

Shareholder Update

August 2010



Dear Shareholder,

I am pleased to report that our Company has continued to make real and substantial progress since my last update in March.

Net profit after tax for the full year was \$780 million, up from \$348 million in the previous financial year. Whilst the Board is encouraged by the improved financial outcome, we are acutely aware that this growth was from an unacceptably low base, and that much more is required to regain the ground lost over the past two years. We are, however, confident that the foundations are now in place to see this achieved.

At the Group level, we have a clearly articulated direction and strategy, driven by a highly experienced management team, skilled in the financial services industries. Our balance sheet and capital position have been strengthened significantly, providing us with stability in an environment where regulatory change and global market volatility remain cause for concern across financial services.

Each of our Businesses is growing profitably, and earlier this year each presented its growth strategy to the market. These presentations were well received. As is the case at the Group level, the management team within each Business has a deep level of experience and expertise within the context of that Business. The teams are now fully focussed on the execution and delivery of their strategic objectives.

While no-one at Suncorp underestimates the challenges, we are now well on the path towards realising the full extent of the substantial potential that resides within each of our Businesses and the Group.

It is this confidence in our future prospects that has enabled the Board to declare a second half dividend of 20 cents per share fully franked, meaning that our full year payout is at the top end of our target ratio.

We believe that this ratio, of 50% to 60% of cash profits, remains appropriate having regard to the continuing uncertainties within the external environment that I referred to earlier. The validity of our decision to position our first half dividend slightly below the ratio was confirmed following a succession of severe weather events in Melbourne, Perth and Queensland in March, and this emphasises the importance of a cautious approach in the rebuilding phase.

Given continued fair winds, we anticipate the emergence of capital that is surplus to the requirements of the Group, and it is our intention that this be returned to shareholders. I stress that this will be subject to a substantial resolution of the existing uncertainties within the external markets, and only when it is fully prudent to do so having regard to the circumstances within the Group.

In my conversations with shareholders last year, I received very clear messages concerning the size and composition of the Board. On behalf of the Board, I committed to our addressing these issues, and we have done so.

Securing changes to the State Government legislation setting residency requirements for Directors was a lengthy but necessary step in this process.

Since last year's Annual General Meeting, five Directors have retired from the Board. One new Director has been appointed, who brings career experience in banking and the broader financial service industries. We are working on the further strengthening of the Board focus on financial services experience.

With continued evidence of the stabilisation of the operations of the Group and the redevelopment of its momentum, it is appropriate that we complete the renewal of the Board with the transition to a new Chairman.

I have decided, with the support of the Board, that I will retire at the 2011 Annual General Meeting. This timing will enable a planned and orderly process of transition.

In particular, it will ensure continuity as we emerge from the rebuilding phase and appropriate oversight of the complexities involved as we consider moving to a non-operating holding company structure. I retire by rotation in the normal course at this year's Annual General Meeting. I will stand for re-election but, if re-elected, will serve only one year of the extended term.

The past three years have been extraordinarily challenging for the Group, but I believe that throughout the Board has demonstrated continuity, stability and leadership. In particular, I would like to acknowledge the significant contributions by the Non-Executive Directors who have retired during the year, Leo Tutt, Martin Kriewaldt, Cherrell Hirst and Ian Blackburne, and to thank them most sincerely for their commitment and support.

Sadly, a further Director who retired during the course of the year died recently. Chris Skilton served with distinction as an Executive Director, Chief Financial Officer and acting Chief Executive Officer during his long Suncorp career. He is greatly missed by all of us who had the pleasure of working with him.

Finally, I would like to thank Patrick Snowball, his senior leadership team and all Suncorp employees. Put simply, the Group today is in a far different place, and that is attributable to contributions throughout the Group. Since his arrival, Patrick has attacked the challenges with enthusiasm, commitment and absolute discipline, and has provided guidance and leadership that has re-invigorated the Group and re-ignited its momentum.

Thank you for your continued support of Suncorp.

A handwritten signature in black ink, appearing to read "John Story".

John Story
Chairman

