experience in personal insurance was particularly favourable in the half-year due to benefits in both average claim size and frequency. Increased benefits were realised from the claims cost reduction program, including better outcomes for third party recoveries observed during the period. These benefits are expected to continue to flow through in the half-year to June 2007.
- Short tail commercial insurance working losses were also particularly favourable in the half-year due to better than expected average claims size and frequencies. Commercial large losses were significantly favourable when compared to the December 2005 half-year, which included higher losses than normally expected.

Long tail claims expense

The following factors affected long tail claims expense:

Central estimate releases

The valuation of outstanding claims at December 2006 resulted in a first half central estimate release relating to prior accident years of $120 million. Key explanations for the release are:

- The underlying claims incidence and settlement experience continued to be positive.
- As claims experience has developed post tort reforms, valuation actuaries have given more weighting to the observed experience, which has attributed substantially to the releases.
- A range of initiatives was implemented to further drive efficiencies in liability claims processes which is improving actual claims experience versus expected. Claims process initiatives included structural realignments of claims teams to improve the identification and management of claims according to risk profile and new technologies to streamline processes and provide better information flow.

Superimposed inflation

- Valuations make allowance for claims costs inflating at a rate greater than the average weekly earnings index. This is known as superimposed inflation and to the extent that it does not occur, it can be considered a sustainable element of the release that would be evident in subsequent reporting periods.
- Superimposed inflation has not been evident in the current reporting period thereby contributing in the order of $41 million to the releases.

Strains on current year profits

In addition to the prior accident period releases, other important factors need to be considered in assessing the underlying long tail claims result:

- **Current accident period strain** occurs because the business adopts a more conservative claim reserving basis for purposes of preparing its financial statements than its premium pricing basis. The valuation actuaries require evidence of a sustainable trend before adjusting valuation parameters and therefore do not just rely on most recent data, whereas pricing is more forward looking and is based more upon anticipated future claims experience.
- Therefore, in an environment of improving claims experience as clearly exists today, the valuation basis is more conservative than the pricing basis and the difference can be quite material. In the half-year to December 2006, current accident period strain was $59 million, on a net central estimate basis.
- **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.
- The business holds risk margins at 28% of the total reserve central estimate, maintaining an estimated probability of adequacy of approximately 94% on total claims reserves. This creates a margin strain on new business.
- For the half-year to December 2006, net risk margin strain was $4 million.

Claims expense continued

ITR adjustment table

- The table below is designed to improve the understanding of the complex relationship between prior year releases and strains on current year profits.
- The table in no way purports to represent what others may wish to take into account in their analysis of the ITR, nor should it be seen as an attempt to normalise the performance of the General Insurance business.

	HALF-YEAR ENDED DEC-06 $M	$M
ITR		262
Releases at central estimate	(120)	
Add back superimposed inflation (assumed to be sustainable)	41	(79)
		183
Add strains on current year profits:		
Net risk margin strain	4	
Current accident period strain	59	63
ITR excluding strains and superimposed inflation		246

Level of sufficiency

- Risk margins remained unchanged with the risk margin as a percentage of the central estimate remaining at 28% thus resulting in a level of sufficiency of approximately 94%.

Sustainability of releases

- The valuations adopted at December 2006 have only moved partially towards the most recent observed experience. This means that if this experience holds true we can expect further releases.
- The business adopts a more conservative claim reserving basis than its premium pricing basis. As a result, further profits will be released over time should the experience happen to be in line with the pricing basis. The potential amount of such profits from the current period's business is reflected in the current accident period strain (on a net central estimate basis).
- The ultimate size of future releases is also dependent on whether there is any further improvement in claims size and frequency and the extent of such improvements.
- Once a long term trend is established and the volatility in claims data diminishes, the Group in all likelihood will move its current level of sufficiency closer to 90% from the current level of approximately 94%.

	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Outstanding claims and unearned premiums liabilities				
Expected future claims payments – undiscounted	5,224	5,237	5,148	1.5
Discounting to present value	(986)	(986)	(872)	13.1
Outstanding claims liability	4,238	4,251	4,276	(0.9)
Unearned premiums liability	1,355	1,376	1,333	1.7
	5,593	**5,627**	**5,609**	**(0.3)**

The undiscounted value of outstanding claims increased 1.5% over the half-year to $5.2 billion, mostly reflecting the slowing down of claims settlement patterns in Queensland CTP and workers' compensation.

The discount rate increased to 6.02% in December 2006 from 5.8% in June 2006 and from 5.2% in December 2005. Outstanding claims on long tail business are discounted to their present values by reference to the yield curve derived from Commonwealth Government bonds.

Changes to the discount amount are caused by movements in the yield curve, the size of the outstanding claims base, and the duration of outstanding claims. As noted earlier, movements in discount rates have a minimal impact on the insurance trading result due to offsetting movements in investment income on insurance provisions.

Claims development

The claims progression table shows the estimated long tail claims costs development for the most recent accident years. A reconciliation to total gross and net outstanding claims has been provided.

	ACCIDENT YEAR						
	2002 (AND PRIOR) $M	2003 $M	2004 $M	2005 $M	2006 $M	2007(1) $M	TOTAL $M
Claims progression							
Estimate of ultimate claims cost							
At end of accident year	3,289	711	696	800	809	442	
One year later	3,254	689	715	705	787		
Two years later	3,126	641	610	670			
Three years later	2,894	560	594				
Four years later	2,837	536					
Current estimate of cumulative claims cost	2,837	536	594	670	787	442	5,866
Cumulative payments	(2,137)	(268)	(197)	(135)	(76)	(10)	(2,823)
Outstanding claims – undiscounted	700	268	397	535	711	432	3,043
Discount	(187)	(42)	(63)	(96)	(146)	(98)	(632)
Outstanding claims – long tail	513	226	334	439	565	334	2,411
Outstanding claims – short tail and other portfolios							352
Claims handling expense							146
Risk margin							822
Total net outstanding claims liability							3,731
Reinsurance and other recoveries on outstanding claims liability							507
Total gross outstanding claims							4,238

Note

(1) The most recent period includes information up to 31 December 2006 only. All other periods are for the 12 months to 30 June.

To understand the table, the first row 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.

The claims development trends highlight that the claims experience has generally been favourable in all the above accident years compared with the initial reserving estimates. For example, the current estimate of ultimate claims costs for the 2005 year is 16% lower than estimated at the end of the 2005 accident year. This favourable development trend is due largely to the following factors:

- The general absence of superimposed inflation and the ongoing benefits of reforms to tort law.
- The conservative nature of the Group's reserving basis relative to its pricing basis.
- The realisation of various claims cost reduction initiatives over time.

Operating expenses

Total operating expenses ratio for the half-year increased to 24.3% from 22.8% in the prior corresponding period.

Acquisition costs increased 5.8% on the prior corresponding period. The acquisition expense ratio is 14.7% for the December 2006 half-year compared with 13.9% for the prior corresponding period. The increase above inflation growth relates to lower deferral of acquisition costs ($7 million), including a liability adequacy adjustment ($5 million), and increased investment in marketing.

The other underwriting expenses ratio is 9.6% compared with 8.9% for the prior corresponding period. This increase includes the impact of increased project expenditure including the national workplace change program, delivering new work environments including 56 Pitt Street Sydney and Brisbane Square, and the Suncorp desktop program rollout, which was successfully completed during the half-year to December 2006.

Investment income on insurance provisions

Investment income on insurance provisions decreased 7.5% from the prior comparative period to $135 million before the impact of discount rate movements.

Investment income on insurance provisions fluctuates due to the structural mismatch between the investment portfolio and insurance provisions (discounted at the risk free rate i.e Commonwealth Government securities).The lower investment income on insurance provisions for the December 2006 half-year reflects the relatively stronger performance of the investment portfolio in the December 2005 half-year, where semi-government securities, corporate bonds and property significantly outperformed Commonwealth Government securities. In the December 2006 half-year, semi government and corporate bonds only marginally outperformed Commonwealth Government securities, thus resulting in a lower mismatch gain.

Insurance trading result

The underwritten business delivered another very strong insurance trading result of $262 million, which is equivalent to an insurance trading ratio of 21.0%. This result has exceeded the long term guidance range of 11% – 14%, reflecting strong profitability across all classes of business. This is due to continued benefits of tort law reform on personal injury and liability claims, benign storm costs and significant investment in claims cost reduction initiatives to drive claims efficiencies in short tail and long tail classes.

Managed schemes

Net profit from the managed scheme business was $15 million, an increase of 7.1% on the prior corresponding period, driven by the Group's underlying performance for NSW Treasury Managed Fund (TMF) and NSW WorkCover which saw improved claims management and resulting higher fee income.

Joint venture income

Suncorp participates in insurance joint ventures with motoring clubs in Queensland and South Australia. The joint venture contribution for the half-year to December 2006 was $33 million, up from $10 million in the prior corresponding period, largely due to an improvement in the underwriting result including higher long tail releases, offset partly by lower investment returns from the joint venture entities when compared to prior half-year returns.

Investment income on Shareholder Funds

Investment income on Shareholder Funds at $102 million for the half-year was down 12.1% compared to the prior corresponding period. Returns achieved on equities and the domestic fixed interest portfolio for the half-year are outlined below. The decrease in investment income reflects primarily the lower yields obtained from the international equities portfolio to which Shareholder Funds has a benchmark weighting of 10%. This has been offset in part from higher average funds under management. For the half-year to 31 December 2006, the Shareholder Funds' Australian equity portfolio outperformed the benchmark S&P/ASX 200 Accumulation by 0.6% through effective stock selection.

	DEC-06		JUN-06		DEC-05	
	BENCH-MARK RETURN %	ACTUAL RETURN %	BENCH-MARK RETURN %	ACTUAL RETURN %	BENCH-MARK RETURN %	ACTUAL RETURN %
Performance returns						
Shareholder Funds:						
Fixed Interest – Domestic	2.26	2.46	0.86	1.15	2.53	2.79
Equities – Domestic	14.16	14.76	8.81	13.14	13.90	15.03
Equities – International	6.56	5.82	4.63	4.91	14.57	16.60

	DEC-06 $M	JUN-06 $M	DEC-06 $M	DEC-06 VS DEC-05 %
Investment income on Shareholder Funds continued				
Allocation of investments				
Allocation of investments held against:				
Insurance funds				
Cash and short term deposits	1,063	1,383	1,166	(8.8)
Fixed interest	3,465	3,212	3,186	8.8
Australian equities	5	-	-	n/a
Property	128	130	102	25.5
	4,661	**4,725**	**4,454**	**4.6**
Shareholder Funds				
Cash and short term deposits	185	171	211	(12.3)
Fixed interest	483	454	489	(1.2)
Australian equities	606	556	596	1.7
Overseas equities	151	142	125	20.8
Property	71	68	46	54.3
	1,496	**1,391**	**1,467**	**2.0**

The investment funds are managed by the Group's investment manager. The total is different to the cash and investment balances in the General Insurance balance sheet on page 35, because of the different classification of items such as operating cash and accrued interest. Reconciling items such as timing differences and premium debtors arise between insurance provisions and associated investment assets. The balance of Shareholder Funds shown above excludes non-investment market assets such as goodwill relating to the acquisition of GIO and the investments in joint ventures.

	DEC-06 %	JUN-06 %	DEC-05 %	DEC-06 VS DEC-05 %
Allocation of investments held against:				
Insurance funds				
Cash and short term deposits	23	29	26	(11.5)
Fixed interest	74	69	72	2.8
Property	3	2	2	50.0
	100	**100**	**100**	**-**
Shareholder Funds				
Cash and short term deposits	12	12	14	(14.3)
Fixed interest	32	33	33	(3.0)
Australian equities	41	40	41	-
Overseas equities	10	10	9	11.1
Property	5	5	3	66.7
	100	**100**	**100**	**-**

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.

	HALF-YEAR ENDED		
AVERAGE	DEC-06 %	JUN-06 %	DEC-05 %
AAA	63.5	64.3	63.4
AA	13.4	13.8	13.3
A	20.7	19.6	20.1
BBB	2.4	2.3	3.2
	100.0	**100.0**	**100.0**

Profit contribution by class of business – short tail and long tail

The tables show the profit before discount rate movement impacts.

Short tail

The short tail business, including home, motor and the non-liability part of the commercial book, reported an insurance trading profit of $92 million for the half-year, equal to a trading margin of 11.7%. Key attributes of the result were:

- GWP was relatively flat in the half-year with growth in home of 4.0% offset by negative growth in motor (1.6%) and in commercial short tail premium (5.5%) due to continuing soft market conditions.
- Storm related claims cost were favourable for the half-year, particularly in home, due to relatively benign storm activity and were estimated at $47 million compared with $70 million for the prior corresponding period. For June 2006 half-year, claims were significantly impacted by Cyclone Larry with storm related costs of $80 million net of reinsurance recoveries.
- Underlying claims experience in personal lines was particularly favourable, attributable to benefits in both average claim size and frequency as well as the claims cost reduction program benefits now flowing through.
- Commercial lines working losses were also favourable, due to better than expected average claims size and frequencies. Commercial large losses were considerably less when compared to the December 2005 half-year, which included unusually higher losses.
- Lower deferral of acquisition costs including a liability adequacy adjustment and increased marketing spend contributed to an increase in the operating expense ratio to 26.5%. Short tail also received a greater proportion of general overhead expenses given the relatively stronger growth of this business.
- The lower investment income on insurance provisions for the December 2006 half-year reflects the relatively stronger performance of the investment portfolio in the December 2005 half-year.

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Gross written premium	829	822	834	(0.6)
Net earned premium	783	770	775	1.0
Net claims incurred	(508)	(591)	(570)	(10.9)
Acquisition costs	(133)	(130)	(124)	7.3
Other underwriting expenses	(74)	(77)	(68)	8.8
Total operating expenses	(207)	(207)	(192)	7.8
Underwriting result	68	(28)	13	Large
Investment income – insurance funds	24	45	33	(27.3)
Insurance trading result	92	17	46	100.0
	%	%	%	
Ratios				
Acquisition expense ratio	17.0	16.9	16.0	6.3
Other underwriting expenses ratio	9.5	10.0	8.8	8.0
Total operating expenses ratio	26.5	26.9	24.8	6.9
Loss ratio	64.9	76.8	73.5	(11.7)
Combined operating ratio	91.4	103.7	98.3	(7.0)
Insurance trading ratio	11.7	2.2	5.9	98.3

Profit contribution by class of business – short tail and long tail continued

Long tail

The long tail business, including CTP, workers' compensation and commercial liability classes, reported an insurance trading result of $170 million for the half-year, equal to a trading margin of 36.6%. The major components of the result were:

- Solid GWP growth in workers' compensation, largely offset by a decline in CTP GWP following further premium rate reductions and a decline in the commercial liability portfolio.
- Underlying claims incidence and settlement experience in long tail insurance continued to show favourable claims trends in the half-year with little evidence of superimposed inflation. The benefits realised from tort reform coupled with the benefits from the claims cost reduction program have flowed through to the valuation of outstanding claims at December 2006, resulting in a central estimate release of $120 million.
- Prior period releases are partially offset by a net risk margin strain on current period business. Net risk margin strain is the additional risk margins provided on the current accident period less the risk margins released from prior period claims and central estimate releases. The net risk margin strain for the half-year was $4 million.
- In addition, the business adopts a more conservative claim reserving basis for purposes of preparing its financial statements than its premium pricing basis. This effect referred to as the current accident period strain resulted in a strain of $59 million for the half-year.
- Operating expenses increased due to lower deferral of acquisition costs including a liability adequacy adjustment. Growth in business volumes faster than premiums (subject to rate reductions) has also contributed to an increase in the overall expense ratio to 20.9% from 19.3% in the prior comparative period.
- The lower investment income on insurance provisions for the December 2006 half-year reflects the relatively stronger performance of the investment portfolio in the December 2005 half-year.

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Gross written premium	446	499	456	(2.2)
Net earned premium	464	455	456	1.8
Net claims incurred	(308)	(230)	(318)	(3.1)
Acquisition costs	(51)	(50)	(47)	8.5
Other underwriting expenses	(46)	(46)	(41)	12.2
Total operating expenses	(97)	(96)	(88)	10.2
Underwriting result	59	129	50	18.0
Investment income – insurance funds	111	119	113	(1.8)
Insurance trading result	170	248	163	4.3
	%	%	%	
Ratios				
Acquisition expense ratio	11.0	11.0	10.3	6.8
Other underwriting expenses ratio	9.9	10.1	9.0	10.0
Total operating expenses ratio	20.9	21.1	19.3	8.3
Loss ratio	66.4	50.5	69.7	(4.7)
Combined operating ratio	87.3	71.6	89.0	(1.9)
Insurance trading ratio	36.6	54.5	35.7	2.5

Profit contribution by class of business – commercial and personal lines

Commercial lines

The commercial lines reported an insurance trading result of $151 million for the half-year, equal to a trading margin of 42.1%. The main components of the result were:

- Solid growth in underwritten workers' compensation GWP, which increased by 1.4% over the prior corresponding period, offsetting negative growth in other commercial lines, down 5.5% on the December 2005 half-year.
- Half-year loss ratio decreased significantly to 44.8% from 74.2% in the prior corresponding period.
- Commercial property working losses being significantly favourable, largely due to better than expected average claims size and frequencies. Commercial large losses were also particularly favourable when compared to the December 2005 half-year.
- Underlying claims incidence and settlement experience in commercial liability classes continued its favourable trend during the half-year. The benefits from tort reform coupled with the claims cost reduction initiatives contributed to a sizable reserve release relating to prior accident years.
- Operating expense ratios decreased to 25.9% for the half-year from 29.6% in the prior corresponding period due to a favourable liability adequacy adjustment in workers' compensation.
- The flat investment income on insurance provisions for the December 2006 half-year reflects the relatively stronger performance of the investment portfolio in the December 2005 half-year.

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Gross written premium	359	406	367	(2.2)
Net earned premium	359	350	349	2.9
Net claims incurred	(161)	(224)	(259)	(37.8)
Acquisition costs	(60)	(73)	(70)	(14.3)
Other underwriting expenses	(33)	(44)	(33)	-
Total operating expenses	(93)	(117)	(103)	(9.7)
Underwriting result	105	9	(13)	Large
Investment income – insurance funds	46	52	46	-
Insurance trading result	151	61	33	357.6
	%	%	%	
Ratios				
Acquisition expense ratio	16.7	20.9	20.1	(16.9)
Other underwriting expenses ratio	9.2	12.6	9.5	(3.2)
Total operating expenses ratio	25.9	33.5	29.6	(12.5)
Loss ratio	44.8	64.0	74.2	(39.6)
Combined operating ratio	70.7	97.5	103.8	(31.9)
Insurance trading ratio	42.1	17.4	9.5	343.2

Profit contribution by class of business – commercial and personal lines continued

Personal lines

The personal lines including home, motor and CTP reported an insurance trading profit of $111 million for the half-year, equal to a trading margin of 12.5%. The main components of the result were:

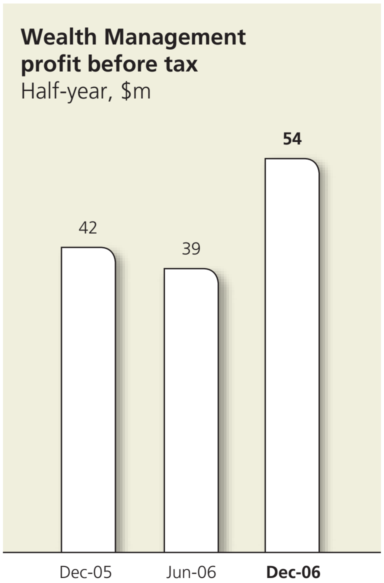
- Strong GWP growth in home of 4.0% was offset by negative growth in motor and a decline in CTP GWP of 1.9%, due to premium rate reductions.
- Half-year loss ratio increased to 73.9% from 71.3% in the prior corresponding period.
- Storm related claims cost were favourable for the half-year, particularly in home, due to relatively benign storm activity and were estimated at $47 million compared with $70 million for the prior corresponding period.
- Underlying claims experience in short tail classes was particularly favourable, which is attributable largely to the benefits now flowing through from the claims cost reduction initiatives.
- Underlying claims incidence and settlement experience in long tail continued to show favourable claims trends in the year with little evidence of superimposed inflation. The claims cost reduction initiatives coupled with the impact of tort reform contributed to a reserve release relating to prior accident years. The releases in the half-year were considerably lower than in the prior corresponding period.
- Operating expense ratios increased to 23.7% for the half-year from 20.1% in the prior corresponding period. The increase was mainly in acquisition costs, impacted by a lower deferral of current year acquisition costs, including a liability adequacy adjustment, increased investment in marketing and the effect of lower CTP premiums on a "fixed" cost component of acquisition costs.
- The lower investment income on insurance provisions for the December 2006 half-year reflects the relatively stronger performance of the investment portfolio in the December 2005 half-year.

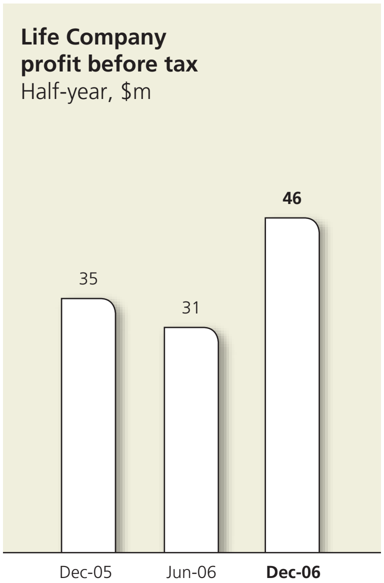
	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Gross written premium	916	915	923	(0.8)
Net earned premium	888	875	882	0.7
Net claims incurred	(656)	(597)	(629)	4.3
Acquisition costs	(123)	(107)	(101)	21.8
Other underwriting expenses	(87)	(79)	(76)	14.5
Total operating expenses	(210)	(186)	(177)	18.6
Underwriting result	22	92	76	(71.1)
Investment income – insurance funds	89	112	100	(11.0)
Insurance trading result	111	204	176	(36.9)
	%	%	%	
Ratios				
Acquisition expense ratio	13.9	12.2	11.5	20.9
Other underwriting expenses ratio	9.8	9.0	8.6	14.0
Total operating expenses ratio	23.7	21.2	20.1	17.9
Loss ratio	73.9	68.2	71.3	3.6
Combined operating ratio	97.6	89.4	91.4	6.8
Insurance trading ratio	12.5	23.3	20.0	(37.5)

Segment information – Wealth Management

Profit overview

- The Wealth Management division reported profit before tax of $54 million for the half-year to December 2006 an increase of 28.6%.
- Underlying profit of $35 million which excludes the impact of investment earnings rose 29.6% from $27 million for the half-year to December 2005. This increase was attributable to positive experience profit mainly as the result of strong claims experience and claims recovery experience. Underlying profit was also impacted by strong growth in funds under administration and growth in risk annual premiums, strong personal risk sales and good customer retention.
- New business sales increased 3.8% to $415 million for the half-year to December 2006. Risk sales improved strongly to $23 million, up 91.7%. Increases from a major Group Life client and sustained growth in Credit Insurance (CCI) on home and personal loans were the main drivers.
- Increased volumes and improved profitability driven predominantly by improved customer retention on most products increased the value of new business by 25.2% to $14.9 million.
- Funds under administration increased 10.0% to $6.8 billion in the half-year to December 2006 and rose 19.5% compared to December 2005. Growth was underpinned by strong investment earnings and net inflows.
- The embedded value of the Life Company increased by 29.1% to $625 million for the year to December 2006. This is attributable to an increase in embedded value of the Statutory Funds arising from strong investment performance, good customer retention and increased future investment earnings assumptions.
- Funds under management increased 11.3% to $13.7 billion at December 2006 and benefited from positive inflows and strong investment income.
- The majority of asset classes recorded active returns in the year to December 2006. The Suncorp Superannuation Balanced Fund achieved 1st quartile returns over 1, 3, 5 and 7 years as measured by Intech's Growth Fund Survey.
- The Wealth Management division profits can be viewed in two parts: Life Company profits and earnings from Funds Management operations:
  - The Life Company reported a profit before tax of $46 million in the half-year to December 2006, with profits benefiting from higher planned profit margins, experience profits and investment earnings, as well as increased profitability on the unit linked fund and other activities.
  - Funds Management reported a pre-tax profit of $8 million, up from $7 million in the half-year to December 2005 resulting from higher funds under management.





	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Profit contribution – Wealth Management				
Excluding Life Insurance Policy Owners' Interests				
LIFE COMPANY				
Contribution to margins				
Planned profit margins	17	15	15	13.3
Experience profits/(losses)	8	-	3	166.7
Total Margin on Services profit (excluding investment earnings)	25	15	18	38.9
Unit linked and Other				
Fees and other income	30	32	28	7.1
Expenses	(26)	(24)	(26)	-
Total unit linked and other profit (excluding investment earnings)	4	8	2	100.0
Contribution to profit before investment earnings	29	23	20	45.0
Investment earnings	17	8	15	13.3
Contribution to profit before tax from Life Company activities	46	31	35	31.4
FUNDS MANAGEMENT				
Investment income	2	4	2	-
Fee income Funds Management	26	27	24	8.3
Other expenses Funds Management	(20)	(23)	(19)	5.3
Contribution to profit before tax from Funds Management activities	8	8	7	14.3
Contribution to profit before tax from Wealth Management activities	**54**	**39**	**42**	**28.6**
Return on equity %	**33.6**	**19.9**	**29.4**	**14.3**
Reconciliation of underlying profit to contribution to profit before tax				
Contribution to profit before tax from Wealth Management activities	54	39	42	28.6
Less investment earnings:				
Life Company	(17)	(8)	(15)	13.3
Funds Management	(2)	(4)	(2)	-
	(19)	(12)	(17)	11.8
One-off items	-	-	2	(100.0)
	(19)	(12)	(15)	26.7
Underlying profit	**35**	**27**	**27**	**29.6**

Reconciliation of contribution to profit before tax excluding policy owners' interests to contribution to profit before tax including policy owners' interests

The following table reconciles the profit contribution excluding life insurance policy owners' interests to the profit contribution including policy owners' interests, as shown in the statutory financial statements.

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Contribution to profit from Wealth Management activities before income tax	99	73	82	20.7
Income tax attributable to policy owners	(45)	(34)	(40)	12.5
Contribution to profit from Wealth Management activities before tax excluding policy owners' interests	**54**	**39**	**42**	**28.6**

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Balance sheet – Wealth Management				
Excluding Life Insurance Policy Owners' Interests				
Assets				
Cash and liquid assets	11	22	20	(45.0)
Investment securities	65	34	42	54.8
Loans, advances and other receivables	22	69	16	37.5
Unlisted investment in life insurance Statutory Funds	215	174	193	11.4
Deferred acquisition costs	11	10	9	22.2
Deferred tax asset	-	-	1	(100.0)
Other assets	-	1	1	(100.0)
Total assets	324	310	282	14.9
Liabilities				
Deposits and short term borrowings	25	12	10	150.0
Accounts payable and other liabilities	12	9	5	140.0
Deferred tax liability	4	5	6	(33.3)
Outside beneficial interests	-	-	12	(100.0)
Total liabilities	41	26	33	24.2
Net assets				
Net assets Life Company – Shareholder Fund	29	77	32	(9.4)
Net assets Life Company – Statutory Funds	215	174	193	11.4
Net assets Funds Management	39	33	24	62.5
Total net assets	**283**	**284**	**249**	**13.7**

Profit commentary

Life Company

Life Company activities are conducted through Suncorp Life and Superannuation Limited (SLSL). SLSL maintains three funds: a Capital Guaranteed Statutory Fund; a Unit Linked Statutory Fund; and a Shareholder Fund.

Capital Guaranteed Statutory Fund includes participating and non-participating life insurance business. Profits on participating business are shared between life insurance policy owners and the shareholder, with 80% allocated to policy owners, and 20% to shareholder. Profits on non-participating business are all allocated to the shareholder.

Unit Linked Statutory Fund consists of non-participating business only, with all profits attributable to the shareholder. Profits emerge from management fees, following allocation of investment gains (or losses) to investors.

Shareholder Fund maintains shareholder assets that are outside the Statutory Funds with all profit attributable to the shareholder.

All profits from Life Company activities in the contribution to profit are attributable to the shareholder. That is, the statutory profits attributable to the life insurance policy owners have been excluded. The shareholder profits represent 100% of non-participating profits and 20% of participating profits from the Capital Guaranteed Statutory Fund, 100% of profits from the Unit Linked Statutory Fund and 100% of profits from the Shareholder Fund.

Sources of profit for the Statutory Funds are investment earnings, planned margins and experience profits for insurance contract business as well as fees less expenses on unit linked investment contract business.

Sources of profit for the Shareholder Fund consist of earnings on Shareholder Fund investments and management fees.

Planned profits

Planned profits of $17 million in the half-year to December 2006 were up 13.3% on the prior corresponding period. The increase in planned profits was partly driven by growth in funds under administration due to very strong investments earnings in the 2006 financial year. In addition higher long term investment earnings rates also improved profits. These are determined using the risk free rate for risk and annuity business and the best estimate long term earned rate for participating business, in accordance with valuation standard AS1.04.

Experience profits

Experience profits increased to $8 million in the half-year to December 2006 up from $3 million in the prior corresponding period. Strong claims experience on personal lump sum risk business, good recovery experience on income protection business as well as a significant profit contribution from Group Life business mainly as the result of strong growth and good claims experience all contributed to this result.

Unit linked and Other

Profitability increased to $4 million in the half-year to December 2006 up from $2 million in the prior period. This was partly due to higher funds under administration which drives fees. In December 2005 expenses were impacted by a one-off charge arising from a change in valuation methodology for the policy liability in the Unit Linked Statutory Funds.

Investment earnings

Investment earnings increased 13.3% to $17 million in December 2006, due to higher net assets and strong returns on equity markets.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
New business sales				
Risk sales				
Personal risk products	6	5	5	20.0
Group Life and CCI	17	12	7	142.9
Total risk sales	23	17	12	91.7
Superannuation and Investment Product Sales	382	354	380	0.5
External Product Sales	10	11	8	25.0
Total Superannuation, Investment and External Product Sales	392	365	388	1.0
Total sales new business	**415**	**382**	**400**	**3.8**

Total new business sales rose 3.8% to $415 million in the half-year to December 2006. Strong increases were achieved in risk sales, particularly in Group Life due to a major client increasing its number of insured members and in CCI due to improved strike rates and an increase in the volume of both home and personal loans sales. This growth was substantial at 142.9%. Personal risk sales increased 20.0% underpinned by further penetration into the Independent Financial Advisers market and strong productivity of the advisor bank channel.

Sales levels in superannuation and investment products increased marginally resulting from improvements made in advisor productivity. This was achieved despite competition constraining advisor resources.

The value of new business increased by 25.2% to $14.9 million. The profitability of most products improved, driven by increased volumes, improved customer retention, better quality business and a movement of the risk free discount rate.

Value of new sales

The table below shows the value to the shareholder of new business written over the half-year to December 2006. The values are based on:

- Margin on Services (MoS) value of profit margins (taking the shareholder's 20% share for participating products) for Statutory Fund insurance business.
- Value of fees less expenses and tax for Statutory Fund unit linked investment business.
- Embedded value (ie discounted value of expected shareholder profits and associated imputation credits) for Unit Trust and Easy Invest business, written outside the Statutory Funds.

The writing of profitable business will benefit future reported profits.

	HALF-YEAR ENDED DEC-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Statutory Fund new business [1]	14.0	10.9	28.4
Unit Trust/Easy Invest new business embedded value [2]	0.9	1.0	(10.0)
	14.9	11.9	25.2

Notes:

[1] Excludes Group Life. Discount rates used were between 4.9% and 11.1% (Dec-05: between 4.2% and 10.6%).

[2] Discount rate used was 12.5% pa (Dec-05: 12.0%).

Embedded value

A valuation of the shareholder's interests in the Statutory Funds, Shareholder Fund, and subsidiaries was undertaken as at 31 December 2006. During the year the embedded value increased from $484 million at December 2005 to $625 million at December 2006 using a discount rate of 11%. This is predominantly due to an increase in the embedded value of the Statutory Funds arising from strong investment performance, good customer retention and increased future investment earnings assumptions.

	DISCOUNT RATE		
	11.0% $M	12.0% $M	13.0% $M
Embedded value at 31 December 2006			
Shareholder Fund including subsidiaries			
Value of profits/net assets	40	39	38
Value of imputation credits at 70% full value	11	11	11
Statutory Funds			
Value of profits/net assets	479	457	438
Value of imputation credits at 70% full value	95	90	85
Total December 2006	**625**	**597**	**572**
Total June 2006	**576**	**551**	**529**
Total December 2005	**484**	**464**	**447**

Funds under administration

Funds under administration for the Life Company include funds placed with internal and external fund managers. Funds under administration totalled $6.8 billion up 10.0% at the half-year ended December 2006, and rose 19.5% over the full year from December 2005. This is due to sustained strong investment income and positive net flows.

	OPENING BALANCE JUN-06 $M	NET INFLOWS $M	INVEST-MENT INCOME & OTHER [(1)] $M	CLOSING BALANCE DEC-06 $M
Statutory life and superannuation	4,441	43	317	4,801
Retail unit trust products / Easy Invest	713	(13)	63	763
Assets managed internally	5,154	30	380	5,564
Statutory life and superannuation – external	863	53	112	1,028
Easy Invest – external	155	24	17	196
Assets managed externally	1,018	77	129	1,224
Total Life Company	**6,172**	**107**	**509**	**6,788**

	OPENING BALANCE DEC-05 $M	NET INFLOWS $M	INVEST-MENT INCOME & OTHER [(1)] $M	CLOSING BALANCE JUN-06 $M
Statutory life and superannuation	4,137	44	260	4,441
Retail unit trust products / Easy Invest	663	(8)	58	713
Assets managed internally	4,800	36	318	5,154
Statutory life and superannuation – external	764	85	14	863
Easy Invest – external	114	37	4	155
Assets managed externally	878	122	18	1,018
Total Life Company	**5,678**	**158**	**336**	**6,172**

Notes:

[(1)] Investment income and Other include expenses, tax and flows from Shareholder.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Risk annual premium				
Personal risk	72	69	66	9.1
Group Life	64	50	39	64.1
Total risk annual premium	**136**	**119**	**105**	**29.5**

Annual premiums on risk products have increased 29.5% for the year, primarily driven by good customer retention and continuing growth in premiums from a major Group Life client.

	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Portfolio allocation of investments – Wealth Management				
Allocation of investments held against:				
Statutory Funds				
Equities	2,102	1,881	1,870	12.4
Interest bearing securities	1,863	1,871	1,770	5.3
Property	502	386	287	74.9
Other	305	286	193	58.0
(1), (2)	**4,772**	**4,424**	**4,120**	**15.8**
Shareholder net assets in Statutory Funds				
Equities	122	71	82	48.8
Interest bearing securities	52	83	97	(46.4)
Property	26	16	14	85.7
Other	15	4	-	n/a
(1)	**215**	**174**	**193**	**11.4**
Shareholder Fund				
Equities	26	15	14	85.7
Interest bearing securities	-	-	1	(100.0)
Property	2	1	1	100.0
Other	1	1	1	-
(2)	**29**	**17**	**17**	**70.6**

Notes:

(1) Statutory Funds allocation includes shareholder net assets.

(2) The allocation of Statutory Funds and Shareholder Fund investments agrees to the funds under administration for 'Statutory life and superannuation' as shown on the previous page.

Funds management activities

The Funds Management group conducts investment management and other fiduciary activities as trustee, custodian or manager for various investment and superannuation funds and wholesale and retail unit trusts.

$5.6 billion in funds is managed for the Life Company, $6.1 billion in funds is managed on behalf of the General Insurance division and a further $2.0 billion in funds is managed on behalf of external parties.

Funds Management profit was $8 million in the half-year to December 2006 an increase of 14.3% on the prior corresponding period. Underlying profit increased by 20% mainly due to higher funds under management underpinned by strong investment earnings.

	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Funds under management				
General Insurance	6,134	6,097	5,903	3.9
Life Company – Shareholder Fund	29	17	17	70.6
Life Company – Statutory Funds	4,772	4,424	4,120	15.8
Life Company – Retail unit trusts products / Easy Invest	763	713	663	15.1
Other managed funds [1]	2,000	1,744	1,602	24.8
	13,698	**12,995**	**12,305**	**11.3**

Notes:

[1] The most significant other managed funds are RACQ Insurance and Queensland Local Government Super.

	OPENING BALANCE JUN-06 $M	INFLOWS $M	OUT-FLOWS $M	INVEST-MENT INCOME & OTHER [1] $M	CLOSING BALANCE DEC-06 $M
Funds under management					
General Insurance	6,097	859	1,049	227	6,134
Shareholder Fund and Statutory Funds [2]	4,441	434	391	317	4,801
Retail unit trusts products / Easy Invest	713	43	56	63	763
Life Company	5,154	477	447	380	5,564
Other Managed Funds	1,744	172	37	121	2,000
Total	**12,995**	**1,508**	**1,533**	**728**	**13,698**

Notes:

[1] Investment income and Other include expenses, tax and flows from Shareholder.

[2] Asset switches between sub-funds have not been netted off.

Group funds under management totalled $13.7 billion at December 2006, up from $13.0 billion at June 2006. Overall net inflows and strong investment income contributed to the increase in funds under management. General Insurance funds under management flows were impacted by dividend payments to the parent company.

Group investment performance

The majority of asset classes recorded active returns in the half-year to December 2006. The Suncorp Superannuation Balanced Fund, the flagship diversified portfolio, achieved 1st quartile returns over 1, 3, 5 and 7 years as measured by the Intech's Growth Fund Survey. The six month return for the Balanced Fund was 9.11% (net of investment fees).

Group capital

Group capital is calculated in accordance with APRA guidelines. Since July 2006 the APRA guidelines for all Suncorp lines of business are based on AIFRS methodologies. Regulatory capital will differ from statutory capital due to the inclusion of some liabilities such as preference shares and subordinated debt, and the deduction of intangible assets such as goodwill and software assets.

Group capital position

At 31 December 2006 the Bank had a Capital Adequacy Ratio of 11.34%, well above the target range of 10% – 10.5%. The Adjusted Common Equity (ACE) ratio at December 2006 was 6.09% also above the target range of 4.5% – 5%.

The Promina acquisition will have a significant impact on the Group's capital position as most surplus capital will be used to help fund the purchase. As a result of the proposed acquisition capital management transactions that were flagged last year, such as a hybrid equity issue and a share buy-back, did not proceed.

Suncorp does, however, believe that there are potential capital management initiatives that may be available to the merged group. These opportunities will be evaluated in the context of the business mix of the merged group, prevailing operating conditions, regulatory requirements and further discussions with ratings agencies.

Group capital position continued

Group capital table

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 the General Insurance, Wealth Management and other businesses. To assist in understanding the regulatory capital position within the Group the following table (including consolidation entries) demonstrates the distribution of capital.

	AS AT 31 DECEMBER 2006					
	BANKING $M	GENERAL INSURANCE $M	WEALTH MANAGEMENT $M	OTHER $M	CONSOLIDATION $M	TOTAL $M
Tier 1						
Ordinary share capital	3,195	-	-	-	-	3,195
Preference shares	144	-	-	-	-	144
Funding provided by Bank holding company	-	1,468	46	27	(1,541)	-
Retained profits (1)	910	675	225	12	(529)	1,293
Reserves	1	-	3	-	-	4
Insurance liabilities in excess of liability valuation	-	354	-	-	-	354
Less goodwill	(1,308)	(932)	-	-	1,187	(1,053)
Less software assets	(73)	-	-	-	-	(73)
Less deductible capitalised expenses	(53)	-	-	-	-	(53)
Less future income tax benefit	(56)	-	-	-	-	(56)
Total tier 1 capital	2,760	1,565	274	39	(883)	3,755
Tier 2						
APRA general reserve for credit losses	143	-	-	-	-	143
Subordinated notes	1,237	289	-	-	-	1,526
Total tier 2 capital	1,380	289	-	-	-	1,669
Deductions from capital						
Investments in subsidiaries	(852)	-	-	-	852	-
Guarantees and facilities to non-banking subsidiaries	(5)	-	-	-	5	-
Total deductions from capital	(857)	-	-	-	857	-
Total capital base	**3,283**	**1,854**	**274**	**39**	**(26)**	**5,424**
Required minimum capital base (2)	2,751	1,361	139	28	-	4,279
Excess	**532**	**493**	**135**	**11**	**(26)**	**1,145**

Notes:

(1) For Banking and General Insurance, this represents the APRA calculation of retained profits. APRA requires accrual of expected dividends in the Bank and provides a different method of calculating General Insurance current year profits. Accrued dividends are not included in the APRA capital calculation for General Insurance, but are deducted in this Group calculation to offset the accrued dividends receivable in Banking retained profits. In addition, for Banking, the APRA retained profits are still based on previous GAAP, rather than AIFRS. A reconciliation of AIFRS to APRA retained profits is shown on the next page.

(2) Where applicable the minimum capital base is as specified by APRA. For Banking this is 9.5% of risk weighted assets and for General Insurance this is 1.25 times the minimum capital requirement. For Wealth Management, the excess assets shown above represent amounts which could be distributed to shareholders and are the sum of a) assets above APRA required minimums for Suncorp Life & Superannuation Limited's Shareholder Fund and Suncorp Metway Investment Management Ltd, and b) Shareholder non-participating profits within Suncorp Life & Superannuation Limited's Statutory Funds. It should be noted that this calculation excludes policy owner retained profits within the Statutory Funds, which can be used to meet APRA solvency and Capital Adequacy requirements. For certain investment entities the minimum capital base represents net tangible asset requirements under Australian Financial Services licences. For Other entities minimum capital is the actual capital base. Required capital for Other entities includes capital of entities which are not consolidated for APRA purposes.

The table shows that the Group has total capital over and above regulatory minimum levels of $1,145 million.

The Company maintains a policy of holding capital levels prudently above regulatory minimums to ensure the ongoing strength and security of the Group and to safeguard the Group credit ratings.

Group capital position continued

	AS AT 31 DECEMBER 2006					
	BANKING $M	GENERAL INSUR-ANCE $M	WEALTH MANAGE-MENT $M	OTHER $M	CONSOL-IDATION (1) $M	TOTAL $M
Reconciliation of total capital base to net assets						
Net assets	4,303	2,339	283	39	(2,084)	4,880
Difference relating to APRA definition of retained profits	(72)	(196)	(10)	-	-	(278)
Equity items not eligible for inclusion in capital for APRA purposes						
Reserves (post AIFRS)	(44)	-	1	-	(2)	(45)
Additional items allowable for capital for APRA purposes						
Preference shares	144	-	-	-	-	144
Subordinated notes	1,237	289	-	-	-	1,526
Technical provisions in excess of liability valuation	-	354	-	-	-	354
Holdings of own shares	35	-	-	-	16	51
Collective provisional (partial)	27	-	-	-	-	27
Deductions from capital for APRA purposes						
Goodwill (2)	(1,308)	(932)	-	-	1,187	(1,053)
Software assets	(73)	-	-	-	-	(73)
Deductible capitalised expenses	(53)	-	-	-	-	(53)
Future income tax benefits	(56)	-	-	-	-	(56)
Funding of capital and guarantees by Bank holding company	(857)	-	-	-	857	-
Total capital base	**3,283**	**1,854**	**274**	**39**	**(26)**	**5,424**

Notes:

(1) Consolidation mainly represents the Bank's investments in non-banking subsidiaries and amortisation of goodwill. APRA requires goodwill to continue to be amortised in accordance with previous AGAAP requirements.

(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 occurs within General Insurance and when the entire Group is consolidated. The total intangible deduction from Group capital in the table above of $1,053 million represents the total unamortised balance of goodwill for the Group.

	AS AT 31 DECEMBER 2006					
	BANKING $M	GENERAL INSUR-ANCE $M	WEALTH MANAGE-MENT $M	OTHER $M	CONSOL-IDATION $M	TOTAL $M
Reconciliation of APRA retained profits to reported retained profits						
Reported retained profits	982	871	235	12	(529)	1,571
Retained profits of entities not consolidated for APRA purposes	(3)	121	-	-	-	118
Differences in retained profits for APRA purposes	(219)	(177)	-	-	-	(396)
Expected intragroup dividends (1)	150	(140)	(10)	-	-	-
	(72)	(196)	(10)	-	-	(278)
APRA retained profits	**910**	**675**	**225**	**12**	**(529)**	**1,293**

Notes:

(1) Intragroup dividends are not deducted from the General Insurance capital position shown on page 64 in accordance with APRA instructions.

Banking capital adequacy

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M
Consolidated banking capital			
Tier 1			
Ordinary share capital	3,195	3,007	2,946
Preference shares	144	244	244
Reserves	1	-	-
Retained profits	910	861	709
Less amortised goodwill for banking subsidiaries	(21)	(18)	(19)
Less unamortised goodwill component of investment in non-banking subsidiaries	(1,287)	(1,287)	(1,287)
Less software assets	(73)	-	-
Less other intangible assets	(53)	(74)	(68)
Less net future income tax benefit	(56)	(18)	(23)
Total tier 1 capital	2,760	2,715	2,502
Tier 2			
Asset revaluation reserve (pre AIFRS)	-	8	8
APRA general reserve for credit losses	143	118	118
Perpetual subordinated notes	170	170	170
Subordinated notes	1,067	1,131	835
Total tier 2 capital	1,380	1,427	1,131
Deductions from capital			
Investments in non-banking subsidiaries			
(net of goodwill component deducted from Tier 1)	(852)	(852)	(863)
Guarantees and facilities to non-banking subsidiaries	(5)	(5)	(5)
Capital base	**3,283**	**3,285**	**2,765**
Total assessed risk	**28,955**	**26,675**	**25,626**
Risk weighted capital ratio	**11.34%**	**12.31%**	**10.79%**
Reconciliation of deduction for investments in subsidiaries			
Investment securities – balance sheet – Banking	2,145	2,142	2,153
Less securities held by entities not consolidated for APRA purposes	(6)	(3)	(3)
Less intangible component deducted from Tier 1 capital – non-banking subsidiaries	(1,287)	(1,287)	(1,287)
Deduction from total capital for investment in subsidiaries	**852**	**852**	**863**
Retained profits movement			
Retained profits opening for the half-year	861	709	1,018
Opening AIFRS adjustments	-	-	61
Add Banking profit after tax for the half-year	202	181	179
Less profit after tax of entities not consolidated for APRA purposes	2	(2)	(2)
Add/(less) APRA adjustments	(105)	(3)	(13)
Less dividend expense/accrual	(294)	(278)	(673)
Add estimated change in dividend reinvestment plan	4	(8)	4
Add dividends from non-banking subsidiaries	240	262	135
Retained profits closing for the half-year	**910**	**861**	**709**

Banking capital adequacy continued

	DEC-06 $M	JUN-06 $M	DEC-05 $M
Reconciliation of Banking deduction for intangible assets to Group intangible assets			
Goodwill for Banking subsidiaries per balance sheet	22	22	22
APRA adjustments	-	(1)	(3)
Non-amortised goodwill for non-Banking entities	1,287	1,287	1,287
Goodwill reflected in investments in associates	(38)	(38)	(38)
Amortisation of non-Banking goodwill	(217)	(217)	(212)
Software assets	73	-	-
Intangible assets not deducted from capital	10	71	74
Group intangible assets	**1,137**	**1,124**	**1,130**

Risk weighted assets

	CARRYING VALUE DEC-06 $M	JUN-06 $M	DEC-05 $M	RISK WEIGHTS %	RISK WEIGHTED BALANCE DEC-06 $M	JUN-06 $M	DEC-05 $M
Assets							
Cash, claims on Reserve Bank of Australia, short-term claims on Australian Commonwealth Government and other liquid assets	540	504	677	0	-	-	-
Claims on banks and local governments	196	151	133	20	39	30	27
Loans secured against residential housing	18,093	16,600	16,923	50	9,047	8,300	8,461
Other assets	18,211	16,899	15,818	100	18,211	16,899	15,818
Loans with loan valuation ratio in excess of 80%	25	14	15	200	50	28	30
Total Banking assets (1)	**37,065**	**34,168**	**33,566**		**27,347**	**25,257**	**24,336**

	NOTIONAL AMOUNT DEC-06 $M	CREDIT EQUIV-ALENT DEC-06 $M	RISK WEIGHTS %	RISK WEIGHTED BALANCE DEC-06 $M	JUN-06 $M	DEC-05 $M
Off balance sheet positions						
Guarantees entered into in the normal course of business	311	184	20-100	140	156	128
Commitments to provide loans and advances	7,249	1,531	0-100	1,074	897	795
Capital commitments	16	16	100	16	8	8
Foreign exchange contracts	10,047	218	20-50	45	52	46
Interest rate contracts	27,868	266	20-50	68	78	56
Total off balance sheet positions	45,491	2,215		1,343	1,191	1,033
Market risk capital charge				265	227	257
Total risk weighted assets				27,347	25,257	24,336
Total assessed risk				**28,955**	**26,675**	**25,626**
Risk weighted capital ratios				%	%	%
Tier 1				9.53	10.18	9.77
Tier 2				4.77	5.34	4.41
Deductions				(2.96)	(3.21)	(3.39)
Total risk weighted capital ratios				**11.34**	**12.31**	**10.79**

Notes:

(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.

	DEC-06 $M	JUN-06 $M	DEC-05 $M
Adjusted common equity – consolidated Bank			
Ordinary share capital	3,195	3,007	2,946
Retained profits	910	861	709
Reserves	-	8	8
	4,105	3,876	3,663
Less:			
Goodwill	(1,308)	(1,305)	(1,306)
Software assets	(73)	-	-
Other intangible assets	(53)	(74)	(68)
Future income tax benefit	(56)	(18)	(23)
Investment in non-banking subsidiaries (net of goodwill)	(852)	(852)	(863)
Asset revaluation reserve (pre AIFRS)	-	(8)	(8)
	(2,342)	(2,257)	(2,268)
Adjusted Common Equity	**1,763**	**1,619**	**1,395**
Total assessed risk	28,955	26,675	25,626
	%	%	%
Adjusted Common Equity ratio	**6.09**	**6.07**	**5.44**

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 policy holders 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 policy holders 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 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.

At December 2006 the consolidated General Insurance business has a strong capital position at 1.83 times the minimum requirement. This is up from 1.69 times at December 2005. Capital in excess of the target level is repatriated to the parent by way of dividends.

	DEC-06 $M	JUN-06 $M	DEC-05 $M
General Insurance minimum capital ratio continued			
Tier 1			
Ordinary share capital	1,468	1,468	1,468
Retained profits	815	805	676
Insurance liabilities in excess of liability valuation	506	499	489
Less tax effect of excess insurance liabilities	(152)	(150)	(147)
	2,637	2,622	2,486
Less			
goodwill	(932)	(932)	(932)
Total deductions from tier 1 capital	(932)	(932)	(932)
Total tier 1 capital	**1,705**	**1,690**	**1,554**
Tier 2			
Subordinated notes	289	196	200
APRA capital base	**1,994**	**1,886**	**1,754**
Outstanding claims risk capital charge	487	471	481
Premium liabilities risk capital charge	206	207	196
Total insurance risk capital charge	693	678	677
Investment risk capital charge	296	274	262
Catastrophe risk capital charge	100	100	100
Total minimum capital requirement	**1,089**	**1,052**	**1,039**
MCR coverage ratio (times)	**1.83**	**1.79**	**1.69**

Notes:

(1) The MCR in this table, $1.089 billion, differs from the MCR figure of $1.361 billion in the table on page 59 because the figure on page 59 is 1.25 times the MCR, as required by APRA.

	HALF-YEAR ENDED		
	DEC-06 $M	JUN-06 $M	DEC-05 $M
Retained profits movement			
Retained profits opening for the half-year	805	676	680
Opening AIFRS adjustments	-	1	-
Add General Insurance profit after tax for the half-year	280	258	238
Less profit after tax of entities not consolidated for APRA purposes	(21)	24	(21)
Add/(less) APRA adjustments	1	(42)	103
Less dividends paid	(250)	(112)	(324)
Retained profits closing for the half-year	**815**	**805**	**676**

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC 05 %
Operating expenses				
Excluding Life Insurance Policy Owners' Interests				
Staff expenses				
Salaries and wages	281	266	261	7.7
Other staff expenses [(1)]	100	113	92	8.7
Total staff expenses	381	379	353	7.9
Equipment and occupancy expenses				
Depreciation				
Buildings	-	1	-	n/a
Plant, equipment and software	26	30	28	(7.1)
Leasehold improvements	4	5	4	-
Loss on disposal of property, plant, equipment and software	1	-	-	n/a
Operating lease rentals	27	26	23	17.4
Other occupancy expenses [(2)]	9	9	9	-
Total equipment and occupancy expenses	67	71	64	4.7
Other				
Hardware, software and data line expenses	24	22	22	9.1
Advertising and promotion expenses	43	39	34	26.5
Office supplies, postage and printing	32	30	34	(5.9)
Amortisation of franchise systems	-	1	-	n/a
Other [(3), (4)]	56	63	60	(6.7)
Total other expenses	155	155	150	3.3
Expenses charged to the Wealth Management Statutory Funds	(23)	(22)	(20)	15.0
Total operating expenses from ordinary activities	580	583	547	6.0

Notes:

(1) Other staff expenses is mainly made up of employee on-costs, staff amenity expenses, training costs and temporary staff expenses.

(2) Other occupancy expenses consists mainly of electricity and maintenance expenses.

(3) The decrease in Other is primarily due to decreases in compliance provisions.

(4) Net of certain General Insurance statutory fees and charges included in income and expenses in the Consolidated Interim Financial Report.

Dividends

The interim dividend of 52 cents per share is fully franked and due to be paid on 16 March 2007. The record date for determining entitlements to the dividends is 7 March 2007.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC 05 %
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% after proposed dividend	**442**	**363**	**253**	

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC 05 %
Income tax				
The income tax expense for the financial period differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit before income tax expense	724	650	628	15.3
Prima facie income tax expense calculated at 30%	217	195	188	15.4
Tax effect of differences:				
Non-deductible expenditure	2	5	1	100.0
Non-assessable income	-	(1)	-	n/a
Imputation gross-up on dividends received	2	2	3	(33.3)
Dividend tax credits	(8)	(7)	(11)	(27.3)
Life and superannuation statutory funds	(9)	(3)	(9)	-
Other	(7)	3	2	(450.0)
Income tax adjusted for differences	197	194	174	13.2
Over/under provision in prior year	-	(6)	-	n/a
Income tax expense	**197**	**188**	**174**	**13.2**
Effective tax rate	**27.2%**	**28.9%**	**27.7%**	**(1.8)**
Income tax expense by segment				
Banking	87	70	78	11.5
General Insurance	103	103	92	12.0
Wealth Management	6	13	2	200.0
Other	1	2	2	(50.0)
Total income tax expense	**197**	**188**	**174**	**13.2**

Basel II Accord

As part of the Basel II framework, Suncorp is implementing enhanced risk management systems. The Suncorp Basel II Program is now well advanced and is progressing towards implementation in accordance with the timeframe prescribed by the Regulator, APRA.

In association with the compliance elements of Basel II, there are significant operational benefits that are available to Suncorp. These can be derived from the enhanced data standards, greater precision in the pricing for risk and more powerful data that will be produced to support the business and strategic planning functions. The value of these benefits increases as the implementation progresses and the standards of risk management and risk measurement are enhanced.

The major milestone occurs in January 2008 at which time the Standardised model of Basel II will be implemented. Following that, Suncorp will transition to the more sophisticated Internal Ratings Based approach, subject to satisfying APRA's Basel II accreditation requirements.

Merger with Promina Group Limited

On 21 October 2006 the Group entered into a Merger Implementation Agreement (MIA) whereby it is proposed that the Company will acquire all of Promina Group Limited's ordinary shares. Promina Group Limited's principal activities are the underwriting of general and life insurance and the investment and administration of insurance and non-insurance funds.

The transaction had not been completed at the date this Announcement of Results was authorised for issue. The transaction is to be completed by way of a Scheme of Arrangement (Scheme). The implementation of the Scheme is subject to various conditions, including the approval of Promina Group Limited (Promina) shareholders at a Court-convened meeting to be held on 5 March 2007 and the approval of the Federal Court of Australia (expected to be 12 March 2007).

The MIA specifies that Promina shareholders will receive 0.2618 Suncorp shares plus $1.80 in cash for each Promina share. The exchange ratio is subject to adjustment for the dilutionary impact of any entitlements based equity raising required to fund the cash component of the transaction.

The cost of the acquisition will be measured as the fair value of the assets given (ie the cash component) and equity instruments issued, plus costs directly attributable to the acquisition. The fair value of the equity instruments issued (being Suncorp fully paid ordinary shares) will be based on the quoted price on Australian Securities Exchange Limited of Suncorp fully paid ordinary shares at the date of acquisition.

The date of acquisition will be the Implementation Date of the Scheme, anticipated to be 20 March 2007. Accordingly, it is not possible to determine the cost of acquisition at the date this Announcement of Results was authorised for issue.

Promina's identifiable assets, liabilities and contingent liabilities will be measured at their fair value at the acquisition date. If the cost of acquisition is more than the fair value of the identifiable assets, liabilities and contingent liabilities acquired, including intangible assets, the excess will be recorded as goodwill.

As at 31 December 2006 $13 million of deferred transaction costs relating to the proposed merger have been included in assets.

	HALF-YEAR ENDED			
	DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Appendix 1 – Income Statement				
Excluding Life Insurance Policy Owners' Interests				
Banking interest revenue	1,646	1,462	1,416	16.2
Banking interest expense	(1,192)	(1,036)	(994)	19.9
	454	426	422	7.6
General Insurance premium revenue [1]	1,303	1,284	1,289	1.1
Banking fee and commission revenue	107	102	100	7.0
Banking fee and commission expense	(40)	(38)	(35)	14.3
Reinsurance and other recoveries revenue	186	170	145	28.3
General Insurance investment income:				
Insurance funds	112	103	131	(14.5)
Managed schemes income	15	12	14	7.1
Joint venture income	33	15	10	230.0
Shareholder Funds	102	87	116	(12.1)
Other operating income [2]	102	95	93	9.7
Total revenue	2,374	2,256	2,285	3.9
Claims expense	(979)	(930)	(1,018)	(3.8)
Outwards reinsurance expense	(57)	(59)	(58)	(1.7)
Operating expenses from ordinary activities [1]	(580)	(583)	(547)	6.0
Non-banking interest expense	(29)	(18)	(19)	52.6
Total expenses	(1,645)	(1,590)	(1,642)	0.2
Profit before impairment losses on loans and advances and tax	729	666	643	13.4
Impairment losses on loans and advances	(5)	(16)	(15)	(66.7)
Profit before tax	724	650	628	15.3
Income tax expense	(197)	(188)	(174)	13.2
Net profit attributable to equity holders of the parent	**527**	**462**	**454**	**16.1**

Notes:

[1] Net of General Insurance statutory fees and charges included in income and expenses in the Consolidated Interim Financial Report.

[2] Other operating income is primarily made up of Wealth Management profit, dividend revenue, property income, trust distributions and royalty income.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M	DEC-06 VS DEC-05 %
Appendix 2 – Statement of Recognised Income and Expense				
Changes in fair value of cash flow hedges	18	32	(2)	Large
Changes in fair value of assets available for sale	3	2	-	n/a
Net income recognised directly in equity	21	34	(2)	Large
Profit for the period	527	462	454	16.1
Total recognised income and expenses for the period	**548**	**496**	**452**	21.2
Effect of change in accounting policy				
Effect of adoption of AASB 132, AASB 139, AASB 4, AASB 1023 and AASB 1038 on 1 July 2005:				
Net decrease in retained profits	-	-	(10)	(100.0)
Net decrease in cash flow hedge reserve	-	-	(16)	(100.0)
	548	**496**	**426**	28.6

AS AT 31 DECEMBER 2006	BANKING $M	GENERAL INSURANCE $M	WEALTH MANAGEMENT $M	OTHER $M	CONSOLIDATION [1] $M	TOTAL $M
Appendix 3 – Balance Sheet reconciliation						
Assets						
Investment securities	2,145	5,723	65	-	(2,193)	5,740
Intangibles	95	929	-	10	103	1,137
Other	47,185	2,323	259	225	(554)	49,438
	49,425	8,975	324	235	(2,644)	56,315
Liabilities	45,122	6,636	41	196	(560)	51,435
Net assets	4,303	2,339	283	39	(2,084)	4,880

Notes:

[1] Group consolidation entries include the following:

- Elimination of investments in subsidiaries; and
- Elimination of intercompany cash deposits / loans.

Appendix 4 – Definitions

Adjusted Common Equity	Tier 1 equity less preference share capital less the tangible component of investment in subsidiaries.
Adjusted Common Equity ratio	Adjusted Common Equity divided by total assessed risk, as defined by APRA.
Basic shares	Ordinary shares on issue.
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 average total Banking assets ratio	Operating expenses of the Banking business divided by average total Banking assets as shown in the average Banking balance sheet. The ratio is annualised for half-years.
Cost to income ratio	Operating expenses of the Banking business divided by total income from Banking activities.
Diluted shares	Comprises ordinary shares, partly paid shares, non-participating shares and outstanding options. Preference shares are not dilutive for the purpose of the earnings per share ratios as they cannot convert to ordinary shares until September 2011 and their dividends exceed the basic earnings per share. Weighted average shares are calculated in accordance with accounting standard AASB 133 *Earnings per Share* and excludes treasury shares and options where the exercise price exceeds the market price.
Effective tax rate	Income tax expense divided by operating profit before tax.
Embedded value	An assessment of the economic value arising out of the current in force Wealth Management business. An embedded value comprises two components being the adjusted net assets and the value of in force business.
Earnings per share	Basic earnings per share is calculated by dividing profit after tax for the period less dividends on preference shares classified as equity by the weighted average number of ordinary shares of the Company outstanding during the period. Diluted earnings per share is based on weighted average diluted shares. Both basic and diluted weighted average number of ordinary shares are adjusted for treasury shares. Calculated in accordance with accounting standard AASB 133 *Earnings per Share*.
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. Premium revenue and operating expenses are net of statutory fees and charges included in income and expenses in the Consolidated Financial Report.
Group efficiency ratio	Operating expenses as a percentage of total operating income excluding investment income on Shareholder and Statutory Funds (as per exclusions outlined at Underlying Profit definition), one-off items and life insurance policy owners' interests.
Gross non-performing loans	Gross impaired assets plus past due loans.

Appendix 4 – Definitions continued

Insurance trading ratio	The insurance trading result expressed as a percentage of net earned premium.
Life insurance policy owners' interests	Amounts due to an entity or person who owns an insurance policy. This need not be the insured. This is distinct from shareholder's interests. Policy owner interests are excluded from the Analysts Pack as they do not impact the results of the Group. Policy owner interests are reported for statutory purposes only.
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 the outstanding claims liability.
Net interest margin	Net interest income divided by average interest earning assets.
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 – basic	Shareholders' equity attributable to members of the Company less preference shares (when classified as equity) and intangibles divided by ordinary shares at the end of the period adjusted for treasury shares. In determining the number of ordinary shares at the end of the period, partly paid shares are taken into account by assuming that the unpaid amount is paid.
Net tangible asset backing – diluted	Shareholders' equity attributable to members of the Company, plus outstanding options, less preference shares (when classified as equity) and intangibles divided by diluted shares at the end of the period adjusted for treasury shares.
Payout ratio – basic	Total after tax dividends and distributions on ordinary and preference shares which relate to the period divided by operating profit after tax adjusted for after-tax interest on preference shares (when classified as liability). Ordinary shares are adjusted for treasury shares.
Payout ratio – diluted	Diluted shares at the end of the period multiplied by ordinary dividend per share for the period divided by operating profit after tax adjusted for anti-dilutive preference share (when classified as equity) dividends. Diluted shares are adjusted for treasury shares.
Return on average risk weighted assets	Banking operating profit after tax (based on assumed tax rate of 30%) divided by average risk weighted assets. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average total assets	Operating profit after tax divided by average total assets excluding life insurance policy owners' interests. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on average shareholders' equity – basic	Operating profit after tax less preference share (when classified as equity) dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares (when classified as equity). Averages are based on beginning and end of period balances. The ratio is annualised for half-years.

Appendix 4 – Definitions continued

Return on average shareholders' equity – diluted	Operating profit after tax less anti-dilutive preference share (when classified as equity) dividends divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity includes funds generated on outstanding options. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on equity – Banking	Operating profit after tax at 30% divided by adjusted average shareholders' equity. The equity base is adjusted by deducting investment in non-banking subsidiaries and adding the notional reallocation to reflect the Bank's calculated share of Group subordinated debt and preference shares when classified as debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on equity – General Insurance	Operating profit after tax at 30% divided by adjusted average shareholders' equity. The equity base is adjusted by deducting outside equity interests and deducting the notional reallocation to reflect the General Insurer's calculated share of Group subordinated debt and preference shares when classified as debt. Averages are based on beginning and end of period balances. The ratio is annualised for half-years.
Return on equity – Wealth Management	Operating profit after tax divided by average 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 sheets positions and market risk capital charge.
Underlying profit	Operating profit before tax, investment income on Shareholder Funds (General Insurance and General Insurance share of joint ventures), Wealth Management investment income in Life Company and Funds Management and one-off items.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M
Appendix 5 – Ratio calculations			
Earnings per share			
Numerator			
Earnings:			
Reconciliations of earnings used in calculating earnings per share:			
Net profit	527	462	454
Earnings used in calculating basic and diluted earnings per share	527	462	454

	HALF-YEAR ENDED DEC-06 NO. OF SHARES	JUN-06 NO. OF SHARES	DEC-05 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	558,209,243	551,946,291	547,687,879
Weighted average number of potential ordinary shares relating to:			
Options on ordinary shares	-	166,965	171,044
Partly paid ordinary shares	-	-	(197)
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	558,209,243	552,113,256	547,858,726

The 1,440,628 preference shares recognised in liabilities are not considered to be either ordinary or potential ordinary shares. They are anti-dilutive in nature as the dividends are payable at 5.068% pa which exceeds basic earnings per share. Therefore, preference shares have not been included in either basic or diluted earnings per share.

Return on average shareholders' equity – basic

Numerator

Earnings for return on average shareholders' equity – basic is as per "earnings per share" information above.

	HALF-YEAR ENDED DEC-06 $M	JUN-06 $M	DEC-05 $M
Demoninator			
Adjusted average shareholders' equity:			
Opening total equity	4,439	4,131	4,537
Less outside equity interest	-	-	(23)
Less preference shares (classified as equity)	-	-	(244)
Opening adjusted equity	4,439	4,131	4,270
Closing total equity	4,880	4,439	4,131
Closing adjusted equity	4,880	4,439	4,131
Average adjusted equity	**4,660**	**4,285**	**4,201**

Appendix 5 – Ratio calculations continued

Return on average shareholders' equity – diluted

Numerator

Earnings for return on average shareholders' equity – diluted is as per "earnings per share" information on the previous page.

	HALF-YEAR ENDED		
	DEC-06 $M	JUN-06 $M	DEC-05 $M
Denominator			
Adjusted average shareholders' equity:			
Opening total equity	4,439	4,131	4,537
Less outside equity interest	-	-	(23)
Less anti-dilutive preference shares (classified as equity)	-	-	(244)
Plus funds generated on outstanding options	5	5	14
Opening adjusted equity	4,444	4,136	4,284
Closing total equity	4,880	4,439	4,131
Plus funds generated on outstanding options	-	5	5
Closing adjusted equity	4,880	4,444	4,136
Average adjusted equity	**4,662**	**4,290**	**4,210**

Appendix 5 – Ratio calculations continued

Group allocation of capital for diluted return on average shareholders' equity calculations

The following table reconciles the equity base per the balance sheet of each business line to the Group equity. In addition, it shows the adjustments made to the equity base for the purposes of the diluted return on equity calculations, and the net profit which is the numerator for the calculation.

	AS AT 31 DECEMBER 2006					
	BANKING $M	GENERAL INSURANCE $M	WEALTH MANAGEMENT $M	OTHER $M	CONSOLIDATION $M	TOTAL $M
Reconciliation of net profit after tax for diluted return on average shareholders' equity calculations						
Profit before tax	289	383	54	7	(9)	724
Less tax expense [1]	(87)	(115)	(6)	(2)	13	(197)
Net profit	202	268	48	5	4	527
Reconciliation of average adjusted equity for diluted return on average shareholders' equity calculations						
Opening adjusted equity June 2006:						
Opening total equity	3,886	2,309	284	34	(2,074)	4,439
Adjustment for investment in subsidiaries	(2,134)	-	-	-	2,134	-
Notional reallocation of subordinated debt [2]	397	(397)	-	-	-	-
Add funds generated on outstanding options	-	-	-	-	5	5
Adjusted opening equity	2,149	1,912	284	34	65	4,444
Closing adjusted equity December 2006:						
Closing total equity	4,303	2,339	283	39	(2,084)	4,880
Adjustment for investment in subsidiaries	(2,134)	-	-	-	2,134	-
Notional reallocation of subordinated debt and preference shares [2]	510	(510)	-	-	-	-
Adjusted closing equity	2,679	1,829	283	39	50	4,880
Adjusted average equity	2,414	1,871	284	37	58	4,662
	%	%	%	%	%	%
Diluted return on average shareholders' equity	**16.6**	**28.4**	**33.6**	**27.2**	**N/A**	**22.4**

Notes:

[1] Differs to the taxation note as it assumes a 30% tax rate for Banking and General Insurance. The difference is adjusted in the Consolidation column.

[2] The Group notionally allocates subordinated debt and preference shares classified as debt between Banking and General Insurance based on their relative shares' of Group regulatory capital. This results in a notional allocation from the Bank to General Insurance as the Bank physically carries all preference shares and the subordinated debt of the Group except for $291 million in General Insurance. The notional allocation adjusts the "free capital" of the business lines. The capital funding expense shown in General Insurance for the current half-year reflects its calculated share of Group subordinated debt and preference shares.

	HALF-YEAR ENDED DEC-06	JUN-06	DEC-05
Appendix 6 – Details of share capital			
Ordinary shares each fully paid			
Number at the end of the period	565,706,921	556,706,890	553,580,870
Dividend declared for the period (cents per share)	52	50	47
Preference shares (classified as liability) each fully paid			
Number at the end of the period	1,440,628	2,500,000	2,500,000
Dividend declared for the period ($ per share) (1)	2.80	3.07	3.18
Non-participating shares fully paid			
Number at the end of the period	2,000	2,000	2,000

Notes:

(1) Classified as interest expense.

Appendix 7 – Key dates [1]

Ordinary shares (SUN)

2007	
Interim dividend	
Ex dividend date [2]	1 March
Record date	7 March
Dividend payment	16 March
Final dividend	
Ex dividend date [2]	30 August
Record date	5 September
Dividend payment	1 October

Floating Rate Capital Notes (SUNHB) (Perpetual subordinated debt)

2007	
Ex interest date [2]	9 February
Record date	15 February
Interest payment	2 March
Ex interest date [2]	9 May
Record date	15 May
Interest payment	30 May
Ex interest date [2]	9 August
Record date	15 August
Interest payment	30 August

Reset Preference Shares (SUNPA)

2007	
Ex dividend date [2]	1 March
Record date	7 March
Dividend payment	14 March
Ex dividend date [2]	30 August
Record date	5 September
Dividend payment	14 September

Results announcements

2007	
Annual Results and final dividend announcement	27 August
Annual General Meeting	31 October

Notes:

[1] Dates may be subject to change.

[2] Subject to ASX confirmation.