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1 May 2012

SUNCORP BANK CREDIT RATING UPGRADE

Fitch Ratings today upgraded the long term issuer default rating of Suncorp Metway Limited (Suncorp Bank) to 'A+' from 'A'. The rating has a 'stable' outlook.

Suncorp Bank CEO David Foster said the upgrade was a positive development for the Bank and its funding program.

"This further minimises the gap between Suncorp Bank and the major banks and gives greater momentum to our covered bond program. It reaffirms Suncorp's position as Australia's leading regional bank," he said.

A copy of Fitch's announcement is attached.

Ends

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FITCH UPGRADES SUNCORP-METWAY; AFFIRMS OTHER SUNCORP ENTITIES

Fitch Ratings-Sydney-30 April 2012: Fitch Ratings has upgraded Suncorp-Metway Limited's (SML) Long-Term Issuer Default Rating (IDR) to 'A+' from 'A', equalising it with the Insurer Financial Strength ratings of Suncorp Metway Insurance Limited (SMIL) and Vero Insurance Limited (VIL), the other main operating subsidiaries of Suncorp Group Limited (SGL). The Outlook is Stable. At the same time the agency has downgraded SML's Viability Rating (VR) to 'bbb+' from 'a-'. All other ratings of SML have been affirmed, as have the ratings of SGL, SMIL and VIL. A full list of rating actions can be found at the end of this release.

SML's Long-Term IDR reflects the willingness and ability of the Suncorp group to provide timely support to SML if required. This equalisation of ratings follows more detailed discussions with management on the processes and resources available to the group to provide support.

SGL's insurance operations have strong business franchises and brands in the Australian general insurance market, healthy group capital ratios, and conservative investment and reserving philosophies. Mitigating these positives is the large residual exposures in SML's non-core portfolio.

The downgrade of the VR follows a weaker-than-expected outlook for the operating environment, particularly in SML's home state of Queensland, and the impact this may have on the bank's asset quality and profitability. SML remains susceptible to deterioration in the operating environment through its legacy non-core loan portfolio. This portfolio has run-off ahead of schedule but remained large at AUD5.7bn at 31 December 2011. Fitch believes this portfolio may suffer further asset quality deterioration (29% was impaired at 31 December 2011) and longer workout periods for impaired exposures if the operating environment weakens, necessitating further significant impairment charges. Given this, the agency believes SML's intrinsic creditworthiness is better reflected in a VR of 'bbb+'.

Positive rating action for group entities is unlikely given the large banking exposure relative to the size of the insurance entities, which acts as a drag on the group rating. The key rating driver that could result in a downgrade is a fall in capital levels at the group as a result of further deterioration in the bank. Negative pressure could also result from lower levels of profitability in the non-life operations which Fitch considers key to the group's ratings. Given the high ratings the agency would expect the group's insurance businesses to be able to achieve combined ratios below 100% and insurance trading ratios in excess of 10%.

In spite of the level of natural hazard losses in recent years, SGL's non-life insurance entities remain well-protected following renewal of a comprehensive reinsurance programme in FY12. Earnings have become more exposed due to a higher net retention to Australian natural catastrophes, up AUD50m to AUD250m, along with less aggregate cover. However, higher natural hazard allowances should support future earnings should loss levels reverse towards long-term averages.

SML's senior notes and commercial paper programmes are rated at the same level as the Long- and Short-Term IDRs, as they constitute direct, senior unsecured obligations of the bank. The subordinated debt is rated one notch below SML's Long-Term IDR, reflecting Fitch's view that SGL would provide support through SML's entire capital structure. Normally these instruments would be notched off the VR.

SML's Support Rating of '1' reflects an extremely high likelihood of support from the group if ever required. The Support Rating Floor reflects a moderate chance of support from the Australian authorities, if ever required.

The Suncorp group is an Australian financial conglomerate. It is the largest underwriter of general

insurance risks in Australia, the second-largest in New Zealand, owns Australia's fifth largest bank with 2% of total system assets, and operates Australia's ninth-largest life insurer by premium.

The following rating actions have been taken:

Suncorp Group Limited (SGL)
Long-Term IDR: affirmed at 'A'; Outlook Stable
Short-Term IDR: affirmed at 'F1'

Suncorp-Metway Limited (SML):
Long-Term IDR: upgraded to 'A+' from 'A'; Outlook Stable
Short-Term IDR: affirmed at 'F1'
Viability Rating: downgraded to 'bbb+' from 'a-'
Support Rating: affirmed at '1'
Support Rating Floor: affirmed at 'BB+'
Government-guaranteed Debt: affirmed at 'AAA'
Senior unsecured debt: upgraded to 'A+' from 'A'
Commercial paper: affirmed at 'F1'
Subordinated debt: upgraded to 'A' from 'A-'

Suncorp Metway Insurance Ltd (SMIL):
Insurer Financial Strength: affirmed at 'A+'; Outlook Stable

Vero Insurance Limited (VIL):
Insurer Financial Strength: affirmed at 'A+'; Outlook Stable

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Applicable criteria, 'Global Financial Institutions Rating Criteria', dated 16 August 2011, 'Treatment of Hybrids in Bank Capital Analysis', dated 11 July 2011, 'Insurance Rating Methodology', dated 22 September 2011, are available at www.fitchratings.com.

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Additional information is available at www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649171

Treatment of Hybrids in Bank Capital Analysis

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=641269

Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=651018

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