

Chairman's Report to Shareholders
Suncorp Group Limited Annual General Meeting
Thursday 24 October 2013

The 2012/13 financial year has clearly demonstrated the successful ongoing transformation of the Suncorp Group.

In this, my second year as Chairman, I'm pleased to report that the Group has delivered improved earnings from its core businesses, further strengthened the balance sheet and increased dividends to shareholders.

These are good outcomes and they stem from what is core to the purpose of the Suncorp Group. Let me provide a brief reminder of that purpose. As an insurance company, we give peace of mind to our policyholders and we help them through life's traumatic events. This is never more apparent than in tragic events like those of the New South Wales fires which have impacted the lives of our GIO, AAMI and APIA customers and their communities in areas across the State. Our role is to be sensitive, professional and responsive in times like these and, yet again, our people and policies have been there for our customers when they've needed us most. Equally, as a bank, we offer a level of care, service, flexibility and innovation that you'd expect of a financial services organisation that has the backing of a top 20 Australian company and its roots firmly planted in Queensland. When we do this well, our customers are well satisfied, and our shareholders benefit. This past year has provided evidence of the success of this values-based approach.

The pursuit of this objective has, importantly, been achieved through the creation of value for all of our stakeholders: our customers, our people, our business partners and the communities in which this company and its many brands operate. And, of course, for you our shareholders.

Paramount in creating value is a clear, concise and well executed strategy. In the four years Patrick Snowball has been at the helm, our strategy has been tightly focused. Our markets are Australia and New Zealand. We see sufficient opportunities in these geographies for some years to come and we expect to deliver attractive growth in revenues, profits, return on investment and dividends. We are a financial services company with a powerhouse general insurer, a reinvigorated bank, and a life and wealth management business with considerable opportunities ahead. Our priority is to execute on our strategy in a best-in-class manner by continually improving risk-based decision frameworks and working our considerable assets harder. This should deliver superior shareholder returns through an appreciating share price, reliable dividends and capital return to shareholders.

The result in 2012/13 is another step in the realisation of our strategy. It's testament to the expertise and tremendous capacity for hard work which reside in teams right across the Suncorp Group, and to the quality of our managers and leaders. I thank all of the people who make up the Suncorp Group for their commitment.

This afternoon I wanted to share with you what you can expect from your Board as we take the Suncorp Group through its next phase of development and sustainable growth.

As a Board, we are here to represent the interests of all shareholders. We are very clear about our role in ensuring long-term value is created. We do this through approving the strategic direction, through setting the company's appetite for risk and through appropriate oversight of management. We are all shareholders in Suncorp. Our interests are aligned with yours.

Suncorp's businesses, in various forms, have been a vital part of the Australian landscape for more than 110 years. For the relatively short time that we are the guardians, we aim to see the company move well into its second century in stronger shape than ever.

The Board believes the Company is better placed to meet the challenges and opportunities of our markets in the years ahead than it has been since the global financial crisis took hold.

But we will not be complacent. While the Group moves forward in a position of strength, continued market volatility and competitive forces demand we remain vigilant.

For this reason, I wanted to share with you some thoughts on my recent decision to take a role with the NBN Co and reassure you of my commitment to the Suncorp Group over the coming months and into 2014.

In taking on this new post, I recognise that for an interim period this will involve executive responsibilities and inevitably some new challenges and workload. To accommodate this, I have taken a leave of absence from the Board of Oil Search and have resigned my positions with Opera Australia and Lynas Corporation. The intention is that my executive role will cease upon the appointment of a new CEO for NBN. Finalising this appointment is a priority for me.

I want to assure you I have the enthusiasm and capacity to carry out my duties for the Suncorp Group while taking on the demands of the National Broadband Network. I will continue to reassess all of my other commitments to ensure both of these important assignments can co-exist without compromise during this interim period. I have been on the Board of the Suncorp Group since 2005 and remain committed to the interests of the Suncorp Group and its shareholders.

Looking now at the Group financial performance for the year, it's clear the headline profit of \$491 million was impacted by the resolution of the non-core banking portfolio. It was a strategic and deliberate decision that has been endorsed by the market and is reflected in Suncorp's improved share price performance. The runoff of the portfolio over the past four years was a difficult and challenging experience for the Board, management and, of course, our shareholders. But in the process of resolving this issue we have been able to reward loyal shareholders and return some of the capital raised during the global financial crisis in the form of special dividends.

Given the momentum of the Group and its businesses, the Board confirmed the payment of a final dividend of 30 cents per share and a special dividend of 20 cents per share. This brings the total dividend payout for 2012/13 to 75 cents per share fully franked, an increase of 36%, and demonstrates our commitment to returning to shareholders capital which is in excess of regulatory ratios and surplus to Group operating requirements. The Suncorp Board continues to target a dividend payout ratio of 60% to 80% of full year cash earnings.

The progress in 2012/13 demonstrates the 'One Company. Many Brands' business model at work. Here our focus is on three end-to-end businesses: General Insurance, Banking, and Life, which capitalise on the expertise and scale of the Group.

This year marked the completion of the Building Blocks three-year strategic program which has delivered streamlined policy systems, simplified legal entity structures and consolidated and improved technology platforms. The result is a better customer experience, cost savings ahead of expectation, improved productivity and increasingly efficient deployment of capital.

The next phase of transformation, founded on simplification, will continue to drive improved performance and efficiency, delivering results for customers and shareholders. Since the start of the three-year transformation program led by Group CEO Patrick Snowball, the Suncorp share price has increased more than 50% - albeit from a depressed level - outperforming the top 200 publicly listed Australian companies index (ASX200) which increased 11% over the same period.

There are many indicators of the progress of the Group in recent years, including:

- for every dollar of risk weighted assets, we now hold over 30% more core equity capital than we did at 30 June 2009;
- regarding funding, in 2009, only 43% of our lending was supported by customer deposits, whereas today that proportion is 66%, a 50% improvement;
- in 2009 an underlying insurance margin of 10% seemed unachievable when today we're meeting or beating 12%;
- our Non-operating Holding Company, created in 2010, has dramatically improved transparency and the ability to deploy capital as and when needed;
- the strength of the Group's credit rating ensured Suncorp Bank was able to launch an innovative covered bond funding program, becoming the only non-major bank to do so;
- in terms of shareholder returns, we've seen significant improvement in the share price and have paid special dividends in the past two years; and
- when it comes to protecting our policyholders' interests and our business against the worst that mother nature presents, today we have one of the most innovative and comprehensive reinsurance programs in the world.

This past year has been very busy and, we believe, one which has positioned us for continued success.

Among the significant achievements of which I'm particularly proud are:

- the funding and capital program and the range of innovative re-financing deals including CPS2 and the subordinated notes offer;
- the completion of the complex General Insurance licence consolidation which has reduced cost and complexity;
- the resolution of the non-core banking portfolio, a major achievement and one which has cleared the way for the Bank to fully realise its potential;
- productivity gains through partnering initiatives and staff engagement improvements; and finally
- the enormous gains made through innovation and discipline in applying technology solutions across the business.

The Suncorp Group is in a position of strength and better placed than ever to respond to events, be they continued economic volatility or natural hazards.

To take advantage of the Group's position, Patrick and the executive team have committed to stretch targets which will drive further achievements in the transformation of our company.

Among them, is the goal to reach a return on equity in excess of the Group's cost of capital within two years. Post the merger with Promina and then the GFC, this is a significant and defining threshold for the Suncorp Group.

I would like to thank my Board colleagues for their wise counsel, lively interrogations and constructive contributions throughout the year, and our CEO Patrick Snowball and his executive team who have made such good progress in restoring Suncorp to a position of respect in the financial services industry.

The Group has successfully traversed four years of volatile economic conditions and an abnormal run of natural disasters while managing a significant program of transformation. The character of the company, its people and partners was tested and found to have mettle and integrity. I'm proud of the Suncorp family and the progress made.

I thank all of Suncorp's shareholders, investors and customers for their support during the year. A successful company relies not only on the actions of its people but on the ongoing investment and loyalty it receives. The next phase of transformation, founded on simplification, should continue to drive improved performance and efficiency, and deliver further benefits for customers and shareholders.

We have good reason to be confident in the future of the Suncorp Group.

Dr Ziggy Switkowski