

ASX announcement

22 September 2016

Chairman's Address
Suncorp Group Limited Annual General Meeting
Thursday 22 September 2016

Introduction

While Suncorp's AGM is one of the earliest in the corporate calendar, we're already nearing the end of the first quarter's trading and the 2015/16 financial year seems increasingly distant.

Today, I will be speaking to some of the key factors that are shaping our industry and changing the way we operate – Technology, Regulatory Reform and Corporate Responsibility – while leaving the financial and operational highlights, and strategic update to the CEO, Michael Cameron.

Technology

Wherever we look, technology is changing how we live, work and play.

- 24/7 connectivity is expected.
- Access to virtually all of the world's information is now available quickly and conveniently.
- Transactions and relationships often start, and end, with the internet.

- The smartphone is by far the most important innovation of the early 21st century, (and its users an increasing hazard on our streets).

Who would ever have imagined that this smart device could create such a profound social shift - dramatically changing consumer behaviour?

- Today, customers are more informed, more connected and more demanding.
- They have more power to influence not only what they buy but what others buy.
- They actively share their views which has an immediate impact on business reputation and performance.
- They are empowered by social networks and are dictating when, where, and how they will engage with a company.
- However, we also know this has left customers overwhelmed with choice and they are finding it difficult to make good decisions.

On the other hand, the pace of change will never again be so slow.

This is where Suncorp's alert but balanced approach to timely investment in technology, our use of the internet and new customer-focused operating model come in to play.

Most recently, Suncorp has completed its upgrade to our core banking systems and continues to invest in relevant digital, especially wireless, applications.

I am confident that the company, together with its strategic partners around the world, has the capacity and foresight to leverage emerging technologies, and embrace new opportunities in a timely manner, in order to create products that will be welcomed by our Banking, Insurance and Wealth Management customers.

Regulatory reform

Because of the importance of the financial sector to Australian households, investors and the economy in general, community expectations of disciplined standards of governance and quality processes are understandably high.

The recent public debate has extended to corporate culture and how it's shaped to ensure greater transparency, integrity and improved customer outcomes.

Regulators in particular have facilitated a number of useful forums where these issues have been canvassed.

More recently, ASIC has issued guidelines to licensees to provide financial services '*efficiently, honestly and fairly*' and to take

responsibility for the consequences of things going wrong as they sometimes do.

There is no doubt that speaking plainly and minimising the occurrence of breaches which adversely affect clients are vital if we are to build greater trust in the sector.

At Suncorp, we take the trust customers place in us seriously and we will continue to work with industry and regulators to drive positive change and update codes of practice while adhering to our own robust governance framework.

We have a long and proud history of delivering quality customer outcomes and will continue to build a culture where doing the right thing underpins our social licence to operate.

This will be a key theme for the years ahead no matter what political interventions might occur.

Corporate Responsibility

Adding to our social licence to operate, companies like ours must be mindful of their wider corporate responsibility to integrate environment, social and governance matters into their strategy and operations.

Political and corporate attitudes to climate change have again emerged to be issues of interest to investors and advisers.

At Suncorp, we accept that we are living in a warming world which the science attributes mainly to emissions of greenhouse gases from the combustion of fossil fuels.

As a large insurer, we see all too often the impact of major weather events and other natural hazards on our communities.

Our current focus is on mitigation and lifting building standards to help protect communities against cyclones, floods and fires. For example, there are up to 100,000 homes in North Queensland that were built before new cyclone standards were implemented, leaving these homes vulnerable.

To build more resilient communities requires a collaborative effort - with Councils, state governments and so on – an effort in which Suncorp looks to play a constructive role.

With the right adaptation strategy, we will not only have more resilient communities but we will be improving insurance affordability by reducing the risk.

Suncorp is also mindful of its obligation to reduce emissions, at least in line with the national target, in areas such as energy usage, air

travel and recycling to name but a few. And I'm delighted to report Suncorp is making good headway across these areas.

With regards to investments - Suncorp has approximately 3% of our total investment portfolio in equities and a small fraction of that sees exposure to fossil fuel companies.

Our investments are managed by fund managers who with few exceptions are signatories to the United Nations Principles of Responsible Investment (UNPRI). Our due diligence and ongoing monitoring of managers provided by our Group Investments function ensure that consideration of ESG risks is incorporated into their investment processes.

The Bank also has clear lending policies and guidelines that limit its exposure to environmentally-sensitive industries or customers.

Building a more resilient company

In contrast to the global outlook for continuing slow growth, conditions in Australia remain generally reasonable for business. While much remains to be done to put the Australian economy on a sounder and more sustainable footing, the commercial opportunities ahead for Suncorp remain attractive.

But forecast revenue growth is likely to be lower than it's been over the past decade – a consequence of slower general economic growth and low price inflation, and greater competition.

Improving margins, returns and dividends, will require ongoing attention to better processes, higher productivity and reduced customer churn – key strategic priorities for Suncorp.

As is usually the case, the industry faces many external challenges and it's for these very reasons that the Board is pleased with the progress that Michael is making.

Since assuming leadership of Suncorp, Michael has underscored our focus on the customer with considered changes to the operating model, individual accountabilities and commercial priorities – all intended to build a more enduring and resilient company where the relationships with our customers – depositors, borrowers and policy holders – are as good as possible.

This reflects a deep conviction that creating value for customers is ultimately the best business strategy and builds upon a proud legacy of superior service which has defined Suncorp since its creation exactly 20 years ago.

Suncorp will continue to develop financial products which customers value, and deliver them in ways they find helpful and convenient; to

earn the trust of our customers and delivery partners through the integrity of our processes and our responses when claims are made; and to produce sustainable outcomes, including franked dividends, consistent with the expectations of our stakeholders.

Wrap up

A final ordinary dividend of 38 cents per share brought the year's total dividend to 68 cents per share. This is at the top end of the Group's dividend payout ratio and represents a yield of more than 5% before franking benefits.

Director Geoff Ricketts will retire from the Board at the end of this AGM. Geoff has made a significant contribution over a period of almost ten years on the Suncorp Board and five years with Promina before that, and I thank him for his long service and consistently wise counsel.

Geoff will continue chairing our NZ subsidiaries which is an excellent outcome for our company.

In October 2015, we welcomed Sally Herman to our Board. Sally brings extensive experience in corporate and retail banking, insurance and wealth management, and corporate social responsibility developed over the course of a long executive career, and she will address this meeting shortly.

The company very much appreciates the ongoing support of its shareholders and I would like to thank all of you on behalf of the Board for coming along today.

I would also like to thank Suncorp's executive team and all of our employees across Australia and New Zealand for their tireless efforts driving the organisation forward.

Their achievements have been recognised through high levels of customer satisfaction as well as many industry awards including – Business Bank of the Year, General Insurance Company of the Year and Best Intermediated Insurer.

These are testament to the hard work and dedication of Suncorp's people.