

Shareholder Update August 2011

One Company
Many Brands

SUNCORP
GROUP

Dear Shareholder,

The financial year ending 30 June 2011 was a year from which the Suncorp Group emerged as a far stronger organisation.

During that turbulent period, the Group delivered the key strategic targets previously outlined to investment markets and shareholders – its balance sheet has been enhanced; the building blocks program has been substantially delivered; its business is now far simpler, operating under a non-operating holding company structure (NOHC); and the Group now works together as one team under uniform employee terms and conditions.

Though there remains some way to go before the value within the Group's unique portfolio of businesses is fully realised, the interests of shareholders have been significantly enhanced by these achievements.

The progress that had already been made in strengthening its business underpinned Suncorp's outstanding response to the succession of natural disasters in Australia and New Zealand, which commenced with the first earthquake in Christchurch in September 2010.

These events, which resulted in over 100,000 claims with a value of approximately \$4 billion, tested the organisation as never before, and I could not be more proud of the manner in which Suncorp people responded. The combination of this response with the simultaneous implementation of fundamental operational transformation evidences the huge commitment and dedication of our employees.

From the insurance and banking teams, who were on the ground in flood and cyclone affected regions within 24 hours, to the employees who took insurance claims from home when call centres were inaccessible due to rising flood waters, there are countless

examples of Suncorp people going far beyond the everyday to help our customers in their time of need.

The natural disasters have inevitably had their impact on the financial outcome for the year with net profit after tax of \$453 million, down from \$780 million in the 2010 year. The businesses have, however, continued to perform strongly. The underlying margin in General Insurance improved by 1.8% to 10.8%, and we are on track to deliver the promised 3% margin improvement at the conclusion of the 2012 financial year. Margins also improved in our Core Bank, while the run-off of the Non-core Bank continues to progress ahead of expectations. In Life Insurance, sales through the direct channel increased by 44% as we continue to leverage the Group customer base in Australia and New Zealand. Whilst the net profit is not what we had hoped at the beginning of the year, in the context of what ensued, these outcomes demonstrate the strength and resilience of the Group.

The Board's confidence in the underlying performance of the business means that we are in a position to announce an ordinary dividend of 20 cents per share for the second half – bringing ordinary dividends for the full year to 35 cents per share. This is in line with the 2010 financial year, despite the impact of the natural hazard events on our net profit.

Nowhere is Suncorp's transformation more apparent than when considering the quantum and quality of capital supporting our balance sheet. We have concluded the 2011 financial year with the NOHC structure in place and capital levels well above the targets we set for the operating businesses and the Group. The policy of the Board is that a prudent margin, depending on the circumstances, over and above those targets will still be retained, but shareholder capital surplus to those amounts

will be returned to shareholders. In more stable circumstances, we would have anticipated a return of capital to shareholders on this occasion but, given the recent upheavals on global financial markets, the Board has decided to retain the full amount of our surplus of capital as a further protection against short-term uncertainty and volatility. This position will be reviewed as markets stabilise, and in doing so the Board will be mindful of the high balance of franking credits that we currently hold on behalf of shareholders.

The occurrence of natural disasters through the course of the year in Australia and New Zealand has challenged the insurance industry generally. Whilst we at Suncorp were proud of the manner in which the comprehensive flood cover in the majority of our brands responded to the circumstances, improvements are called for. Matters that must be addressed include the clarification of flood cover across the industry, the implementation and availability of comprehensive flood mapping, the introduction of effective flood mitigation and the application of comprehensive planning regulations that recognise and take into account unmitigated risks, whether of flood or earthquake. With the lessons of the past year learnt, the insurance industry is well placed to provide the protection its customers seek. Government intervention and participation in the industry would, however, be a backward and dangerous step.

This is my last report as Suncorp Chairman. The Suncorp of today bears little resemblance to the organisation that I joined in 1995 as a Director on the Metway Bank Board. Since then, the Group has evolved from a Queensland-based and focused bank to a comprehensive financial services organisation with operations throughout Australia and New Zealand. Suncorp remains with its heart in Queensland, but is now one of Australia's

largest listed companies, with each of its businesses playing an important part in the financial landscape of Australia and New Zealand. I am proud of what Suncorp has accomplished over the past 16 years. It has, on occasions, been severely challenged, but it has responded to those challenges with resilience and determination. Today, Suncorp Group is a strong organisation, with a well funded balance sheet, effective systems and processes, a dedicated team of employees and a committed customer base. It is well positioned for the future.

I will retire at the conclusion of this year's AGM, confident that Suncorp is in good hands, led by a strong Board and a dynamic executive team, with the right business model and strategy in place to deliver the returns that shareholders deserve.

Yours sincerely,



John Story
Chairman



KEY DATES

Ordinary shares (SUN)	
Full year results and final dividend announcement	24-Aug-11
Ex dividend date	29-Aug-11
Record date	02-Sep-11
Dividend payment	03-Oct-11
Annual General Meeting	27-Oct-11
Half-year results announcement	22-Feb-12

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