

Shareholder Update

One Company
Many Brands



February 2012

Dear Shareholder

It is a great privilege to write to you as the recently appointed Chairman of the Suncorp Group and, in particular, provide you with an update about recent Board changes.

Board changes

Suncorp operates in fiercely competitive and fast changing markets and it is important that the Group constantly seeks ways to improve the way it operates, whether that is through better products and customer service, more efficient systems and processes or the recruitment of skilled people.

The recent departures of long-standing directors John Story and Paula Dwyer, as well as Stuart Grimshaw, provided us with the opportunity to seek new directors who will contribute a different set of perspectives and skills to the Suncorp Board. Accordingly, I am delighted to announce the appointments of Dr Doug McTaggart and Michael Cameron as non-executive directors who will join our board in April.

Each has several decades of experience in the financial markets and businesses in which Suncorp operates and their contributions will be invaluable as the Group continues to transform its operations.

Doug is soon to step down as CEO of the Queensland Investment Corporation. Prior to that, he was Under Treasurer with the Queensland Department of Treasury, which included directorships with the Queensland Office of Financial Supervision, Queensland Treasury Corporation and the QSuper Board of Trustees. He understands Queensland's economic and business environment as well as anyone and offers a deep knowledge of Australian and international investment markets.

Michael brings a wealth of financial services experience to the Board having held senior roles at the Commonwealth Bank, St. George Bank, NAB Wealth Management and MLC, in addition to his current role as chief executive of The GPT Group. He will provide valuable input as we grow our core banking and life insurance businesses and continue to run off non-core banking assets.

I want to recognise the efforts of our former chairman John Story and Paula Dwyer, both of whom served on the Boards of Suncorp and its predecessor companies for many years.

Over the past decade, Suncorp has evolved from a Queensland-based financial institution to a national organisation with leading positions in general insurance, banking and life insurance. The Group now has over 9 million customers across Australia and New Zealand – the equal of any other financial institution. These achievements occurred on John Story's watch and I thank him for his guidance of the Group through some very turbulent times.

Paula Dwyer also made a significant contribution to the Group's development and to the Board, most recently in her role as Chair of the Audit Committee. I would like to wish Paula well in her future endeavours.

Half-year results

We are now more than two years into the transformation program that Group CEO Patrick Snowball and his leadership team embarked upon to restore Suncorp to the level of competitiveness and profitability that shareholders rightfully expect.

The recent financial results for the six months to 31 December 2011 again demonstrated that Suncorp is making good progress in most aspects of its transformation effort and its operations.

Over the half year, the Group delivered increased profits and underlying margins, top-line growth across its businesses, cost control, and a stronger balance sheet. This, despite ongoing economic and weather volatility including the Christmas Day hailstorm in Melbourne, resulted in a Group net profit of \$389 million, up from \$223 million in the first half last financial year.

Although our first half profit is still not what we know this business is capable of, it did enable us to increase the interim dividend to 20 cents per share, fully franked, and this will be paid to shareholders on 2 April 2012. We remain committed to returning to shareholders any capital that is surplus to the operating requirements of the business and will again review this position at the conclusion of the financial year.

Protecting the community

While natural hazards had a very real impact on our bottom line results for the half, it should never be forgotten that responding to these devastating events and their very human consequences is the business of Suncorp. Through our 15,000 plus employees, we strive to make a significant contribution to all our stakeholders.

The Group's demonstrated leadership in product innovation and efficient claims management has enabled local and regional communities to return to productive capacity in a shorter timeframe than would otherwise be the case. Importantly, customer assets have been replaced and livelihoods restored without recourse to public funds. In the absence of a well capitalised and profitable insurance industry, the full financial and social costs associated with these events would fall to taxpayers.

The plethora of inquiries and reviews that followed the devastating events of January 2011 have thus far glossed over crucial issues that demand public attention and debate. Insurers are fundamentally in the business of pricing risk. Where risks are high it is no surprise that prices follow. But where risks can be mitigated there exists the prospect of increased competition based upon informed judgements and service differentiation, and reduced pricing.

This has been very apparent in the recent flooding across south-west Queensland. Communities such as Charleville and St George have made appropriate investments in mitigation and their communities will benefit financially. The social and emotional benefits are, of course, immediate. It is vital that more communities act to protect themselves from the worst impacts of Australia's unforgiving weather.

Finally, I thank you for your ongoing support and confidence in the company and its leadership team, and I look forward to communicating with you again following our full year result in August.

Yours sincerely

A handwritten signature in black ink that reads "J. P. Switkowski".

Dr Ziggy Switkowski