NEWS RELEASE

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SUNCORP POSTS RECORD $1.064 BILLION NPAT,
PROMINA INTEGRATION "ON TRACK"

KEY POINTS

- 16.2% increase in net profit after tax to a record $1.064 billion (includes 15 weeks' contribution from Promina).
- Bank profit contribution before tax up 12.5% to $569 million.
- General insurance full year profit before tax of $835 million with all insurance brands performing strongly.
- Building scale in wealth management with profit before tax of $229 million.
- Promina integration "on track" with the Group's new business model and senior management appointments confirmed, $55 million annualised synergies locked in.
- Final ordinary dividend payment of 55 cents per share, fully franked.

Diversified financial services group Suncorp today reported a record net profit after tax (NPAT) of $1.064 billion for the full year to 30 June 2007 and confirmed the Promina integration was progressing well with the merged Group's new business model and senior management appointments finalised, and $55 million in annualised synergies locked in.

The consolidated result included a contribution from Promina for the period 21 March to 30 June 2007. On a standalone basis, Suncorp's underlying profit increased by 10.3% to $1.149 billion.

Highlights of the result included:

- Bank profit contribution before tax increased by 12.5% in line with guidance, featuring strong lending growth and continuing robust credit quality.
- General insurance full year profit before tax (including Promina result) of $835 million despite the Queen's Birthday weekend storms in New South Wales which cost the Group $160 million net of reinsurance recoveries. Removing the Promina contribution, Suncorp's general insurance business delivered an insurance trading ratio of 19.6%, ahead of the 16 - 19% guidance.
- Promina's general insurance business maintained its enviable growth profile, with overall gross written premium up by 4.3%. Growth was particularly strong in the highly competitive home and motor classes.
- Wealth management profit before tax increase (including Promina result) of $229 million. On a standalone basis, Suncorp's wealth portfolio performed particularly well, increasing its contribution after tax by 28.2%.

Suncorp Chairman John Story said the strong result across the broad portfolio of businesses was further confirmation of the strategic rationale underpinning the merger with Promina.

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"This result highlights the complementary nature of the Suncorp and Promina businesses, as well as the huge opportunities available to us by successfully integrating them," Mr Story said.

"We have demonstrated our ability to remain focused on maintaining business momentum throughout the commencement of the integration process and are committed to ensuring this transition is as seamless as possible for our shareholders, customers and employees."

"Our operating performance for the 2007 financial year means that we are able to pay an ordinary final dividend of 55 cents per share. This takes the full year ordinary dividend to 107 cents per share, an increase of 10.3% on the previous financial year," he said.

"In addition, the entitlement offer used to partially fund the merger benefited our shareholders by giving them the opportunity to share in the growth available to the merged group at an attractive discount to the market value of Suncorp shares or to cash out their entitlements."

John Mulcahy, Suncorp's chief executive, said the company had performed well despite continued intense competition across the financial services sector.

"The 2007 financial year was particularly eventful for Suncorp given the successful completion of the Promina merger, one of Australia's largest ever financial services transactions; post-merger integration activity; and severe storms in New South Wales and Victoria that impacted the enlarged insurance group," Mr Mulcahy said.

"In this challenging environment, during which competition in the financial services sector continued to intensify, Suncorp's businesses maintained their momentum by focusing on fundamentals around credit and risk, leaving us in a very good position to compete across our business lines."

Mr Mulcahy said the integration of Promina's businesses was on track with the Group's new business model and senior management appointments finalised.

"Since the day we started planning the Promina transaction, Suncorp has been methodical in identifying all of the necessary milestones and challenges, and disciplined in the way we have worked to achieve them," he said.

"We are taking the same approach to integration and have achieved all of our internal milestones to date. Since the transaction was completed in March, we have appointed the group executive team, finalised the Group's new business model, vision and purpose and already locked in $55 million in annualised synergies.

"The group executive team has appointed their direct reports and the business units are progressing numerous initiatives that will capture additional synergy benefits as part of the design phase of integration," Mr Mulcahy said.

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"At the conclusion of the design phase, we are confident that we will have built an organisation that combines the best of the former Suncorp and Promina businesses and which will deliver significant benefits to shareholders, customers and employees."

The merged group achieved $105 million of immediate diversification benefits following a review of outstanding claims liabilities, which has offset the cost of aligning risk margins to achieve a uniform level of sufficiency of approximately 94%.

"Our decision to increase the level of sufficiency of the former Promina businesses is a conservative but prudent approach to take following a major transaction," Mr Mulcahy said.

Outlook

Mr Mulcahy said it is likely the Reserve Bank will continue to use monetary policy to address inflationary pressures and he would expect this to have a moderating impact on credit formation, particularly in the retail mortgage market. He also said that, while Suncorp had no direct exposure to the sub-prime mortgage market in the United States, the secondary impact of tightening liquidity and widening credit spreads could impact credit markets in Australia.

"Suncorp is well positioned to manage through these scenarios effectively and we continue to have confidence in the long term direction of the equity markets," he said.

Mr Mulcahy forecast banking profit before tax and bad debts would increase by approximately 10% for the year, assuming there were no major changes in market conditions.

Mr Mulcahy restated the guidance for both the Suncorp (ITR 16% to 19%, excluding major weather events) and Promina (ITR 10+%, excluding major weather events) general insurance businesses. This would result in an ITR for the merged group in the range of 13% to 16%, excluding any major weather event.

He also said underlying profit in wealth management, which excludes investment returns on shareholder funds, was expected to grow by greater than 10%.

Mr Mulcahy said a review of the Group's capital structures was being undertaken following the merger with Promina in order to optimise its capital potential.

"Following consultation with rating agencies, we expect the Group will be well placed to consider its capital management options by the end of June 2008."

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