

ASX announcement

One Company
Many Brands



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



Thank you Ziggy and good afternoon everyone.

As Ziggy mentioned, this will be my seventh and final Annual General Meeting.

It's slightly frustrating that the challenges of weather and investment market volatility have been recurring themes at so many of these forums. The weather gods marked my arrival in 2009 with floods and cyclones and they have farewelled me with hail, hail and more hail. And as investors, I'm sure that like us, you scratch your head wondering what volatility awaits us each day.

Both of these factors need to be managed but they are largely out of our control. What is within our control, and what has fundamentally changed over the past six years, is the strength and resilience of our company - and our ability to cope with whatever is thrown at us.

Today, I'd like to provide a brief recap on what has been a thoroughly rewarding six years and outline the transformation of Suncorp and how this is reflected through the strength of the 2015 financial results.

This is the year we finally started to demonstrate what we knew was possible when I first spoke to you six years ago. We always thought that Suncorp could deliver great value by simply operating as a diversified, low-risk financial services group providing products in the countries that we know and understand.

FY15 result overview (\$m)

	FY15	FY14	%Δ
General Insurance NPAT	756	1,010	(25.1)
Bank NPAT	354	228	55.3
Suncorp Life NPAT	125	92	35.9
Business lines NPAT	1,235	1,330	(7.1)
Other	(44)	(28)	89.2
Cash earnings	1,191	1,304	(8.7)
Life Insurance write-down	-	(496)	n/a
Other profit and acquisition amortisation	(58)	(78)	(25.6)
NPAT	1,133	730	55.2

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The numbers we delivered on the 4th of August were good quality and, over the past six weeks, this has been reinforced as other companies have reported their results.

In General Insurance, the first point to note is the significant impact of last year's weather with net profit after tax down by 25%.

Natural hazard events generated gross claims costs of \$1.3 billion which had a net impact of just over \$1 billion. To put that in context, 2011 was the worst year that we have experienced in recent times in terms of human impact and scale of damage. Our gross natural hazard claims were almost \$6.5 billion but net claims were only \$785 million. Last year it was the greater frequency of medium sized events that had a much bigger financial impact on the Group but fortunately not in human terms.

Given these circumstances a profit of \$756 million demonstrates the resilience of the business and the benefits that our simplification and transformation programmes have delivered.

If we strip out the impact of weather events and other volatile items our underlying insurance margin actually improved over the year to 14.7%.

For the last two years we have been calling out the improvements in our long-tail claims management practices and the impact that these would have on our reserving. I am delighted that we are now seeing these benefits start to play out with reserve releases of \$427 million during the year. We are confident that releases can be sustained well above the long-term expectation of 1.5% of Net Earned Premiums for the next couple of years.

At the front of the business, our strategy of reinvesting incremental efficiency benefits back into our customer retention activities is working. We've finished the year with an increase in net customers across motor and home insurance whilst improving our underlying ITR. As we look to the future, we are increasingly confident that the market dynamics support a stabilisation of Personal Insurance pricing. The industry has recently absorbed around \$4 billion in natural hazard events and all insurers are dealing with the inflationary impact that the weakening Australian Dollar is having on car

parts and home repair costs. We have recently started to reflect these factors in premium increases and, although it is early days, our retention rates remain strong.

Turning now to the Bank. This has certainly been our greatest turnaround challenge over the last 6 years and the 55% improvement in NPAT reflects the outstanding work of John and the team. This year, Suncorp Bank took the honour of being awarded Bank of the Year' by both Money Magazine and Euromoney. This is the first time that the Money Magazine award has been won by a regional bank and is a strong endorsement of our strategic direction and customer focus.

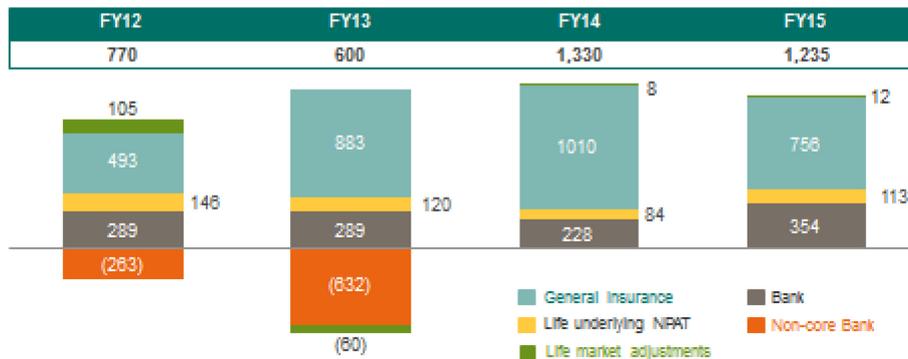
This improved financial performance was driven by an improvement in margin, a reduction in the cost to income ratio and a significant reduction in impairment losses. None of our banking peers are delivering this improvement in their key metrics.

Turning to the Life Business, net profit is up 36% as our revised assumptions around lapses and claims continue to prove to be conservative. Our focus on 'value over volume' is delivering with the Embedded Value up 6% to be close to \$1.9 billion and our Value of One Year Sales increasing significantly to \$25 million. These improvements validate the revaluation that we did last year.

At an industry level the Government reforms to the Life Insurance sector, and particularly commissions, have put the industry on a more sustainable footing and I'd like to acknowledge Geoff Summerhayes's role in driving these changes. Geoff leaves the Suncorp Group this year and I'd like to thank him for his dedication and leadership in guiding the group through considerable industry challenges.

Suncorp Group business line NPAT (\$m)

Profit diversification



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The combination of these results shows how the Group is now in the position we targeted post the resolution of the Non-core bank and restated assumptions in the Life business.

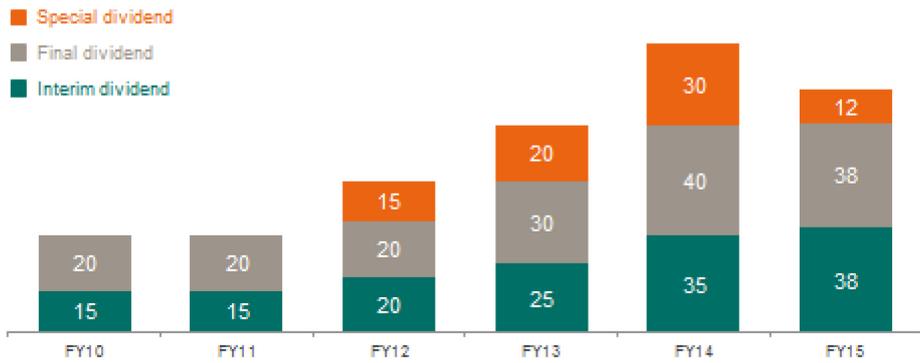
Bank and Life are starting to deliver the stable earnings base that we've previously spoken about. Together this year they contributed \$490 million and both have considerable industry tailwinds to improve both top-line and profit growth over the medium term.

In General Insurance, there will be good years where we can deliver around \$1 billion and, in tougher years, a profit of \$750 million still represents a very reasonable return on capital.

Put together, and paying out between 60% and 80% of cash earnings as a fully-franked dividend, you can see why we are confident that the Group can continue to deliver a substantial yield to its shareholders.

Dividend

38 cent final dividend and 12 cent special dividend



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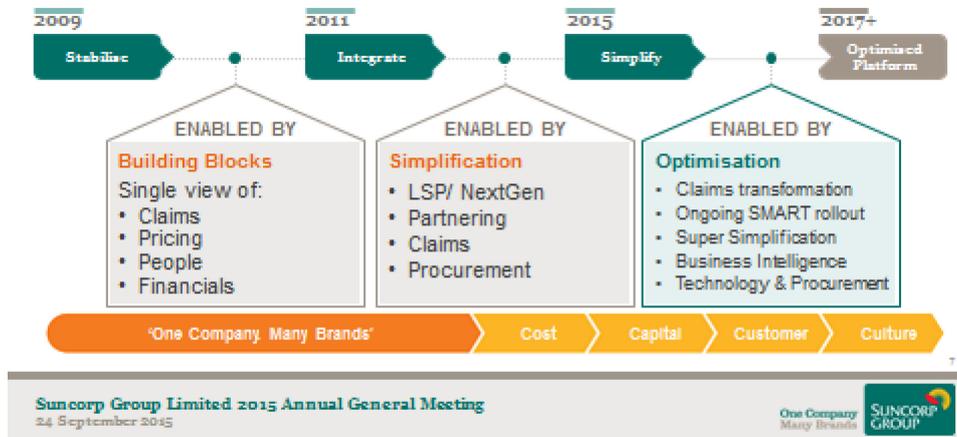
Turning now to the dividend and this year, despite the weather events, we have increased the ordinary dividend to 76 cents per share.

For the fourth year in a row, we have also paid a special dividend. This year we paid 12 cents per share which meant that our total dividend payout was just under 100% of our net profit after tax. In total we have paid out just under \$1 billion in special dividends over the last four years.

Post these dividend payments, the balance sheet remains very strong with \$570 million in surplus capital above our targets.

In contrast to our insurance peers, we're actually increasing our ordinary dividend, and, in contrast to our banking peers, we're returning capital to shareholders rather than seeking to raise more.

Suncorp transformation Optimised Platform in 2017



I'd like to now briefly reflect on the past six years and the company that we are part of today.

From the very start, time was not on our side and this meant that we could not use the normal process for validating the future direction of the company. However, I was fortunate enough to have qualified friends from the UK who were able to help me kickstart the process. In three weeks they met with a significant number of people around Suncorp and when we got together a few weeks later the feedback was consistent. They confirmed that Suncorp had great people, great systems and great brands but it simply wasn't working together properly - and that was our challenge.

In the insurance business, different parts of the company were suing each other, employees sitting next to each other were on different sets of employment terms and conditions and, although we had world-class IT platforms there were simply too many of them.

We needed to move from many companies and many brands to One Company, Many Brands - which today still forms the basis of our culture.

Once we'd established that we could make the business work, the first thing that needed to be done was to restore our confidence, credibility and culture as a unified company.

There was constant speculation that the 'troubled' Suncorp Bank was about to be sold. We dispelled these views early on but, to be honest, by that stage the major banks wouldn't have been allowed to buy our bank anyway. However we needed to give assurance and clarity to the Suncorp people, customers and shareholders. We wanted them to know that there was a future within the Suncorp Group and that we weren't going to surrender without a very hard fight. In other words – get the tanks off our lawn.

With that behind us the hard work began and, with a quality leadership team in place, we embarked upon a program of work to make 'One Company, Many Brands' a reality. The Building Blocks programme consolidated our insurance pricing and claims systems, established a single set of terms

and conditions for our staff, a single view of our customers and a single general ledger for our finances.

We made good progress during 2009 and 2010 and it felt like the confidence and credibility was slowly returning to the group but it was the summer of 2010/2011 that really tested us and our culture.

We were hit with a sequence of natural hazard events of biblical proportions. It's hard to describe those days so I'd like to remind you of what we experienced. [PLAY VIDEO](#)

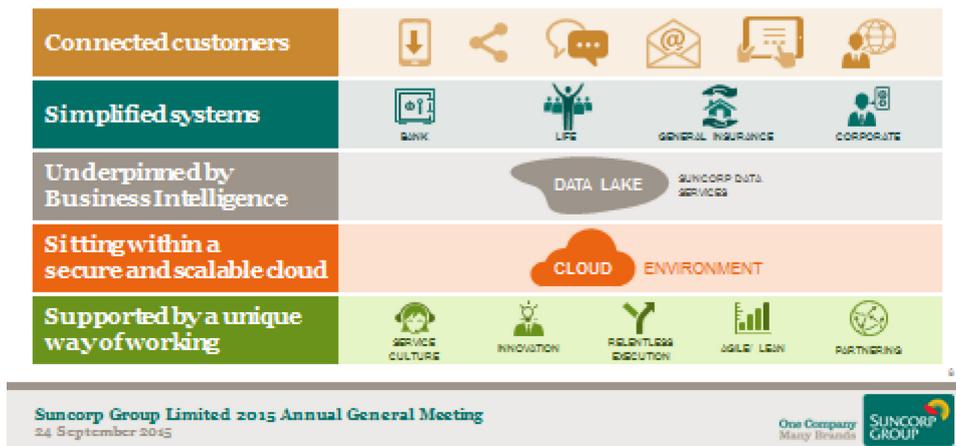
Prior to my arrival, Mark Milliner and his team had built an insurance pricing engine for Suncorp that could measure flood risk and was using it in pricing insurance premiums. It meant that we were the only major insurance company that fully protected its customers in Brisbane and Ipswich for the floods.

Our people were on the ground helping customers in a way that had never previously been possible. Our improved systems meant that our Bank and Insurance businesses could talk to each other. Even the Queensland Premier was kind enough to publicly recognise the contribution that Suncorp was making towards rebuilding communities.

Looking back now, this was the tipping point for the business and our culture as, for the first time, everyone pulled together to get through the crises. It was the shot in the arm that everyone in Suncorp needed. Suddenly, Suncorp had its mojo back. People were proud to work for the Group and customers were reminded of the value that you get from insuring with a company you can trust.

Optimised Platform

Unlocking the value of our 9 million customers



Following on from our initial integration work, we commenced another program of work called Simplification that will deliver \$265 million in benefits this financial year. Amongst many of the other advantages we gained from this program was the ability to bring forward our reporting dates and pay our dividends earlier, as you experienced this week.

In May of this year we outlined the next major step, the Optimised Platform. This involves ensuring that all Suncorp systems are simplified, web-enabled, linked to a data lake and use the cloud to deliver scale benefits. It sets Suncorp up to differentiate and disrupt in an ever evolving financial services industry.

The sum total of all these initiatives is that Suncorp is now a Leaner, Faster and Smarter organisation.

We're leaner as demonstrated by the fact that we've kept our cost base virtually flat over the past four years and we are certainly faster in meeting the needs of our customers.

During the Brisbane Hailstorm in November we handled a record 10,000 claims in one day and set up the Fairfield mass assessment centre which was processing 1,500 cars per day, although we still had to write off 26,000 cars – a bonus for the car yards in the run up to Christmas.

Finally, with our Optimised Platform and Business Intelligence, we're smarter. We are now thinking differently and harnessing our digital and mobile innovations to position us at the front end of the new information age.

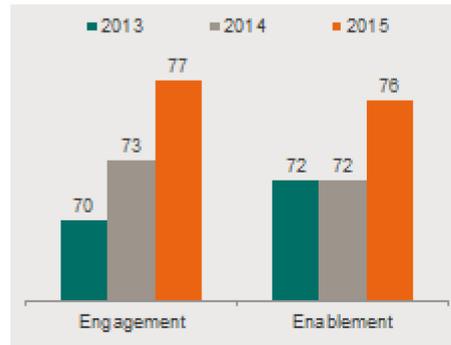
Going forward, the Suncorp Group has significant growth momentum. The balance sheet is conservatively positioned and there are a range of organic growth opportunities opening up, whether it's State Governments introducing competitive tendering for CTP and Workers Compensation, through the Bank with our connected customer program, through direct Life insurance, or through other customer extensions that we are just beginning to explore. The opportunities are many and varied, and we are ideally positioned to take advantage of them.

Culture

Suncorp's greatest asset – its people

91% of Suncorp people participated in the latest survey

- Engagement and Enablement are at or above Global High Performance Norms
- 37% female representation in senior leadership roles
- 87% of employees are proud to work at Suncorp



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None of this would have been possible without what is, in my view, Suncorp's greatest asset - its people.

I've never been a supporter of corporate cultural programmes as you can't tell people how to behave, you have to lead by example and build teams that continuously display and reinforce the right behaviours.

Through our shared vision and working as One Team we have developed a high performing culture where our people are aligned, engaged and empowered. This is reflected in world leading levels of employee engagement and enablement. The strength of our culture is shown by the pride people have in working for Suncorp and strong staff advocacy for our products and services.

We continue to make good progress in ensuring that the diversity within our workforce reflects the communities in which we operate. Our focus on building a diverse and inclusive workplace continues to create a workforce that benefits from different ways of thinking. This in itself creates opportunities to better understand our customers, foster innovation, remove barriers and manage risk.

I'm particularly proud of the work we've done and the progress we have made around gender diversity, both in terms of pay equality and career opportunities.

We are now also progressing ways to promote diversity of age, leverage the benefits of diversity of thought and further embed flexibility to enable our people to better manage their career and lifestyle.

Suncorp is where it is today because we're customer focussed, we are forward looking, we have modern technology and we have a culture that gets things done.



In conclusion, I'd like to thank all of Suncorp's employees for their hard-work, commitment and dedication. I'm also greatly appreciative of the incredible, consistent support I've had from the Suncorp Board under the leadership of both John Story and Ziggy.

Finally, to you, our shareholders, I thank you for your loyalty over the past six years. I'm leaving behind a fantastic business and incredible people that will continue to deliver improved returns to you.

I will be going back to my home, the United Kingdom, but it is with a heavy heart. I've become incredibly fond of Australia and New Zealand and the people that make up these amazing countries. I don't think that the Suncorp turnaround could have been achieved anywhere else in the world because, whether its business, sport or in combat, Australians and New Zealanders are known for their incredible ability to fight their way out of a tight spot. If you're stuck in a corner with your back to the wall, you want Aussies and Kiwis by your side.

From my experience, the only problem is that once the fighting is done, they all want to push off to the beach!

So, I'm staying on as a shareholder because I know that the company is in great shape and that there is still significant value that Michael and the team under the Board of Directors will deliver.

Michael has an exceptional track record and I wish him all the best for the future. I'm certain that he's the right leader to continue the Suncorp journey, and, most importantly, to ensure that no one pushes off to the beach just yet!