

Chairman's Address
Suncorp Group Limited Annual General Meeting
Thursday 24 September 2015

As Chairman on the Suncorp Board, I'm very pleased to report to shareholders that the company continues to perform well.

This past year has seen a range of difficult weather events affecting our policy holders at levels well in excess of normal trends.

Yet despite the impact of a massive Brisbane storm last November, Cyclone Marcia and two major events in New South Wales in April and May this year, the Group still reported a very creditable profit of \$1.1 billion.

The 2015 financial year results demonstrate the underlying strength of the Group and the potential returns that can accrue to shareholders.

The Board has increased the ordinary dividend to 76 cents per share fully franked and, for the fourth year, paid a special dividend which this year is 12 cents per share fully franked and should have been received by shareholders earlier this week.

Pleasingly, along with solid financial returns, Suncorp has made great operational progress.

Firstly, the performance across General Insurance, Banking and Life Insurance has improved. This ongoing improvement in each business line, and across the conglomerate, offers the promise of a sustainable competitive position within the dynamic financial services sector.

Secondly, the Group has continued to improve its scenario planning and risk management capability to mitigate the potential negative impact from any downturn in economic conditions.

In my annual Chairman's report to shareholders I described Suncorp as 'low-risk' and I'd like to explain what I mean by that.

In recent years, the Group has been significantly de-risked by the resolution of the non-core Bank and by resetting assumptions in the Life Insurance business.

Although these have been costly exercises, the benefits are increasingly evident with lower impairment losses and non-performing loans in the Bank, and positive experience in lapses and claims in the Life Insurance business.

Great strides continue to be made in the Advanced Accreditation process under Basel II. These models further improve the Bank's risk management capability and overall decision making, and will be lodged with the banking regulator very soon.

Similarly, in the Insurance business, greater risk insights are allowing better decisions to be made on risk selection, the amount of capital that is required, the investment mandates and the level of reinsurance that should be purchased.

At a Group level, our modelling continues to demonstrate that each business line has risks that are generally uncorrelated. This supports our view that the diversified financial conglomerate structure does, at a Group level, reduce the overall level of risk to our shareholders.

And finally, we have been clear that our focus is on the Australian and New Zealand markets where we have a long history of success and continue to have confidence in the size and range of opportunities ahead of us.

The volatility in global and Australian investment markets obviously affects current share prices and somewhat masks the significant operational progress that has been made at Suncorp.

Still, when looking at Suncorp's total returns, whether on a short, medium or long-term basis, the Group has outperformed the broader investment market.

In the five years to 30 June 2015, Suncorp's total shareholder return of 124% is more than double the broader market return of 59%.

Looking ahead, the outlook for the Group continues to be very positive.

During the year, Suncorp outlined a new program of work named Optimisation that will deliver a further \$170 million of annualised benefits by the 2018 financial year.

In addition, it will complete the redesign of the Group's operating systems to ensure that they are appropriate for an external environment that is increasingly digital and mobile.

It will also provide the necessary insights to allow the Group to compete, differentiate and disrupt in a 'big data' world.

The dynamic pace in which the financial services industry is changing provided the backdrop for the Board's recruitment process for a new Group CEO.

After an outstandingly successful six years, Patrick Snowball leaves Suncorp very well placed for the future.

Patrick has dealt with the extraordinary challenges over his tenure with unwavering dedication and an appealing mixture of charm and ferocity.

He has been a transformational leader who has set high standards and expectations and provided an immense personal contribution to reshape the Group into a thriving successful diversified financial services conglomerate.

Patrick is a unique individual; truly the leader that Suncorp needed for challenging times and I acknowledge the efforts of my predecessor, John Story, in enticing him to the Group and working with him through the challenges of the first few years.

Patrick leaves Suncorp in great shape. The company has a strong balance sheet, systems and processes have been re-engineered, there are no legacy issues, and most importantly, there is a high performing culture centred upon meeting the needs of our many customers.

As for Patrick's successor, we needed someone who understood and embraced our strategy and would ensure the Group maintained momentum while exploiting opportunities to further lift performance.

This will be achieved through the '*One Company. Many Brands*' business model with each of the businesses in General Insurance, Banking and Life insurance capitalising on their individual strengths while benefiting from the scale and expertise of the Group and the overlapping customer sets.

The Board was unanimous in their support for Michael Cameron, a colleague we know well.

Michael has significant experience in financial services, knows Suncorp intimately and has a demonstrated ability to successfully lead a large ASX-listed organisation.

I'm confident that Michael will deliver the next phase of value growth for the Suncorp Group.

With Patrick stepping down next week and Michael moving to the Managing Director and Group CEO role, a vacancy has also been created on the Suncorp Board.

I should be in a position to announce a new board appointment shortly. The desirable criteria that we have adopted in selecting the appropriate candidate is deep financial services experience, an understanding of insurance, experience in working with our regulators, a base in Australia and the ability to serve around two to three terms.

The Board continues to see a sustainable return on equity of 10% as achievable and an appropriate goal. We are also committed to an ordinary dividend payout target of 60% to 80% of full year cash earnings and to continue to return capital to shareholders that is in surplus to Group's operating requirements.

In conclusion, I would like to acknowledge the commitment and dedication of my fellow directors on the stage before you.

Suncorp remains a complex regulated entity with significant operations covering General Insurance, Banking and Life. The technical nature of the information that directors need to understand, combined with the sheer volume of board issues and materials requires a very high level of engagement.

I am fortunate to share the Board responsibilities with such focused and passionate individuals and I thank them for their support, wise counsel and collegiate approach.

Finally, I'd like to thank all of Suncorp's employees, shareholders and customers for their ongoing support and dedication. Suncorp strives to deliver an outstanding level of customer service across our businesses and this is being recognised in both Australia and New Zealand.

I continue to believe that the Group's best days are ahead.

Will you please join me in now welcoming to the podium, Patrick Snowball.