CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear shareholder,

These interim results confirm that the first half of the 2005 financial year was a very rewarding period for your Company.

Net profit after tax increased by 47 percent to $413 million for the half year, with good earnings growth evident in each of the operating divisions.

That is an excellent set of results, exceeding expectations at the start of the year. To put the profit result in perspective, it is almost four times the $110 million profit result for the December half of 1997, our first full six months after the merger of Suncorp, Metway and QIDC.

The interim dividend has been increased to 42 cents, fully franked, up from 40 cents for the June half of 2004 and up from 30 cents for the prior December half. The dividend compares with 22 cents a share in December 1997. This is consistent with our policy of gradual increases in cash dividends.

In response to the strong growth in profit and dividend, Suncorp shares have shown significant capital appreciation. Taking capital gains and dividends into account, the total shareholder return for the six months to December 2004 was 24 percent, which puts us amongst the top performing financial services stocks on the sharemarket.

A number of factors have combined to deliver these outcomes.

Firstly, the external operating environment was favourable. The Australian economy is now into its 14th year of growth. Inflation has been subdued, unemployment is at its lowest levels since 1976, growth rates are robust and interest rates, while likely to rise, are not expected to reach the punitive levels of the past.

Within each of the individual business lines, the operating environment has been competitive, but still within reasonable bounds.

In Banking, the housing market has cooled from the peak levels of last year, but the so-called 'soft landing' appears to have been achieved, and aggregate credit growth in the banking industry is now at a much more sustainable rate of 12 percent – 14 percent. Bad debts remain at record lows, and there are no signs of any deterioration.

In General Insurance, the industry is enjoying a healthy return to stability and profitability after an extended period of poor returns and corporate upheaval. Reforms over recent years which have sought to improve the fundamental strength of the industry and improve the prudential framework have had their desired effect. In particular, legislation aimed at reining in the escalating costs of personal injury claims has helped to ensure that consumers have access to insurance at affordable prices, while insurers achieve appropriate returns for the risks they underwrite. I might add that investment markets have produced excellent returns for the General Insurance shareholder fund during the past 12 months – well above long term averages.

The positive investment climate also assisted our Wealth Management business, leading to healthy growth in net inflows of funds under management, which for the group now exceed $12 billion.

Even within the context of a favourable external environment, the performance of the group has been outstanding. The operating improvements introduced by John Mulcahy and his management team over the past two years are now flowing strongly into the bottom line. This is reflected in both revenue growth and operational efficiency.

	Half Year ended				Dec 04 vs Dec 03
	Dec-04 $m	Jun-04 $m	Dec-03 $m	Jun-03 $m	Change %
Financial Performance					
Banking	220	194	177	168	24.3
General Insurance	341	250	215	161	58.6
Wealth Management	42	30	36	24	16.7
Other	5	37	6	5	(16.7)
Profit before tax and goodwill	**608**	**511**	**434**	**358**	**40.1**
Goodwill amortisation	(31)	(30)	(30)	(32)	3.3
Tax	(164)	(144)	(123)	(97)	33.3
Net profit	**413**	**337**	**281**	**229**	**47.0**

The streamlining of the group strategy, the restructuring of the organisation and the strengthening of the management ranks over the past two years have contributed significantly to the improved operational performance. Each of the business lines is now performing well, the problems that were obvious two years ago have been addressed, and the Company is fit and competitive.

The challenge now is to build on that firm footing and grow the business by successfully implementing the group's unique diversified financial services strategy. The Board has confidence both in the effectiveness of the strategy and in the commitment of John and his team to fully implement that strategy.

It is already contributing strongly to the improved financial performance. A range of initiatives is now being put in place to ensure that we will see good results in the future.

That brings me to the outlook for the rest of the current year. As you can see, the Company had an excellent first half. And so far, the second half is going well. However, it is unlikely that investment markets will match the 17 percent returns of the first six months in the current half. That will affect Wealth Management and General Insurance returns. Similarly, claims outcomes in General Insurance were unusually good in the first six months. In Banking, the business is travelling well, but the market is increasingly competitive, putting additional pressure on net interest margins.

Nevertheless, based on the results to date, we remain confident of delivering a substantial increase in underlying profits for the full year.

Finally, I would like to thank the management team and all the staff for their excellent contribution. I also pay tribute to my fellow directors for their commitment and dedication, and last but not least, I thank you, the shareholders for your on-going support.

John Story
Chairman