

CEO's report  
Suncorp Group Limited Annual General Meeting  
Thursday 24 October 2013



Thank you Ziggy and thank you all for coming today.

This is my fifth Suncorp Annual General Meeting and I'm delighted and proud to be providing shareholders with an update on the Group's progress.

Shortly after I arrived in 2009, I addressed the Annual General Meeting and shared some of my initial observations at the time. I said that this was a great company with a great franchise, great people and great brands. I also said that the challenges for the Group were around **confidence, credibility and culture**.

Today, as I report on this transformational year, you'll hopefully recognise the success we've had in addressing these challenges.

As I reflect over the past four years, amongst our many achievements, the enormous effort taken to resolve the Non-core Bank should not be underestimated. I have called this the monkey on my back, because no matter the extent of the progress we were making across our core business it was continually referenced as both a legacy of the past and a risk to the future.

### FY13 result overview

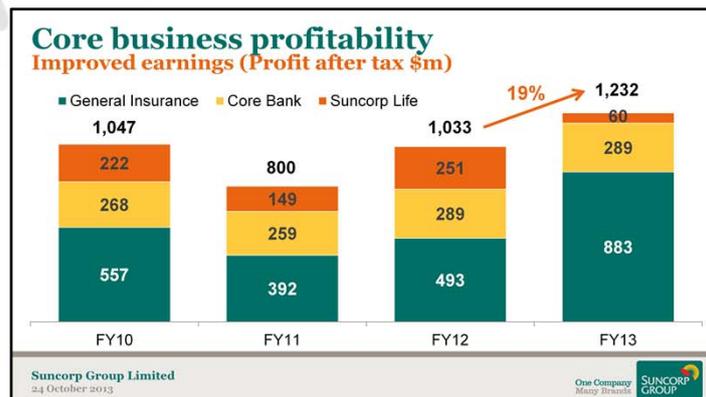
	FY13	FY12	%Δ
General Insurance NPAT	883	493	79.1
Core Bank NPAT	289	289	-
Suncorp Life NPAT	60	251	(76.1)
<b>Core Business lines NPAT</b>	<b>1,232</b>	<b>1,033</b>	<b>19.3</b>
Non-core Bank	(632)	(263)	n/a
Other profit and acquisition amortisation	(109)	(46)	n/a
<b>Net Profit After Tax</b>	<b>491</b>	<b>724</b>	<b>(32.2)</b>

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One Company  
Many Brands  
SUNCORP  
GROUP

You will see from the above slide that this year's net profit after tax of \$491 million reflects the impact of finally resolving it. This issue is now firmly behind us and while the final workout has come at a cost, we're confident it will more than pay for itself into the future.

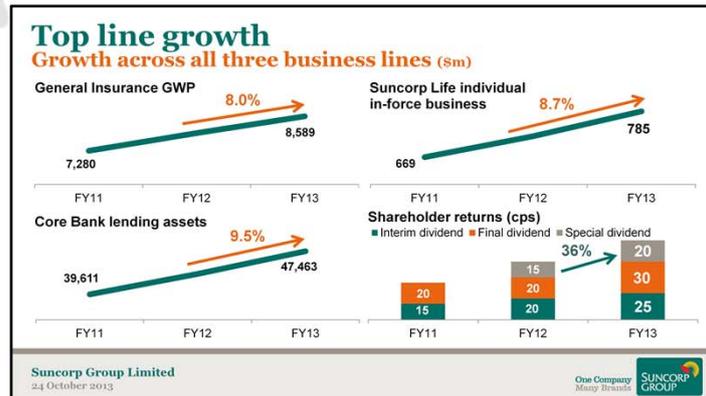
Going forward we should be judged, not on our ability to address the challenges of the past, but on our success in driving the core businesses forward. Everyone from the Board, the executive team and all of our great people on the front line, are now firmly focussed on the future and our goal of consistently delivering great results to you, our shareholders.



In our core businesses of General Insurance, Banking and Life, we have been making excellent progress. In 2013, the profit from these businesses increased 19% to over \$1.2 billion. We now have a fully integrated and simplified Group. From our legal entities, through to our technology, distribution platforms and employee leadership, we have created a far simpler and easier to understand company. We are now truly operating under a 'One Company, Many Brands' business model.

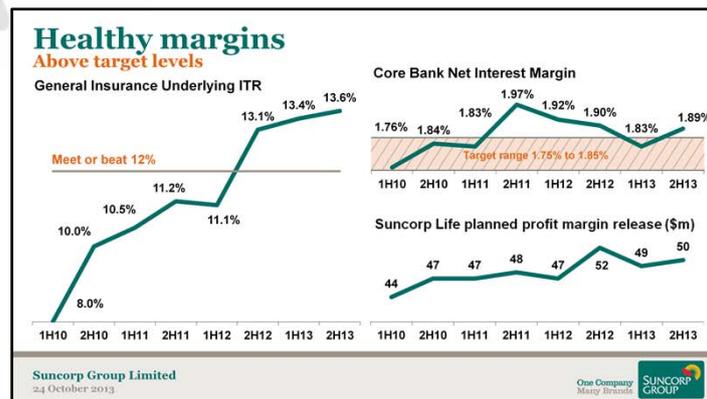
As I've said previously, generating good returns from these core businesses will continue to come from driving three key levers. These are:

- Firstly, achieving measured top line growth within a specified risk appetite;
- Secondly, maintaining and improving margins; and
- Finally, maintaining a tight focus on cost control.



This slide shows you that, in 2013, we achieved top line **growth** of between 8% and 10% in each of our core businesses. Very few Australian companies can report this level of profitable growth. Most pleasingly, we've been able to increase the returns to you, our shareholders.

Earlier this month, you would have received a final ordinary dividend of 30 cents and a special dividend of 20 cents. This brings our fully franked dividends for the year to 75 cents (and represents a yield of just under 6% based on today's share price). Total dividends paid for the year were nearly \$1 billion whilst, at the same time, our balance sheet and capital position continue to strengthen.



Turning to margins and on this slide, I've shown our core business margins over the past four years.

In General Insurance, the margin continues to improve. We have committed to 'meet or beat' a target of 12% and, this year, both the reported and underlying Insurance Trading Ratios, or ITR, are over 13%. This demonstrates that the Building Blocks and Simplification projects that we have been running have fundamentally improved the operating efficiency of our general insurance business. At the same time, we've coped with the headwinds of natural hazards, increased reinsurance costs and lower investment yields.

In the Core Bank, for the 2013 financial year, the net interest margin was above the target range of 1.75% to 1.85%. Suncorp Bank has an enviable market position with customer satisfaction well above that of the majors, and 'A+/A1' credit ratings providing a key advantage over the other regional banks.

Turning to the Life company, and notwithstanding the economic and structural headwinds that the Life Insurance industry is experiencing, Suncorp Life continues to show a stable planned margin release.

The Australian Life insurance industry is one that is facing considerable challenges. It is an industry that Australia needs, and, with the arrival of the new Federal Government, I'd suggest that it is the sector of the financial services industry that requires the most attention.

Suncorp's strategic assets	
Our focus	
<b>Cost</b>	<ul style="list-style-type: none"> <li>• Deliver scale cost benefits on third party procured goods / services</li> <li>• Share <b>scale on infrastructure</b> (real estate, enterprise technology) and <b>non-unique business services</b></li> </ul>
<b>Customer</b>	<ul style="list-style-type: none"> <li>• Enhancing the value of 9 million customers connections by deepening their relationships with Group brands</li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>• Demonstrating a <b>diversification</b> benefit through improved risk-based capital modelling</li> <li>• A+/A1 credit rating</li> </ul>
<b>Culture</b>	<ul style="list-style-type: none"> <li>• Operating as 'One Company. Many Brands. One Team'</li> </ul>

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One Company Many Brands SUNCORP GROUP

Turning back to the Group. We are uniquely positioned to confront the external industry challenges and turn them into opportunities. We do this by harnessing the 'One Company, Many Brands' strategy. This involves maximising the Group's strategic assets that are shown on this slide: cost, customer, capital and culture.

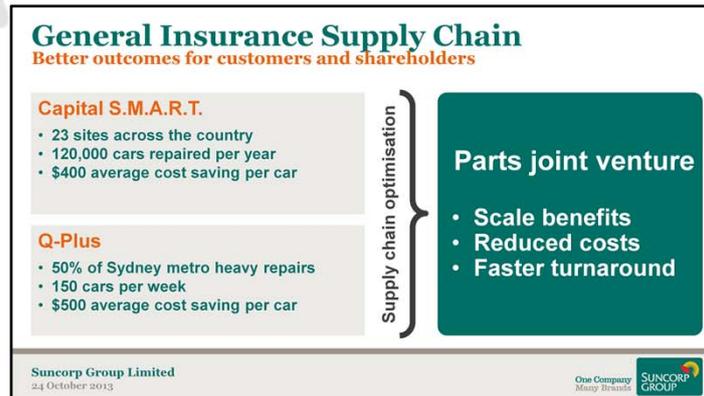
These are the differentiators which will increasingly make Suncorp a stand-out company in Australia and New Zealand.

We are unique.

We deliver a broad range of simple financial services products that are required everyday by Australians and New Zealanders. These are products we know, understand and use ourselves. In selling these products, we have a **cost** advantage over our competitors due to the Group's scale.

This is the first of the Suncorp Group's strategic advantages.

During 2013, we invested heavily in simplifying our business even further and the benefit of these investments will be increasingly evident. In the 2015 year, we expect them to deliver \$225 million per annum in savings, increasing to \$265 million in 2016 and beyond.



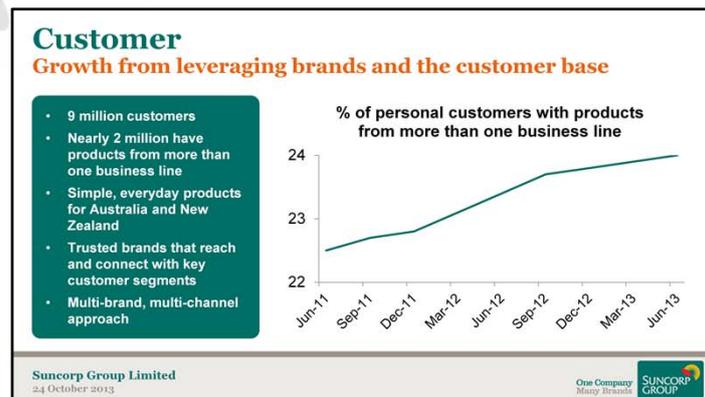
An example of how we are using innovation to improve both the customer experience and our cost efficiency is in the motor supply chain.

Three years ago, we started investing in state-of-the-art smash repair facilities called SMART. These centres repair drivable cars in less than two days at an average saving of \$400 per car. The customer experience is improved, the repairs are better quality and, in our 23 centres, we're now repairing around 120,000 cars per year. Some of you may have experienced this service and had first hand experience of how quickly we can get your car back on the road.

Earlier this year we built on this success and experience by launching Q-Plus, a larger centre in New South Wales that manages 50% of our non-drivable Sydney repairs. Like SMART, this centre is managing repairs better, faster and cheaper than we previously thought possible.

We've now taken a further step of ensuring faster repairs of higher quality at lower cost by entering a joint venture with global automotive parts specialist, LKQ. To give you a sense of the potential impact, we spend around \$500 million a year on motor vehicle parts. Given the complicated network of importers and distributors, we end up paying mark-ups of over 400%. For example, if you built a \$21,000 car from buying parts, the bill would be over \$114,000, an increase of 543%.

Our parts joint venture will be a supplier to SMART and Q-Plus. The benefits that will flow are another tangible example of what we are delivering through our scale and simplified structure.



The other great advantage of our improved motor repair network is that it improves the customer experience.

The **Customer** advantage is the second key strategic asset of the Suncorp Group.

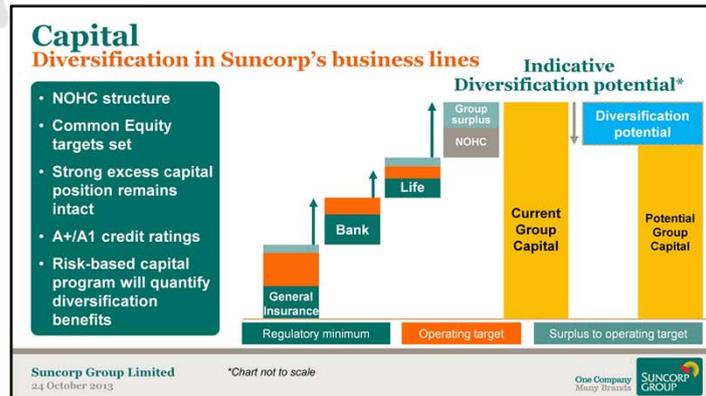
Suncorp has approximately nine million customers across Australia and New Zealand. The strength of our business is reflected in the fact that 43% of Australians over the age of 18 are customers of at least one of our products.

The Group's portfolio of trusted brands is a key asset. We continue to work hard to deliver the type of service and solutions that our customers want.

Our customer satisfaction levels remain among the best in the market. In fact our Shannons and APIA brands lead the general insurance market in customer satisfaction and Suncorp Bank continues to lead the Big 4 banks.

Our strategy of leveraging the strength of our brand and customer assets to meet our customers' needs is starting to gain momentum. Over the last three years we have built a direct life business of scale, with 70% of sales to existing Group customers. As we meet more of our customers' needs we also see improved retention rates, with customers less likely to switch to a competitor brand.

Today, over 24% of personal customers or nearly two million customers now hold products from two or more of our business lines demonstrating the success of the 'One Company, Many Brands' strategy.

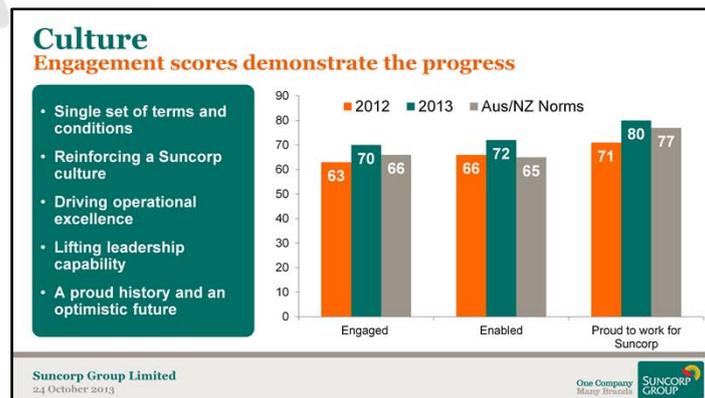


Turning now to our third strategic asset, **capital**.

On this slide, I have illustrated the capital that we are holding in the Suncorp Group. This totals around \$9 billion. It is shown in yellow and primarily comes from shareholders. Required capital for operating each business is shown in orange and green.

We are also working on Risk Based Capital models to assist in fully understanding and articulating the diversification benefit of the conglomerate structure. The potential benefit of this is illustrated in blue.

There is no doubt that, going forward, we will need less capital, not more. This will allow us to continue to return surplus capital to our shareholders.



I said at the outset that the key challenges when I arrived were confidence, credibility and culture. The fact that we've been the only Australian company to deliver special dividends in the past two years, shows you that we are confident in the future of the Group. And, in terms of credibility, investment markets have been positive with the Suncorp share price up 50% in the past year.

**But, perhaps the thing that I'm most proud of is the turnaround in the Suncorp culture. This is the fourth strategic asset of the Suncorp Group and, in my opinion, the most important.**

We have driven a huge amount of change and employees are telling us they like the direction we're heading. They enjoy executing our strategy and working in a 'One Company, Many Brands, One Team' culture that encourages teamwork, commitment and pride in our businesses.

Some of the key highlights from our annual employee engagement survey were:

- 91% of our employees provided feedback, something of a record
- Our engagement score of 70 is up seven points on last year
- 74% of our people say they are prepared to go the extra mile, up 9% points in two years
- 80% feel proud to work at Suncorp – something I am really pleased about because when I arrived I got the sense that many staff didn't freely admit that they actually worked for Suncorp.

One area of improvement is enabling diversity within our workforce to reflect the communities where we do business. We currently have a strong focus on gender equality and have been implementing a number of programs to support greater equality at all levels of work, but particularly in management. We're pleased to maintain our position as an Employer of Choice for Women. We're also one of only 16 ASX top 200 companies to have achieved green status, the highest possible rating, in the Women on Board's annual Traffic Light Index.

An important part of our culture at Suncorp has been a long standing commitment to the communities in which we work and live. I'm proud of the work our people have been doing on many fronts from volunteering and fundraising to coordinated programs such as road safety, community recovery and risk mitigation that are making a difference to the lives of many Australians and New Zealanders. You saw just a few of the examples in the video played earlier. Of course, our headquarters are in Queensland and it's right here that we have the greatest impact. It is terrific that entire communities in places like Roma will soon be benefiting from mitigation and prevention initiatives that have followed Suncorp's direct consultation and lobbying activities.

We're respectful and mindful of our obligations as a top 15 Australian company and we're clear about our opportunities to drive positive change. It's been part of our heritage and is very much a part of our future.

Key commitments	
One Company. Many Brands	
1	Group growth of 7% to 9% per annum over the next two years
2	Simplification benefits of \$225 million in the 2015 financial year
3	'Meet or beat' an underlying ITR of 12% through the cycle
4	60% to 80% dividend payout ratio
5	Continue to return surplus capital
6	Group ROE of at least 10% in the 2015 financial year

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One Company  
Many Brands

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Finally I'd like to finish by outlining the direction that the Group is heading. Our key commitments are shown on the screen. These **targets are stretching and ambitious, particularly given the volatile domestic and international economic backdrop. But they all add up to achieving at least 10% Return on Equity in 2015. I believe that truly great companies set themselves targets that build on what they have already achieved.**

So, in conclusion, there has been a material improvement at Suncorp in recent years. The path that we've been on has been challenging but we now have a clean, clear outlook to the future and these targets give you a sense of what we aim to deliver.

Suncorp's transformation means that the Group is more resilient than ever. We are now able to cope better with future challenges from the global economy, investment markets or Mother Nature. More importantly, we at Suncorp are now more capable of taking advantage of business opportunities as they present themselves.

So as I look back on Suncorp's key challenges of confidence, credibility and culture, my assessment is that:

- Firstly, there is a growing **confidence** that Suncorp is entering a new and exciting period.
- Secondly, the investment markets are confirming to us that Suncorp's **credibility** has been restored;
- And, finally, a Suncorp **culture** of relentlessly executing our strategy is now entrenched.

I'd like to pay tribute to all of the Suncorp team that have been on the journey with us. Thank you for all your enthusiasm, dedication and commitment. I'd also like to thank the Board for their ongoing support.

To Suncorp shareholders, thank you for your loyalty. I hope you are enjoying the improved outlook for the Group and I look forward to chatting with you at afternoon tea following the completion of today's formalities.