Letter to shareholders

Dear Shareholder, **22 August 2012**

The 2012 financial year saw the Suncorp Group continue to deliver against its strategy and strengthen its competitive position.

Suncorp is now three years into a strategic transformation under Group CEO Patrick Snowball and his executive team. Operating under its 'One Company. Many Brands' business model, the Group is now beginning to realise its scale advantages in claims, pricing and access to a customer base of around nine million. Each of its core businesses has been refocussed in their markets and a non-operating holding company structure introduced to improve capital transparency and management.

The Building Blocks program has been successfully executed; contributing to a three percent improvement in the underlying insurance margin and providing a solid foundation for future business growth that will be supported through a range of simplification initiatives announced in May 2012. These initiatives will further streamline and focus our policy systems, legal entity structures and technology platforms.

The transformation of Suncorp should be seen in the context of the challenges that have faced the Australian financial services sector over the past three years with global and domestic economic uncertainty, volatile investment markets and weak asset growth. In addition, the insurance sector has withstood an unprecedented sequence of natural hazard events and substantially increased reinsurance costs.

The Group's results for the financial year to 30 June 2012 demonstrate we are moving in the right direction and should provide further confidence in our ability to deliver future growth plans. Net profit after tax was $724 million, a significant improvement on the prior year. The General Insurance profit after tax was $493 million. While adverse natural hazard experience and increased reinsurance costs impacted this result, underlying business performance was positive across all metrics. Gross written premium for the year increased 9.3% to $7.96 billion with strong contributions from all product lines.

Over the course of the year, Suncorp supported hundreds of thousands of business, home and motor insurance customers whose property was damaged by poor weather or other claims events. Unfortunately, many of our customers are incurring preventable costs year after year because of inadequate mitigation or poor planning decisions. This lack of foresight and investment, particularly in regions identified as high risk, is being reflected in premiums which have already been driven higher by the abnormal incidence of severe events in recent years. We will continue to take a leadership role in lobbying governments at all levels on this important issue.

Suncorp Bank reported net profit after tax of $26 million. In the Core Bank, profit after tax was $289 million, up 11.6%. The Core Bank aims to become a genuine alternative to the Majors with a growing direct footprint and improved broker flows. The Non-core Bank incurred a loss after tax of

$263 million, which included increased impairment charges flowing from the impact of economic uncertainty on the market for assets held in this portfolio. Over the year, the non-core portfolio reduced from $7.3 billion to $4.5 billion with the residual portfolio now one quarter the size it was when placed into run-off in 2009.

Suncorp Life made substantial progress against its strategy to grow intermediated and direct distribution channels. Profit after tax of $251 million was up 68.5% with underlying profit after tax of $146 million, up 11.5% after adjusting for divested businesses.

The underlying trends in the company's three main businesses are encouraging and the Board expects this positive momentum to continue. Accordingly, it has approved the payment of a final dividend of 20 cents per share, along with a special dividend of 15 cents per share. This brings the total dividend payout for the 2011/12 year to 55 cents per share, fully franked.

Both the final ordinary and special dividend payments will be paid on 1 October 2012.

The Board has also decided to increase the target ordinary dividend payout ratio to 60% to 80% of full year cash earnings. This means shareholders can expect in the future to receive a larger percentage of the Group's earnings in the form of ordinary dividends and benefit from our substantial franking credits.

If, after the payment of ordinary dividends, there is capital that is identified as surplus to the ongoing needs of the business, then the Board's policy is that this should be returned to shareholders in the form of special dividends or share buy backs.

The company very much appreciates the support of its shareholders during these tough years and I would like to thank you on behalf of the Board.

Dr Ziggy Switkowski
Chairman