

Suncorp Group Information for Shareholders 2010/11



"The support and compassion I received from AAMI gave me the strength to get on with it."

AAMI customer, Abby Crawford, who survived a house fire with her seven-year-old son Nikolai.

AAMI is part of the Suncorp Group.

One Company
Many Brands





Sydney NSW

Mother of seven, Meredith Marshall, was attracted to our new Million Dollar Woman 'living insurance' because of the short waiting period and ease of application. "Million Dollar Woman acknowledges the importance of the work done by stay-at-home parents," says Meredith.



Brisbane Qld

Owners of Rosalie's flood-affected Cold Rock ice creamery, John and Donna Weatherhead, welcomed a Suncorp Bank 'back to business' grant of \$5,000 to help start the recovery from the Brisbane floods in January.



Cowley Beach Qld

Suncorp Insurance customers, George and Marcia Alexander, are in high spirits because repairs to their Cowley Beach home following Cyclone Yasi are almost complete.



Canterbury NZ

Vero New Zealand proudly supports Youthtown's *Break from the Quake* which helped 500 Canterbury children take a break at youth camps following the Christchurch earthquakes in 2010/11.



Tully Qld

Tully Sugar Mill, the heart of the local community, suffered extensive damage to its operational infrastructure and 50 of its 70 buildings in Cyclone Yasi. Mill CEO, John King, said "I am very pleased with the way Vero managed the claim and that critical repair work was completed ahead of schedule to ensure the mill was operational for the start of the sugarcane crushing season."



One Company Many Brands

Far-reaching operational changes have transformed and simplified the Suncorp Group. Our strength was tested and proven during the most destructive series of natural disasters in our history. Here are some of our stories for 2010/11.



Protects the Queensland way of life



The insurer for people seeking good value, simple products and great service



The trusted, caring ally for people and business owners who want to be sure about protecting their way of life



Products and services to meet the needs of older Australians



Puts brokers in the driver's seat



Insurance for motoring enthusiasts



Helps customers who prefer to be guided by an independent financial adviser protect what they love about life



A true alternative to the majors, combining the capability of a big bank with the genuine care and personal service of a small bank

Financial highlights

Suncorp Group

\$453* million

NPAT

\$95.5 billion

Total assets

General Insurance

\$392 million

NPAT

\$7.28 billion

Gross written premium ↑ 3.6%

Suncorp Bank

\$84 million

NPAT

\$39.6 billion

Core loans ↑ 6.1%

Suncorp Life

\$149 million

NPAT

\$104 million

New business sales ↑ 21%

Suncorp Group recorded a net profit after tax (NPAT) of \$453 million for the year to 30 June 2011.* This result, which is down 42% on the previous year, was achieved despite a once in a lifetime series of major events across Australia and New Zealand affecting all operating businesses.

Profit after tax from the General Insurance, Life and Banking businesses was \$625 million (2010: \$823 million).

General Insurance

General Insurance profit after tax for the year reduced to \$392 million (2010: \$557 million). The cost of natural hazard events was \$325 million above expectations. Additional reinsurance protections were \$232 million.

Improvements in long-tail claims management and reduced claims handling costs resulted in reserve releases that lifted the insurance profit by \$310 million.

The underlying insurance trading result (ITR) ratio improved from 9% to 10.8%, after eliminating the impact of abnormal weather events, reserve releases and other one-offs. Premium income increased 3.6% to \$7.28 billion (2010: \$7.03 billion). Gross written premium in the home and motor classes was up 11.5% and 4.4% respectively.

The New Zealand operations reported a pre-tax ITR loss of \$203 million (2010: profit \$70 million). Although the Group's comprehensive reinsurance program ensured protection against approximately A\$2.5 billion in claims arising from the Christchurch earthquakes, we incurred substantial costs purchasing additional reinsurance cover.

Suncorp Bank

Suncorp's Core Bank reported a profit after tax of \$259 million (2010: \$268 million). Core loans increased 6.1% to \$39.6 billion (2010: \$37.3 billion) with good growth coming in all sectors. The Core Bank margin improved to 1.9% (2010: 1.8%).

Bad debt expenses at \$51 million remained stable despite the impact of the regional Queensland and Brisbane floods.

The Non-core Bank incurred an after tax loss of \$175 million (2010: \$224 million). The run-off of this portfolio progressed ahead of expectations with total lending reducing to \$7.7 billion, down \$4.9 billion for the year. Impairment losses reduced significantly to \$274 million (2010: \$428 million).

Suncorp Life

Suncorp Life's net profit after tax was \$149 million (2010: \$222 million). Profit was impacted by economic conditions in Australia and New Zealand, leading to higher than expected claims and policy lapses.

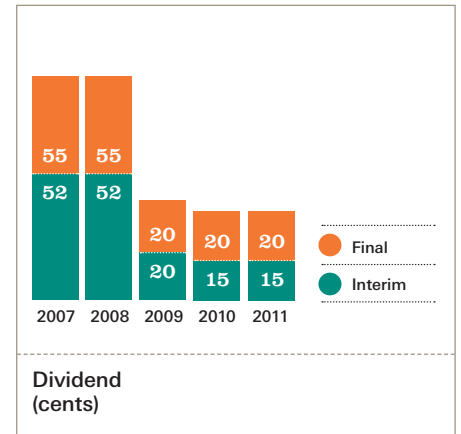
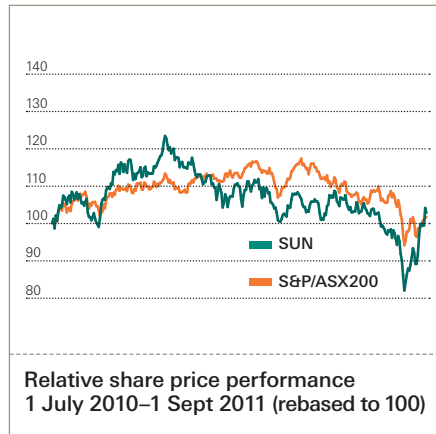
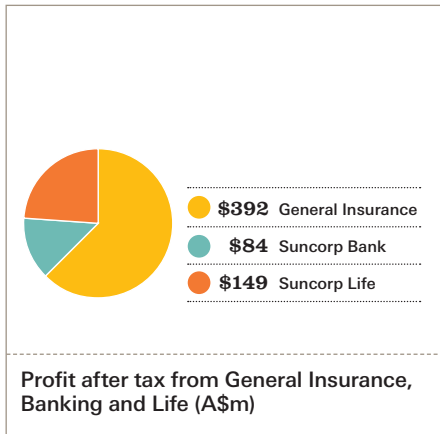
Life in-force premium increased 4.3% to \$818 million (2010: \$784 million) with strong growth of 44% in the sale of life products in the direct channel.

Suncorp Life's embedded value remained stable at \$2.4 billion.

Capital and dividend

Suncorp Group's strong capital position remains well protected with conservative targets and a surplus capital of \$1.245 billion above the Group's operating targets. Accordingly, the Board has increased the target dividend payout ratio to between 50% and 70% of cash earnings (excluding divestments). The final dividend of 20 cents brings the total payout ratio to 70%, at the top end of the Group's increased target payout ratio (excluding divestments).

* Group net profit after tax (\$453 million) is the sum of the profit after tax from business lines (\$625 million) and items added and deducted at the Group level. These include loss on sale of subsidiaries, investment income on capital held at the Group level, consolidation adjustments, amortisation of acquisition intangible assets, and the related income tax benefit.



Stronger

Suncorp Group strengthened its business through five key simplification projects this year.

Simplified structure	Single view of customers	Single enterprise agreement	Single pricing methodology	Single process for claims and repairs
✓ YES	✓ YES	✓ YES	✓ YES	✓ YES
Shareholders voted overwhelmingly in favour of the transition to a non-operating holding company structure to improve the transparency and efficiency of Group capital.	Thanks to our new customer data warehouse we can build better relationships with our nine million customers.	Employees voted in favour of the Suncorp Group Enterprise Agreement to consolidate multiple terms and conditions for Australian employees.	Our personal insurance brands in Australia now price 85% of motor premium and 93% of home premium on the General Insurance Pricing Engine (GIPE). We can tailor pricing to individual risk and improve risk selection overall.	Suncorp general insurance brands simplified claims lodgement and assessment this year. Combined with GIPE, these projects will deliver around \$235 million in annualised savings.

Chairman's Report

Dear Shareholder

The financial year ending 30 June 2011 was a year from which the Suncorp Group emerged as a far stronger organisation.

During that turbulent period, the Suncorp Group delivered the key strategic targets previously outlined to investment markets and shareholders – its balance sheet has been enhanced; the building blocks program has been substantially delivered; its business is now far simpler, operating under a non-operating holding company structure (NOHC); and the Group now works together as one team under uniform employee¹ terms and conditions.

The progress that had already been made in strengthening its business underpinned Suncorp's outstanding response to the succession of natural disasters in Australia and New Zealand, which commenced with the first earthquake in Christchurch in September 2010.

These events, which resulted in over 100,000 claims with a value of approximately \$4 billion, tested the organisation as never before, and I could not be more proud of the manner in which Suncorp people responded. The combination of this response with the simultaneous implementation of fundamental operational transformation evidences the huge commitment and dedication of our employees.

The natural disasters have inevitably had their impact on the financial outcome for the year with net profit after tax of \$453 million, down from \$780 million in 2010. The businesses have, however, continued to perform strongly. The underlying margin in General Insurance improved by 1.8% to 10.8%, and we are on track to deliver the promised 3% margin improvement at the conclusion of the 2012 financial year. Margins also improved in our Core Bank, while the run-off of the Non-core Bank continues to progress ahead of expectations. In Life Insurance, sales through the direct channel increased by 44% as we continue to leverage the Group customer base in Australia and New Zealand.

The Board's confidence in the underlying performance of the business means that we are in a position to announce an ordinary dividend of 20 cents per share for the second half – bringing ordinary dividends for the full year to 35 cents

John Story, Chairman



per share. This is in line with the 2010 financial year, despite the impact of the natural hazard events on our net profit.

Nowhere is Suncorp's transformation more apparent than when considering the quantum and quality of capital supporting our balance sheet. We have concluded the 2011 financial year with the NOHC structure in place and capital levels well above the targets we set for the operating businesses and the Group. The policy of the Board is that a prudent margin, depending on the circumstances, over and above those targets will still be retained, but capital surplus to those amounts will be returned to shareholders. In more stable circumstances, we would have anticipated a return of capital to shareholders on this occasion but, given the recent upheavals on global financial markets, the Board has decided to retain the full amount of our surplus of capital as a further protection against short-term uncertainty and volatility. This position will be reviewed as markets stabilise, and in doing so the Board will be mindful of the high balance of franking credits that we currently hold on behalf of shareholders.

The occurrence of natural disasters through the course of the year in Australia and New Zealand has challenged the insurance industry generally. Whilst we at Suncorp were proud of the manner in which the comprehensive flood cover in the majority of our brands responded to the circumstances, improvements are called for. Matters that must be addressed include the clarification of flood cover across the industry, the implementation and availability of comprehensive flood mapping, the introduction of effective flood mitigation and the application of comprehensive planning regulations.

With the lessons of the past year learnt, the insurance industry is well placed to provide the protection its customers seek. Government intervention and participation in the industry would, however, be a backward and dangerous step.

This is my last report as Suncorp Chairman. The Suncorp of today bears little resemblance to the organisation that I joined in 1995 as a Director on the Metway Bank Board. Since then, the Group has evolved from a Queensland-based and focused bank to a comprehensive financial services organisation with operations throughout Australia and New Zealand. Suncorp remains with its heart in Queensland, but is now one of Australia's largest listed companies, with each of its businesses playing an important part in the financial landscape of Australia and New Zealand.

I am proud of what Suncorp has accomplished over the past 16 years. It has, on occasions, been severely challenged, but it has responded to those challenges with resilience and determination. Today, Suncorp Group is a strong organisation. With a well funded balance sheet, effective systems and processes, a dedicated team of employees and a committed customer base, it is well positioned for the future.

I will retire at the conclusion of this year's AGM, confident that Suncorp is in good hands, led by a strong Board and a dynamic executive team, with the right business model and strategy in place to deliver the returns that shareholders deserve.

Yours sincerely
John Story
Chairman

A handwritten signature in blue ink, appearing to read 'John Story'. The signature is stylized and fluid.

24 August 2011

Group Chief Executive Officer's Report

The past year has seen a stronger and more confident Suncorp Group.

We have earned the respect of customers, communities and governments for the way we have managed unprecedented weather and earthquake events. We have also shown the early benefits of the changes we have made across our Group.

This has boosted our confidence and enabled us to step up the pace of the transformation of our Group.

In 2010 we stabilised our businesses, developed a new strategy and carefully planned our way forward. This year we have focused on effectively executing our strategy and change programs to build a stronger Group.

The latest financial result demonstrates the value of the changes we have made. Despite a substantial increase in claims costs and an erratic economy, we have delivered a profit that is above market expectations.

Importantly, the underlying growth of our businesses has been maintained and we have established a strong capital position with a significant surplus above our operating targets.

I am certain we would not have achieved what we have without the perseverance, capabilities and commitment of our people and I am very grateful for their continued support.

The growing credibility and confidence of our Group is not only reflected in our operating and financial performance of the past year. It has also been demonstrated by our industry leadership of key issues such as flood insurance and protecting people and communities from natural disasters.

Our net profit for the year to 30 June 2011 was \$453 million. As expected, this was well down on the previous year mainly due to much higher costs associated with disasters such as the Queensland floods

Patrick Snowball, Group Chief Executive Officer



and Christchurch earthquakes. Overall we have managed more than 100,000 claims at a gross cost of around \$4 billion.

Due to the unprecedented sequence of natural hazard events, our insurance premiums have increased but, importantly, our customer retention levels have remained stable. I am also very pleased to note that while many insurance companies were criticised for their response to the Queensland floods, the Suncorp brand has been praised.

Suncorp Bank had a good year and managed strong earnings growth and credit quality despite the impact of floods and an economic downturn in Queensland.

Economic pressures, natural disasters and regulatory reforms have impacted the operations and results of Suncorp Life. We continue to change the shape of this business by taking advantage of the potential to sell life products to Suncorp Bank and our General Insurance customers.

Last year I said it would take time for us to make the changes necessary to unlock the value within Suncorp's unique portfolio of businesses.

We have introduced a non-operating holding company structure to enable us to run our businesses efficiently, as well as harvest and distribute the capital those businesses generate.

We continue to lower the costs and improve the efficiency of key processes such as insurance pricing and claims management. We are also reducing the complexity and cost of the key services required to run our Group including finance, accounting, technology, human resources and business transactions.

While the long-term prospects for the Australian economy are promising, we continue to ensure Suncorp is strong enough to cope with current local and global economic uncertainty.

I am confident we will see more growth from our General Insurance businesses as they continue to streamline their operations. Suncorp Bank is well placed to lead Australia's regional banking sector and Suncorp Life will benefit from growth in its direct sales.

The past year has shown the real value of the transformation underway at Suncorp and I am confident this will continue to be evident in the coming year.

Patrick Snowball
Group Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'P. Snowball', written over a horizontal line.

24 August 2011



Motoring enthusiast

"Shannons understands motoring enthusiasts like me and I've been a customer for 25 years." Tony Galea, President of FE-FC Holden Car Club of Victoria.



Stronger customer relationships

Apia customer, Russell Gilbert, was one of the 10,000 General Insurance customers who bought a funeral plan from Suncorp Life.



Apia satisfies

Quick repairs to Richard and Judith Boustead's Kurrimine Beach home after Cyclone Yasi have proved the value of Apia insurance.



Fast response to disasters

Assessors and claims specialists arrived on the ground in Tully with Suncorp's Customer Response Teams as soon as communities were open after Cyclone Yasi in January 2011.