



# Information for Shareholders 2009/10



*One Company. Many Brands*



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# Financial results summary

We have stabilised the business and are now positioned for growth.

**Suncorp Group recorded a net profit of \$780 million for the year to 30 June 2010, up from \$348 million in 2009. This result was achieved despite ongoing market volatility and the Melbourne and Perth hailstorms – two of the more costly weather events in Australian history.**

A year of strategy focus and business stabilisation helped the Group recover to make significant operational and financial progress. The sale of assets – the LJ Hooker subsidiary and joint venture interests in RACQ Insurance and RAA Insurance – contributed pre-tax profits of \$215 million.

## General Insurance

General Insurance recorded an after tax profit of \$557 million for the year to 30 June 2010 (2009: \$416 million), up 33.9% despite the major weather events.

Gross written premium increased 3.1% to \$7.03 billion (2009: \$6.81 billion). Underlying premium growth was 6.5% when adjusted for exits from underperforming lines. In personal lines, strong growth in gross written premium was achieved. Premium income growth from commercial insurance lines came through the target market of small-medium enterprise business and through a focus on broker business.

The insurance trading result of \$605 million represents an insurance trading ratio of 9.6% (2009: 7.7%). Net claims, at \$4.6 billion, were stable.

The New Zealand business produced a strong result with premium growth of 6.5% and an insurance trading result of \$70 million (2009: \$38 million). The insurance trading ratio was 12.2% (2009: 7.1%).

## Suncorp Bank

In the first full year result since the split of the Bank's activities into the core and non-core portfolios, the core Bank's after tax profit was \$268 million. Together with the non-core Bank after tax loss of \$224 million, total Bank after tax profit was \$44 million.

After actively constraining lending growth in the first half, the Bank grew the core lending portfolio in the second half. Core retail deposits increased by 8.5% to \$23.2 billion. The deposit to core lending ratio at 71.1% in June 2010 is ahead of target (June 2009: 64.1%).

Prudent management of the non-core portfolio run-off is ahead of expectations, and reduced by \$4.9 billion for the year to \$12.6 billion. The Bank has strong levels of liquidity and is well placed to meet any regulator-imposed requirements to strengthen liquidity reserves across the industry.

## Suncorp Life

Suncorp Life's business is showing momentum. A clear strategy, with specific areas of focus, has contributed to a strong result.

In-force premium grew 7% to \$784 million. New business sales for life insurance through the Independent Financial Adviser channel increased by 15%. Net profit after tax, including market adjustments, was \$222 million (2009: \$117 million). Underlying after tax profit was \$192 million, up 6.7% on 2009.

Suncorp Life's embedded value increased to \$2,406 million (2009: \$2,145 million), while operating expenses fell 5% to \$321 million.

## Capital and dividend

The Group's stronger capital position is due in part to improved operational earnings, asset sales and prudent retention of capital buffers. Suncorp will pay a final ordinary dividend of 20 cents per share fully franked, taking the full year ordinary dividend to 35 cents per share fully franked.

## General Insurance

**\$7.03 billion ↑ 3.1%**

Gross written premium

**\$557 million ↑ 33.9%**

Net profit after tax

## Suncorp Bank

**\$44 million**

Consolidated Bank net profit after tax

**7.03%**

Adjusted Fundamental Tier 1 ratio

## Suncorp Life

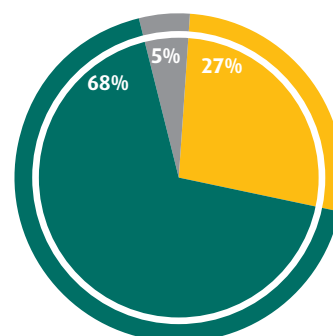
**\$192 million ↑ 6.7%**

Underlying profit

**\$2.4 billion ↑ 12.2%**

Suncorp Life embedded value

## Full year net profit after tax from lines of business



General Insurance

Suncorp Bank

Suncorp Life (including market adjustments)

## Building confidence and credibility in 2010

In an uncertain global financial environment, we focused on the delivery of five key priorities during the past 12 months.

### 1. We stabilised the business

We set about restoring confidence in the Bank and took a refreshed Suncorp Bank brand to target markets. In the Bank's non-core portfolio we matched the funding maturity to the run-off expectation – resulting in a portfolio that is positively funded to maturity, with a significantly reduced refinancing risk. The run-off is progressing ahead of expectations.

### 2. We simplified the business

We sold joint venture interests and the real estate subsidiary LJ Hooker. We implemented a clear organisational structure, giving operating divisions end-to-end accountability. We introduced a 'building blocks' program to streamline our general insurance claims and pricing processes and provide a consistent view of our customers and employees, as well as a consistent approach to financial systems.

### 3. We strengthened the balance sheet

Improved earnings, asset sales and the advanced run-off of the non-core Bank portfolio mean the Group's capital position is considerably stronger. We retained prudent capital buffers, paying a more conservative dividend at the half year and increasing provisions for outstanding insurance claims. Suncorp Bank now has a

higher tier one capital ratio and in General Insurance the minimum capital requirement coverage (at 1.89 times) is higher.

### 4. We refreshed our senior leadership team

We appointed a new Group Chief Executive Officer and several experienced executives. We strengthened the Board by appointing a director with experience in banking and financial services.

### 5. We clarified our strategic direction and outlined a plan for growth

In May and June we presented investors with our strategic business plans and clear 'stretch' targets for growth which were well received. Presentations can be viewed online at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

### Summary

Our strategic simplification has created five businesses that have robust capital levels, reduced complexity, experienced leaders and clarity of purpose.

The Suncorp Group is now focused on being 'One Company. Many Brands'. We have the right goals, business model and people, and our businesses are poised for growth in their respective markets. This – along with improving returns to shareholders – is our focus into 2011.

**\$95.34 billion**

Total assets

**\$13.95 billion**

Net assets

**\$780 million**

Group net profit after tax

**5.7%**

Return on average shareholders' equity

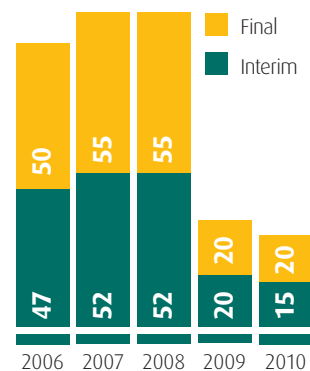
**35 cents per share**

Total dividend

**198,697**

Ordinary shareholders at 17 August 2010

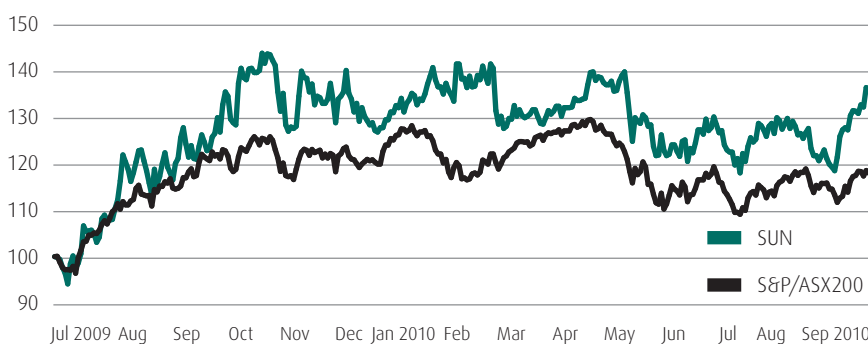
### Dividend (cents)



### Relative share price performance

1 July 2009 – 1 Sep 2010

A \$100 investment is assumed on 1 July 2009.



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# Chairman's report



The Suncorp Group today is in a far different place. We are now well on the path towards realising the full extent of our potential.

## Dear Shareholder

I am pleased to report that Suncorp has continued to make real and substantial progress for the 2009/10 financial year.

Net profit after tax for the full year was \$780 million, up from \$348 million in the previous financial year. While 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 focused 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, bringing career experience in banking and the broader financial services 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 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 our new Group Chief Executive Officer, 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.

**John Story**  
Chairman  
25 August 2010

## Group Chief Executive Officer's report



The past year has been a period of significant change for Suncorp. We have laid the foundation for sustainable growth and profits and look to the future with confidence.

### An important step forward

I am pleased to report that Suncorp has made significant progress in meeting the challenges that have affected our profitability over the past two years.

Our latest financial results confirm the recovery underway across the business. Underlying performance improved in each of our businesses.

Our General Insurance businesses grew premium and profits.

Our core Bank reached its targets – including strong deposit growth – while the non-core Bank continued its orderly run-off ahead of schedule.

Suncorp Life continued to build momentum around its new strategy, and the New Zealand businesses made a very strong contribution to the overall Group result.

Moreover, Suncorp's capital position is much improved. It is especially prudent to maintain capital buffers, given the economic and regulatory uncertainty in today's business environment.

These achievements are noteworthy, considering they occurred in the aftermath of the global financial crisis and during a period in which our people managed two of the costliest weather events in Australian history: the Melbourne and Perth hailstorms.

To what do we attribute our progress? To begin the recovery we identified the Group's broad challenges and immediate needs.

**Suncorp's capital position is much improved. It is especially prudent to maintain capital buffers, given the economic and regulatory uncertainty in today's business environment.**

The long-term challenges included restoring the Group's credibility and confidence and unifying the mix of cultures that are a legacy of past integrations. Immediate, pressing needs included strengthening our balance sheet and capital position and appointing a new executive team.

We then moved to clarify our strategic direction, which is summarised by our new tagline 'One Company. Many Brands'. This aptly describes our aim to combine the scale benefits of a large, unified financial services group with the market strength that comes from having a portfolio of leading brands and nine million customers.

To achieve the new direction we needed to reshape our management and business structure. In Personal Insurance we implemented the functional model that had been put in place in Commercial Insurance. Suncorp Bank has restructured its operations, positioning itself as a real alternative to the major banks. Meantime Suncorp Life has continued to change the focus of its business to take advantage of the attractive growth potential for life insurance and superannuation in Australia.

Suncorp now has five operating divisions: Personal Insurance, Commercial Insurance, Vero New Zealand, Suncorp Bank and Suncorp Life. These are supported by a leaner corporate centre and specialist areas providing shared services, such as business technology, procurement, real estate and human resource services.

We have also developed a new three-year plan to ensure we align our activities with strategy and set specific growth and profit targets for our businesses. To help achieve the plan we have launched a series of activities known as Suncorp's Strategic Building Blocks, designed to reduce the process complexity that impeded our progress in recent years.

The past year has been a period of significant change for Suncorp. We have laid the foundation for sustainable growth and profits and look to the future with confidence. Yet we temper that confidence with the knowledge that we cannot be complacent. We have much more work to do before we can deliver a truly satisfactory result for our shareholders.

Nevertheless it is testimony to the commitment of our people and Suncorp's resilience that we are able to discuss our future much more confidently than would have been possible a year ago.

I extend my warmest thanks to everyone in the organisation who has contributed to our progress over the last 12 months, and seek shareholders' ongoing support as we build on these foundations to achieve even greater successes in the year ahead.

**Patrick Snowball**  
Group Chief Executive Officer  
25 August 2010

# Contribution to profit by division

	30 Jun-10 \$m	30 Jun-09 \$m
<b>General Insurance</b>		
Gross written premium	7,027	6,815
Net earned premium	6,310	5,981
Net incurred claims	(4,637)	(4,610)
Operating expenses	(1,670)	(1,642)
Investment income – insurance funds	602	733
Insurance trading result	605	462
Managed schemes net income	4	19
Joint venture and other income	53	1
Investment income – shareholder funds	194	130
Profit before tax and capital funding	856	612
Capital funding	(82)	(39)
Profit before tax	774	573
Income tax	(217)	(157)
General Insurance profit after tax	557	416
<b>Banking</b>		
Core Bank profit after tax	268	n/a
Non-core Bank loss after tax	(224)	n/a
Consolidated Bank profit after tax before one-offs	44	37
One-off non-recurring items after tax	–	32
Total Bank profit after tax	44	69
<b>Life</b>		
Underlying profit after tax	192	180
Market adjustments after tax	30	(63)
Life profit after tax	222	117
<b>Profit after tax from business lines</b>	<b>823</b>	<b>602</b>
<b>Other</b>		
Contribution from LJ Hooker	4	8
Sale of subsidiary and investment in joint ventures	215	–
Amortisation of Promina acquisition intangible assets	(210)	(245)
Integration costs	(59)	(147)
Consolidation adjustments	9	3
Loss before tax	(41)	(381)
Income tax benefit	7	132
Loss after tax on other items	(34)	(249)
<b>Profit after tax before non-controlling interests</b>	<b>789</b>	<b>353</b>
Non-controlling interests	(9)	(5)
<b>Net profit after tax</b>	<b>780</b>	<b>348</b>

An insurance trading result or ITR has become the preferred measure of profitability in insurance companies by investors. During the year Suncorp's insurance trading ratio improved to 9.6% (2009: 7.7%).

Accounting for the split of banking into the core and non-core portfolios began on 1 April 2009. As a result, profit and loss data for the full year to June 2009 is not split by core and non-core lines.

Underlying profit after tax (PAT) is the sum of Life Risk PAT, Superannuation & Investments PAT, and Asset Management PAT. This is a better reflection of the performance of Suncorp Life because it excludes market impacts over which Suncorp Life has little control.

Includes profit before tax from both the sale of LJ Hooker of \$50 million and the sale of RACQI and RAAI joint ventures of \$165 million.

# Statement of financial position

	Consolidated	
	30 Jun-10 \$m	30 Jun-09 \$m
<b>Assets</b>		
Cash and cash equivalents	883	2,356
Receivables due from other banks	232	118
Trading securities	8,233	6,694
Derivatives	833	552
Investment securities	21,091	20,330
Loans, advances and other receivables	53,724	56,753
Reinsurance and other recoveries	1,878	1,622
Deferred insurance assets	748	799
Investments in associates and joint ventures	62	201
Property, plant and equipment	358	407
Deferred tax assets	101	260
Investment property	144	160
Other assets	425	375
Goodwill and intangible assets	6,627	6,836
<b>Total assets</b>	<b>95,339</b>	<b>97,463</b>
<b>Liabilities</b>		
Deposits and short-term borrowings	34,098	37,866
Derivatives	2,461	1,556
Payables due to other banks	28	29
Payables and other liabilities	1,874	2,345
Current tax liabilities	1	154
Employee benefit obligations	280	251
Unearned premium liabilities	3,672	3,528
Outstanding claims liabilities	8,028	7,506
Gross policy liabilities	5,583	5,547
Unvested policyowner benefits	404	397
Managed funds units on issue	437	506
Securitisation liabilities	4,710	5,711
Debt issues	16,759	15,661
<b>Total liabilities excluding loan capital</b>	<b>78,335</b>	<b>81,057</b>
<b>Loan capital</b>		
Subordinated notes	2,182	2,312
Preference shares	869	865
<b>Total loan capital</b>	<b>3,051</b>	<b>3,177</b>
<b>Total liabilities</b>	<b>81,386</b>	<b>84,234</b>
<b>Net assets</b>	<b>13,953</b>	<b>13,229</b>
<b>Equity</b>		
Share capital	12,618	12,425
Reserves	74	(123)
Retained profits	1,241	921
<b>Total equity attributable to owners of the Company</b>	<b>13,933</b>	<b>13,223</b>
Non-controlling interests	20	6
<b>Total equity</b>	<b>13,953</b>	<b>13,229</b>

Total loans have reduced due to the non-core Bank portfolio run-off.

Goodwill and intangibles predominantly relates to the Promina acquisition.

The Group's strengthened capital position is reflected in the stronger equity and net asset totals.

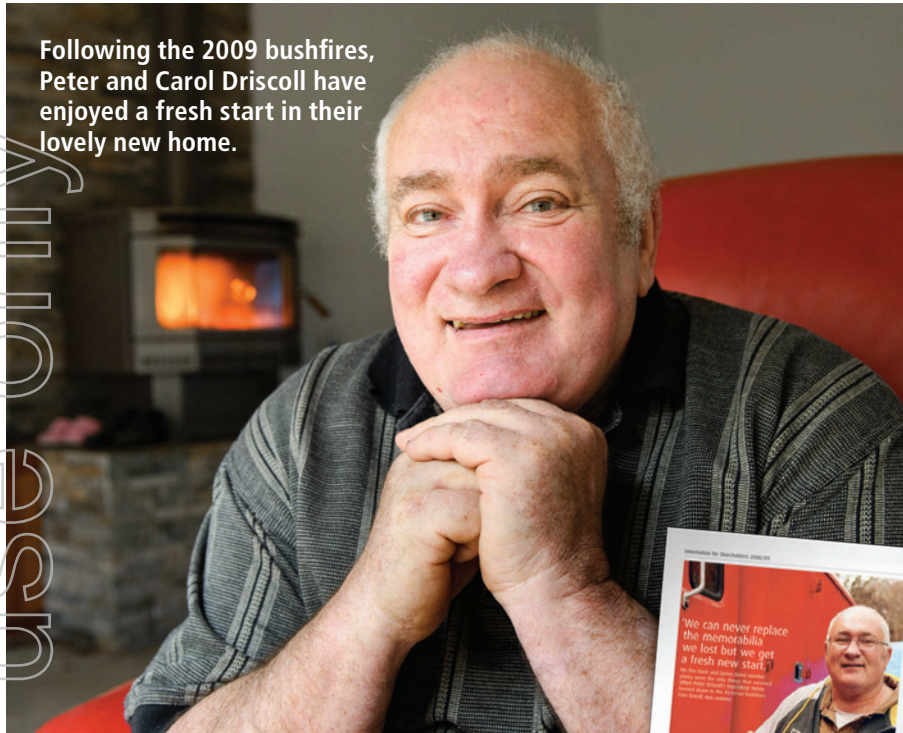
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## After the bushfires of 2009 ... a fresh start

## Shareholder information

Following the 2009 bushfires, Peter and Carol Driscoll have enjoyed a fresh start in their lovely new home.



### Stoical Peter Driscoll is an ardent advocate for Apia, one of Suncorp's Personal Insurance brands.

The former firefighter told Suncorp in our 2008/09 Shareholder Review how he, his wife Carol and their two dogs survived the bushfires that devastated their Flowerdale home in Victoria in February 2009. The fires didn't leave much behind ... Peter's fire truck and two James Bond numberplates from his collection were all he was able to retrieve.

Apia settled Peter's home insurance claim in full within 14 days. Peter says this gave him the ability to plan his rebuild straight away and, despite his significant losses, it gave his family a fresh start.



One year on, we caught up with Peter again and asked him how he was rebuilding his life.

"Yes, it's been a difficult couple of years for Carol and me with so many challenges. But I would never have dreamed back in February last year that I'd have such a wonderful new home.

Absolutely, I have gone with Apia to insure my home again. I pump Apia to everyone. I wouldn't go near anyone else as an insurer," Peter said.



Shareholder Review 2009/10



Annual Report 2009/10

### Annual Reports 2009/10

If you wish to receive a printed copy of Suncorp's Shareholder Review and Annual Report contact Link on 1300 882 012, or email: [suncorp@linkmarketservices.com.au](mailto:suncorp@linkmarketservices.com.au).

Alternatively you can view the Shareholder Review and Annual Report on the Suncorp website: [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

### 2010 Suncorp Annual General Meeting – 4 November 2010

2.30pm at the Sofitel Brisbane, 249 Turbot Street, Brisbane Qld 4000

### Registered office

Suncorp-Metway Ltd  
Suncorp Centre  
Level 18, 36 Wickham Terrace  
Brisbane Qld 4000 Australia  
Ph 07 3362 1222  
Fax 07 3836 1190  
[www.suncorpgroup.com.au](http://www.suncorpgroup.com.au)

### Share registry

Shareholders can obtain information about their shareholding by contacting Suncorp's share registry:

### Link Market Services Limited (Link)

Level 15, 324 Queen Street  
Brisbane Qld 4000

### Mailing address

PO Box A50 Sydney South NSW 1235

### Telephone

1300 882 012 (inside Australia)

+61 2 8280 7450 (outside Australia)

Fax 02 9287 0303

email: [suncorp@linkmarketservices.com.au](mailto:suncorp@linkmarketservices.com.au)

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Listed securities

Suncorp securities listed on the Australian Securities Exchange (and their codes) are:

Ordinary shares	SUN
Reset preference shares	SUNPA
Convertible preference shares	SUNPB
Floating rate capital notes	SUNHB

### Key dates<sup>1</sup>

1 October 2010	final dividend payment
23 February 2011	half-year results
1 April 2011	interim dividend payment
24 August 2011	full year results

<sup>1</sup> Dates may be subject to change

### Special offers

From time to time Suncorp will make special offers available to shareholders.

Details of these offers will be published on [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).



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