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'We can never replace the memorabilia we lost but we get a fresh new start.'

His fire truck and James Bond number plates were the only things that survived when Peter Driscoll's Hazeldene home burned down in the Victorian bushfires.

Peter Driscoll, Apia customer

Dream. Build. Protect.

SUNCORP 

# A challenging year

Suncorp acknowledges the potential of our business was not reached in 2008/09.  
We are adapting our business to the vastly changed economic and financial landscape.

Suncorp is one of the largest general insurance groups<sup>1</sup> and fifth largest bank in Australia. We offer competitive banking, insurance, superannuation and investment products through our portfolio of well-known, trusted brands: Suncorp Insurance, AAMI, Suncorp Bank, GIO, Apia, Vero, Shannons, Just Car Insurance, Asteron and Tyndall.

## Summary

The 2008/09 financial year coincided with possibly the most volatile period in Australian financial services history and each of Suncorp's businesses faced unfavourable elements.

For the year ended 30 June 2009, Suncorp reported a net profit after tax (NPAT) and minority interests of \$348 million which was down 40% on 2008 (\$583 million).

Suncorp will pay an ordinary final dividend of 20 cents per share fully franked, taking the full year dividend to 40 cents per share (down from 107 cents in 2008).

Suncorp raised more than \$1 billion of new equity in February. Since then, capital ratios have remained relatively stable and well above internal and regulatory targets. This enabled Suncorp to take advantage of the market conditions to buy back subordinated debt in June 2009, resulting in a \$130 million before tax profit to the Group.

## Banking

The Bank had a strong focus on deposit gathering and, despite some significant outflows early in the financial year, core retail deposits grew 13.2% to \$21.4 billion.

The Bank performed solidly on an underlying profit basis, supported by a continuing focus on cost control. However, this was offset by significant increases in provisions for bad or doubtful debts.

Lending growth slowed over the course of the year, consistent with the slowing domestic economy and the Bank's decision to run off non-core portfolios.

Profit before tax, bad debts and one-off items was \$781 million (2008: \$668 million). Bad debts rose to \$710 million (2008: \$71 million), representing 128 basis points of gross loans, advances and other receivables. Contribution to the Group before tax was \$117 million.

## General Insurance

Investment income from shareholders' funds increased to \$130 million following a loss of \$232 million in 2007/08. This performance reflects the decision to remove exposure to equities in September 2008.

All Suncorp insurance brands experienced solid premium growth as markets hardened in both short and long-tail products. Favourable claims experiences in long-tail classes, particularly compulsory third party, resulted in higher than expected reserve releases.

Severe weather events and natural disasters remained well above normal expectations and reduced profitability by around \$255 million.

The Group's insurance trading result was \$462 million (2008: \$607 million), 7.7% of net earned premium. Gross written premium grew 6%. Contribution before tax was \$573 million.

## Life

Life risk in-force premium grew 7.3% to \$733 million.

Life insurance, now the main focus of the Suncorp Life business, saw solid profit growth of 13% to \$87 million offset by a lower funds management profit.

Contribution after tax was \$115 million (2008: \$111 million).

## Financial summary

<b>Group net profit</b> \$348 million	<b>Cash earnings per share</b> 47.2 cents	<b>Full year dividend</b> 40 cents per share
<b>Banking</b> \$117 million contribution before tax	<b>General Insurance</b> \$573 million contribution before tax	<b>Life</b> \$115 million contribution after tax

## Full year net profit after tax (statutory basis) (\$m)



**219,054**  
shareholders  
worldwide at 17/08/09

**Top 25**  
Australian company (by market capitalisation) at 28/08/09

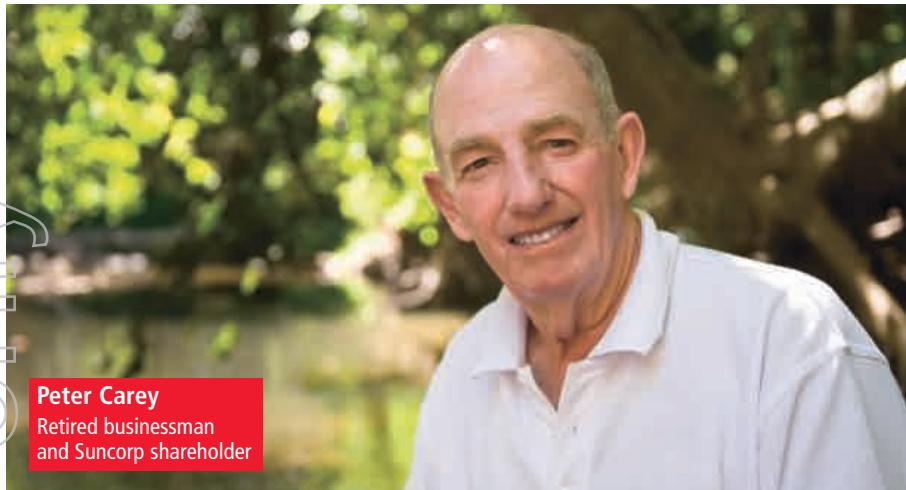
**\$97.46bn**  
in assets at 25/08/09

**\$348m**  
Group net profit decreases by 40%

**\$1.1bn**  
new capital raised

**11.31%**  
Tier 1 capital ratio

**50-60%**  
of 2009/10 cash earnings is targeted as the dividend pay out ratio



**Peter Carey**  
Retired businessman  
and Suncorp shareholder

## Taking a long-term view

Shareholder Peter Carey is disappointed by Suncorp's performance this year but, aware of economic hard times, is taking a long-term view of his investment.

Retired businessman Peter, now in his seventies, is familiar with the vagaries of the economy. He has participated in markets moving from boom to bust several times and has learned the signs. At the moment, Peter is holding his Suncorp shares and closely watching the financial press. He assesses Suncorp's performance this year. 'Like most self-funded retirees my standard of living is closely linked to returns from my investments.'

And, like everyone, I have been very disappointed with both the return on my shares and the value of my overall portfolio this financial year.

Despite seeing myself as a long-term investor, I took the precautionary step of selling some shares, including some of my Suncorp holding, last year. This money will supplement our income for the next two years.

My philosophy is that over the long term you will make money on the market.

But it is a cycle and there is always a pause during which you have to hold on. Each downturn is triggered by an unknown event – this time it was the US sub-prime home loans. While I wasn't surprised to see the cycle turn, the severity and the cause did certainly surprise me. Suncorp's

own problems, including the funding disadvantage suffered by second tier banks, stem from the global financial crisis. Hopefully Suncorp's provisions for bad debts are generous. We'll wait and see. All the banks need to rethink their ratio of lending to equity.

In the coming twelve months I'd like to see Suncorp shaken up by the new CEO (Patrick Snowball). His reputation in the financial world is good and I have great hopes for him.

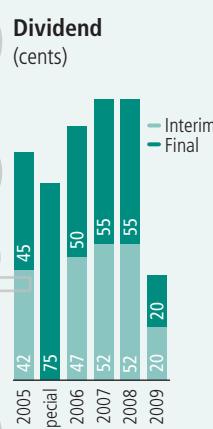
I also want the situation with the Bank resolved one way or the other. The stock is being affected by the uncertainty.

Like other shareholders I think the Board is too big. I'd be pleased to see it cut from twelve down to eight or nine, with an equal split between strong insurance and banking experience.

The dividend cut is disappointing, especially for retirees who count on it to live. However, it is inadvisable to pay out any more at the current time and I accept that.

Overall, I feel disappointed in Suncorp's recent performance but I acknowledge the economic hard times. On the positive side, my experience tells me that banks are always one of the first to prosper on a rebound and insurance is also a good game to be in over the long term.'

**The next twelve months will be a period of significant renewal for the Group. As global and domestic economic conditions begin to improve slowly, Suncorp is well placed to improve its own business performance and increase returns to shareholders.**



### Suncorp relative share price performance (rebased to 100)

1 July 2008 – 30 June 2009



**35%**  
of Australians use our products and services<sup>1</sup>

**32.5%**  
of Australians are insured by the Suncorp Group<sup>1</sup>

**16,867**  
employees (including 1,927 in New Zealand)

**\$781m**  
Bank profit before one-offs, impairment losses and tax rises 17%

**1.68%**  
Bank net interest margin falls by 11 basis points

**\$710m**  
Bank bad debts

**40.8%**  
Bank cost to income ratio improves by 8.7%

# A Chairman's perspective

Suncorp Chairman John Story says the last two years have been the most challenging he has ever seen in a legal and corporate career that has spanned four decades.



John Story  
Chairman, 25 August 2009

Of course I have seen downturns before but the sense was always that they were cyclical and the economy would recover in time. The difference this time was that the global financial system was staring into the abyss. There was genuine belief around October last year that the system could be irrevocably broken – that worst case scenario was only avoided by the coordinated action undertaken by governments around the world.

Australia has been affected by the global financial crisis but we have been sheltered from the worst of it through the actions of Government, regulators and the fact that Australian financial institutions did not have the risk profiles of some of their overseas counterparts.

There's no doubt Suncorp's financial performance has been affected more than most other Australian financial services companies by the combination of the global financial crisis and severe weather events and natural disasters across Australia and New Zealand. These external factors have had a significant impact on each of our businesses.

## Responsible for performance

External challenges aside, the Board, management team and I are only too aware that last year's profit result, share price performance and dividends were deeply disappointing to all shareholders. We take full responsibility for that performance just as we take full responsibility for turning it around.

We also accept there are things that, with the benefit of hindsight, we could have done better. I think we could have, for example, acted more quickly to slow business lending. What I will say though is that, even through the most challenging of times, the Board has always had a unity of purpose and a determination to make decisions that will ultimately benefit this company, its shareholders, customers and employees.

I am confident that some of the very difficult decisions we made over the course of the year – such as refocusing the Bank's business model and strategy – will help restore the profitability shareholders enjoyed prior to the global financial crisis.

## Financial summary

- Unfavourable operating environments impacted all businesses
- Net profit after tax (NPAT) at \$348 million, down 40%
- Bank contribution before tax \$117 million
- General Insurance trading result \$462 million represents margin of 7.7% on net earned premium
- General Insurance contribution before tax of \$573 million
- Life NPAT of \$115 million, up 3.6%, including life risk profit of \$87 million, up 13%
- Cash earnings per share of 47.2 cents
- Full year dividend at 40 cents per share fully franked
- Integration synergies and costs increased marginally

## Pride in our employees

In a difficult year for the Group at a corporate level, I could not have been more proud of how our frontline employees helped customers through the challenges they faced – whether it was uncertainty about the safety of their deposits and superannuation, or helping them recover from some of the major natural disasters which hit Australia and New Zealand last year.

Not only do these types of events have a major impact on our customers but they also have a huge impact on the lives of our employees and their families. In the aftermath of the Victorian bushfires in February this year, for example, many of our employees helped customers recover while not knowing if their own property and possessions had been destroyed.

A company is embodied by the people who work for it. Our Shareholder Review incorporates commentary from many people – including customers and community groups – about the fine work that Suncorp employees do every day, regardless of what's happening around them, and the contribution they make to their local communities.

**\$573m**

General Insurance contribution before tax increases by 87%

**\$462m**

Insurance trading result falls by 24%

**\$6.8bn**

Gross written premium grows 6%

**27.4%**

General Insurance expense ratio improves by 1.8%

## **Remuneration appropriate for the times**

The Board and I thought it was important that remuneration outcomes for the last financial year recognised the disappointing outcome for shareholders, as well as the efforts of Suncorp's employees to maintain momentum and customer satisfaction in one of the most difficult years in the Group's history.

Given our financial results, it was appropriate that executives be paid far less for the financial year – and have their salaries frozen at 2007 levels – while recognising and appropriately rewarding the frontline employees who represented the Group so well throughout the course of the financial year.

In difficult times, it is incumbent on the Chairman and Board to provide continuity and leadership. I believe we have responded appropriately to the challenges before us and made the changes necessary to ensure Suncorp's long-term success.

## **Period of renewal ahead**

We now have a market leading General Insurance business, a Bank which has an important role to play in an increasingly uncompetitive domestic banking sector and a growing Life business that is clearly focused on the opportunities available in life insurance.

In our new Chief Executive Patrick Snowball, we have a highly experienced financial services executive who is clearly the best candidate to take our business forward and overcome the challenges Suncorp has faced over the last couple of years. Patrick has a proven track record and will instil a renewed clarity of purpose within the Group. I expect that the next twelve months will be a period of significant renewal for the Group

as we continue to refresh the Board, management team and our business model. As global and domestic economic conditions begin to improve

slowly, Suncorp is well placed to improve its own business performance and returns to shareholders.

## **Responding to the challenges of 2009**

Suncorp has adapted its business model for a sustainable future. Over the past year, we have made significant changes to the Suncorp Group, and to each of our operating business lines.

The combination of these decisions ensures Suncorp is as prepared as possible for the continued uncertainties of a post-global financial crisis environment.

### **We boosted capital**

At the Group level, we boosted capital, raising over \$1 billion. We took the necessary, if difficult, decision to reduce the dividend by over 60%. Our capital levels are now significantly above targets.

### **We reduced risk**

We reviewed and refreshed our risk management frameworks, elevating the risk function by creating a new executive role of Chief Risk Officer.

### **We refocused the Bank**

In the Bank we made some very tough decisions to refocus our strategy.

We have started running off portfolios that are now outside our revised risk tolerance and are no longer viable given our cost of wholesale funding relative to the major banks. We lengthened our wholesale funding term to reduce reliance on short-term markets and

better align the funding timeframe for the non-core business.

We refreshed the Suncorp Bank brand and restructured the expense base.

These changes will help establish a sustainable, relatively low-risk banking model.

### **We removed our exposure to equity markets**

To de-risk the General Insurance shareholders' funds portfolio we removed the exposure to equity markets in the first quarter of the year.

General Insurance has raised premiums to restore profitability in a context of severe natural hazard events and reduced investment returns.

### **We purchased greater reinsurance protection**

Our more conservative reinsurance program has provided a degree of financial stability despite the challenging run of weather events.

### **We focused on life insurance as core business**

We undertook a significant program of change during the year, renaming the wealth business to Suncorp Life. Core activities now focus on life insurance.

### **We appointed a new leader**

John Mulcahy left the Company after six years as Chief Executive and our new Chief Executive, Patrick Snowball, takes the helm at Suncorp on 1 September 2009.

## **Introducing Patrick Snowball**



**Patrick Snowball** Chief Executive Officer

Patrick Snowball is an experienced financial services executive with extensive knowledge of the insurance industry, having overseen businesses in the UK, Ireland, Canada, India and Asia.

From 2005 to 2007, Patrick was Group Executive Director, Aviva UK, where he was responsible for all UK operations, including its general insurance, life risk and life risk investment sales businesses. As part of this role he had responsibility for the company's major bancassurance deals.

For the past two years, he worked with the Towergate group of companies in both a deputy chairman and chairman's role. He also served as a non-executive director of Jardine Lloyd Thompson plc from 2008 to 30 June 2009.

From 1970 to 1987, Patrick served with the British Army. He has an MA in History and Economics from Lincoln College, Oxford and is a graduate of the British Army Staff College.

**\$115m**

Life NPAT grows 3.6%

**\$733m**

Life in-force premium grows 7.3%

**\$2.1bn**

Life business embedded value (at 31 December 2008)

**\$23.4bn**

Funds under management fall 3.3%

# Supporting our customers

The 2008/09 financial year was extremely challenging for all financial services companies. Not only did Suncorp confront the global financial crisis but we also responded to a series of major natural hazards such as the Victorian bushfires. We asked our customers to give their views on how Suncorp has performed for them this year.

'We can never replace the memorabilia we lost but we get a fresh new start.'

**Peter Driscoll** (left) survivor of 2009 Victorian bushfires and Apia customer, with **Craig White**, Apia client relationship manager, Vic



## Fresh start

**Apia customer Peter Driscoll is getting a fresh start following the Victorian bushfires.**

His fire truck and James Bond number plates were the only things that survived when Peter's Hazeldene home burned down in the Victorian bushfires. But the former firefighter and his wife Carol, who have been insured with Apia for fourteen years, received the total settlement for their house and contents within fourteen days and have just poured the slab on their new home. 'We heard that the fires were at Kinglake and over the other side at Whittlesea. My son started panicking but I really didn't take much notice of him until we could see the smoke in the background.

Within ten minutes he came running in, yelling at me and Carol to get out.

I looked outside and the fire was coming over red raw. I started the truck up, Carol grabbed some family photos and we left with the two dogs. About four kilometres down the road the convoy stopped and a car pulled up and said 'are you the guy with the fire truck? Your house has gone completely.'

Carol and I slept on grass for two days, we had no blankets, nothing. We couldn't get in the car because we were using it to contain our dogs so they wouldn't run away.

When we came back (to the house), there was a pile of tin, twisted like spaghetti and the rest was basically powder. We were worried about how we were going to start again.

I reported to Apia that we'd lost our house in the fire about three or four days later and we made arrangements to meet up with the building assessor. I said to my wife 'here we go, we're going to get ripped off here'. I couldn't have been more wrong.

We could plan straight away because we knew how much money we had. I've heard from other people who are still having trouble with other insurers with their claims.

We can never replace the memorabilia we lost but we get a fresh new start.'



**Apia client relationship manager Craig White, whose family survived the 1983 Ash Wednesday bushfire, says 'It was a matter of making sure our customers understood everything they were entitled to as part of their insurance, really giving them the time and explanations to find out whether they did want to rebuild or take the total loss settlement.'**





**Carmelito Lenz** (right)  
Suncorp Bank agribusiness customer, with **Patrick Russell**, Suncorp Bank agribusiness manager, Innisfail, Qld

## Ongoing support

Cane farmer Carmelito Lenz has a family tradition with Suncorp's agribusiness banking.

Since the 1960s, the Lenz family has been involved in the North Queensland cane industry. After taking over from their parents in the mid-1980s, today four Lenz brothers continue the agricultural tradition in Ingham. Carmelito sheds light on how Suncorp helps his family with their business.

'We have a long history with the agricultural side of banking. For a long time my father was with QIDC<sup>1</sup> – we were the first in Ingham to have a chequebook account with them. We continued with them when QIDC merged with Suncorp and Metway.'

What we like about Suncorp is they've got an agricultural side – they're not just a straight out bank.

At regular times, they come out and see us in the fields, they do twelve-monthly reviews to see how we're travelling, and we also arrange monthly meetings to keep track of everything. One or two days a week, we're usually in at the branch too, just doing basic trading on our accounts and income deposits.

The only little issue that I see, and have seen for years, is that our bank managers tend to shift around a lot. I understand they have to move around, but sometimes there are little pockets of time where we just have a fill-in manager until the next one arrives. Sometimes you get to know one and then they're gone again.

We've had a very tough year, with high fuel and high fertiliser prices – they're some of our major inputs. Where we had high inputs, we had to finance some of those expenses. Suncorp was very understanding and helped us through that. Recently, we've seen some record prices for sugar on the world market, so that's very good news for us as growers.'

## SUNCORP BANK

Suncorp Bank has over 850,000 core business customers. During the year Suncorp Bank amalgamated the retail and business banking divisions, exited funding-intensive, high-end corporate and property banking, and renewed its focus on core business (personal, small business, commercial and agribusiness).



**Larry McFarlane**  
Shannons customer,  
Brisbane, Qld

## Tailored solutions

Suncorp's niche brands include Shannons who have the knowledge and support to be the insurer of choice for the motoring enthusiasts of Australia.

With ten cars in his Porsche collection, including a racecar, Larry McFarlane has fairly specific needs when it comes to car insurance. That's why since the 1990s he insures with Shannons, Suncorp's motor enthusiast niche brand.

'My collection starts from 1956 and goes through to 1996. Shannons are fantastic; I've never had any problems with them. Shannons work well

for people with a number of cars – particularly when they're rare.'

I've only ever had to make small claims through Shannons, but they all go through smoothly. It's good to know they're there if I ever need them.'



Shannons is the market leader and insurer of choice for more than 100,000 motoring enthusiasts across Australia. From vintage to classic and contemporary cars, no insurance caters better for the motoring enthusiast.



<sup>1</sup> Queensland Industry Development Corporation

## Employee Report

'Nothing beats knowing you're helping someone when they really need it, giving them peace of mind when they have no security.'

**Katherine Joseph**  
Case manager, Asteron,  
Wellington, New Zealand

### Peace of mind

**Asteron New Zealand case manager Katherine Joseph brings peace of mind to customers facing an uncertain future.**

'My portfolio covers a mix of people – some with major health problems needing one-off benefit assessments, people who have monthly assessments for income protection, as well as people with terminal illness.

There's one particular customer we've been paying an income protection claim to over the last couple of years. Her claim with Asteron started when she'd just lost her business because of her illness. In the past twelve months, however, her condition has worsened significantly and now we are also assessing her life insurance for early payment due to terminal illness. At the time when she took out her insurance she never really thought she'd need it, but now that she's claiming with us she's just so grateful for it.'

Nothing beats knowing you're helping someone when they really need it, giving them peace of mind when they have no security.

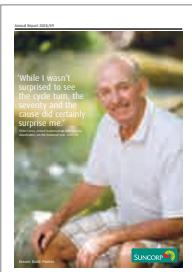
I know Suncorp has been challenged this year, particularly with the natural disasters in Australia. At Asteron New Zealand, we are pulling together, making sure we're not driven by the economy. We're getting very positive feedback from our clients and I think that's a good indication that things are going well.'



**Asteron products form part of the Suncorp Life business. We distribute products and services through a network of 3,500 independent financial advisers and 377 aligned advisers across Australia and New Zealand. Our focus on our core business of life insurance resulted in an increase in life risk profit this year of 13%.**



Shareholder Review 2008/09



Annual Report 2008/09

**The Suncorp Information for Shareholders and Explanatory Memorandum 2008/09 are printed on Envi Recycled 50/50. ENVI Recycled 50/50 Uncoated contains 50% recycled fibre. It is made from elemental and process chlorine free pulp derived from sustainably managed forests and non-controversial sources. ENVI Recycled 50/50 Uncoated is certified carbon neutral and Australian Paper is an ISO 14001 accredited mill.**



## Shareholder information

### Annual General Meeting

2.30pm (Brisbane time) on Wednesday, 28 October 2009 in the Plaza Ballroom at the Brisbane Convention & Exhibition Centre, corner of Merivale and Glenelg Streets, South Brisbane Qld 4101.

### Registered office

Suncorp-Metway Ltd  
Level 18, 36 Wickham Tce, Brisbane Qld 4000  
Ph 07 3362 1222  
Fax 07 3836 1190

### Share registry

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

**Link Market Services Limited**  
Level 19, 324 Queen Street, Brisbane Qld 4000

### Share registry mailing address

PO Box A50 Sydney South NSW 1235  
Ph 1300 882 012 (inside Australia)  
+61 2 8280 7450 (outside Australia)  
Fax 02 9287 0303  
suncorp@linkmarketservices.com.au  
www.linkmarketservices.com.au

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

2009 final dividend payment	1 October 2009
Half-year results	23 February 2010
2010 interim dividend	1 April 2010
2010 annual results	24 August 2010

### Listed securities

Suncorp securities listed on the Australian Securities Exchange are:

	ASX code
Ordinary Shares	(SUN)
Floating Rate Capital Notes	(SUNHB)
Reset Preference Shares	(SUNPA)
Convertible Preference Shares	(SUNPB)

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).

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