Chairman's letter to shareholders

Dear shareholder

Your Company has again reported a strong result with all three lines of business significantly improving their contribution to overall Group profit.

Net profit after tax was $527 million for the half-year to December 2006, an increase of 16.1% over the same period in 2005. Underlying profit, which excludes investment returns and one-off items, increased 19.7% to $589 million.

In keeping with our policy of consistently increasing dividends, the Board has declared an interim ordinary dividend of 52 cents, fully franked, up 10.6% on the half to December 2005. Earnings per share, on a cash basis, increased by 13.9% for the half-year.

The strong results for the half reflect the continuing disciplined approach management has taken with respect to return on capital, risk and credit standards in an increasingly competitive market. Your Company's capital position remains strong and credit quality sound overall.

The Group financial results are summarised in the table below.

The Banking division reported a net profit before tax of $289 million, up 13.3% on the half-year to December 2005. This is another very satisfactory result in an intensely competitive market.

Gross receivables grew to $41.8 billion, an increase of 14.6%. The result benefited from an extended period of low unemployment, continuing consumer confidence and solid economic growth, particularly in Queensland and Western Australia. Credit quality remains sound.

Retail deposits continued to outperform the industry, recording growth of 14.2% to $15.5 billion compared with 13% for the industry.

In General Insurance, net profit before tax was up 16.1% to $383 million for the half-year.

Competition remains intense across the business and there has been continued pressure on premium rates, particularly in long tail classes as customers continue to benefit from the tort law reforms. This has resulted in gross written premium decreasing slightly over the period. Underlying claims in both short and long tail classes have benefited from more efficient claims management, a relatively benign claims environment and improving claims experience emerging from legislative reforms within the industry.

The Insurance Trading Result (ITR), which is the clearest indicator of performance in the underwritten general insurance business, increased by 25.4% to $262 million. This equates to a substantial margin of 21% on net earned premium, well above the Company's long term 11% – 14% range.

In Wealth Management, the net profit before tax of $54 million for the half-year, was up 28.6%. This was driven by strong growth in funds under administration, increases in group life business, and in personal risk sales, combined with good retention.

Funds under management increased 11.3% to $13.7 billion over the full-year, reflecting positive inflows and strong investment income.

The strength of the result across each line of business means we have been able to reaffirm our outlook for the full-year, which was given in respect of Suncorp on a stand alone basis.

Promina merger update

Let me now give you an update on the Promina merger.

There has been an enormous amount of work done across the organisation since we announced the transaction in late October last year, and we have now cleared a number of the hurdles that were outlined at the Annual General Meeting.

		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
LJ 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

In particular, on 20 December the ACCC advised that it would not oppose the proposed merger, and in early January, the acting Federal Treasurer approved the merger under the *Financial Sector (Shareholdings) Act 1998*.

In December, the Scheme Booklet for Promina's shareholders was released, providing further details, including an outline of the proposed dividend policy of the merged group. Following implementation of the merger (assuming necessary shareholder and Court approvals are obtained), Suncorp intends to pursue a consistent dividend policy centred on providing sustainable growth in annual dividends, although growth may not be at the same rate as in recent years.

Promina's shareholders will vote on the proposal on 5 March.

Full details of all communications to date, including a copy of the Scheme Booklet, can be found on the Suncorp website www.suncorp.com.au

Suncorp's offer to Promina shareholders incorporates components of both shares and cash. The cash component in total amounts to $1.87 billion. This is to be funded by the application of excess capital and hybrid debt capacity, together with an underwritten entitlement offer to Suncorp shareholders which is expected to raise approximately $1.15 billion.

If Promina shareholders vote in favour of the proposal, and the Scheme is subsequently approved by the Federal Court on 12 March, Suncorp will launch the entitlement offer.

The entitlement offer will provide eligible Suncorp shareholders with the opportunity to acquire new shares in Suncorp on a pro rata basis. The offer price for the new shares will be set just prior to the launch of the entitlement offer at a discount to the prevailing market price. The offer price will be the same for both institutional and retail shareholders.

A prospectus in relation to the entitlement offer is expected to be lodged (subject to the receipt of Promina shareholder and Federal Court approvals) with ASIC on 12 March 2007. The prospectus will be mailed to Suncorp shareholders shortly thereafter and will contain detailed information on the entitlement offer, including the size of each shareholder's entitlement, the offer price of the new shares and the choices available. Retail shareholders will have approximately three weeks to decide whether to take up the new shares offered to them, with the offer expected to close by early April. Shareholders who wish to acquire new shares in Suncorp under the entitlement offer will need to complete the application form that will accompany the prospectus.

If a shareholder does not participate in the entitlement offer, the shares they were entitled to acquire will be offered for sale to institutional investors. These shareholders will be paid a cash amount equal to any excess of the sale price of these shares over the entitlements offer price.

The offer price and the entitlement ratio of the new shares will not be finalised until the lodgement of the prospectus. However, it is anticipated that each shareholder will be provided with an opportunity to make an additional investment in Suncorp shares equivalent to approximately 9% of the market value of Suncorp shares that they currently hold (based upon an assumed share price of $22.00). In other words, for every 100 Suncorp shares that are currently held, a Suncorp shareholder would require an additional investment of approximately $200 to take up all of their entitlement.

The entitlement offer will only be available to registered holders of Suncorp shares on the record date, and in respect of shares registered in their name on that date. The record date is currently envisaged to be 7.00pm (Brisbane time) on 16 March 2007. Suncorp expects that its securities will be subject to a trading halt from the commencement of trading on ASX on Monday, 12 March 2007 until the commencement of trading on Thursday, 15 March 2007. Therefore, in order to be registered as the holder of shares by the record date, any new investors, or existing investors acquiring additional shares, will need to have acquired those shares on ASX on or before Friday, 9 March 2007. Existing shareholders are of course already on the register, and no further action is required with respect to current holdings.

Full details of all of these matters will be contained in the prospectus.

Following the implementation of the merger, Promina's Chairman Leo Tutt, and current Directors Ewoud Kulk and Geoffrey Ricketts, will join the Board. A further Promina Director, Paula Dwyer, will join the Board subject to the amendment of Queensland legislation that was introduced in 1996 to facilitate the merger of Suncorp, Metway and QIDC and amendments to Suncorp's Constitution.

An Extraordinary General Meeting of Suncorp shareholders will be convened for the purpose of amending the constitution. The Queensland Government has indicated its willingness to propose the legislative changes necessary to enable the appointment of Paula Dwyer to the Board.

The addition of the Promina Directors to the Board will reflect the significantly expanded scope of both Suncorp's activities and its shareholder base following the merger, and has the full support of the existing Suncorp Board.

We will continue to keep you informed of progress including the timing of any Extraordinary General Meeting.

In conclusion, I wish to acknowledge the achievements of John Mulcahy, his management team and all Suncorp employees in delivering such a strong result, but at the same time in accomplishing so much progress towards the merger with Promina. I thank my fellow Directors for their support throughout a very busy six months. On behalf of the Board, I thank you, our shareholders, for your support.

The year ahead will be important for Suncorp, and we are confident that, following the merger of these two very successful companies, there will be the opportunity to deliver significantly enhanced value to our shareholders.

John Story
Chairman
20 February 2007