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Managing Director and Chief Executive Officer's Address
Suncorp Annual General Meeting - Wednesday 31 October 2007

Good afternoon. I'd like to join our Chairman, John Story, in welcoming you here today and thanking you for your ongoing support.

A little over 12 months ago we laid out a plan to merge with Promina and become the most admired financial services provider in Australia and New Zealand.

It was a well thought out plan.

We knew there were many hurdles we needed to clear, many approvals we needed to achieve and many hearts and minds we needed to win over. At the same time we knew there were some people who said that it couldn't be done, suggesting that our plan was cobbled together or that it didn't make sense.

Well, I am pleased to report that 12 months on – and despite the challenges involved with delivering a complex integration - we are on track to achieve our vision and, in turn, deliver to our stakeholders the benefits we laid out in front of you at the start of this journey.

In recent weeks you will have received your copy of our 2006/07 Annual Report.

On the cover there is a simple statement that says **"We help people build and protect their dreams".**

That is our purpose.

And while it is a simple statement it clearly captures our commitment to our values and expresses our intention as an organisation to serve and support our customers.

Our vision sets out specifically what we aim to achieve, and that is,
"to be the most admired financial services organisation in Australia and New Zealand".

Defining our purpose and vision were two of the immediate priorities of the leadership team when we came together following the completion of the transaction.

We also needed to agree the process and the principles that would underpin the integration.

PLANNING FOR INTEGRATION

Before I go on to talk about the plan, I thought it important to comment on what I believe are the requirements for success with an integration of this scale.

I believe successful mergers require:

- Detailed planning and the management experience and depth, to implement those plans.
- An understanding of the nature of the businesses being acquired and the factors that make them successful. You then need to be prepared to work hard to retain these.
- An understanding of the different cultures within the combined Group.
- A clear view of the Vision you and your senior management team have for the new Group.
- And finally, the patience and preparedness to accept the challenges inherent in any merger of this size and complexity. With that comes the ability to adapt quickly and be flexible if your original plans need to be changed or unforeseen events occur.

In essence, I believe successful mergers require the appropriate mix of management depth, a determination to succeed but most importantly they require careful planning.

Our integration plan involves three phases:

Phase 1 – which was the 'settling in' phase has been completed. During this time we:

- took the time to get a deeper understanding of the two organisations,
- developed our high level business model
- set integration milestones and
- established the infrastructure that would be required to deliver them.

We also identified quick win initiatives in areas where the benefits of the merger were obvious and at 30 June, $55 million of annualised synergy benefits have been locked in.

While the quantum of synergy realisation during this phase is ahead of our pre-merger forecasts, we have been very prudent in not using this data to draw conclusions about the overall quantum of synergies available as a result of the merger.

We will be in a position to provide you with an update on our synergy and cost expectations at the conclusion of Phase 2 of the integration process.

Phase 2 then, is the ‘design phase’. This phase commenced at the end of July and will run through until the end of November and has seen our Business Units working through a carefully planned design process to develop the initiatives which will realise the benefits of bringing the two organisations together and bring change to the combined organisation.

The third - and final, phase – is implementation which will commence in December and be tracked against the targets we set at the conclusion of Phase 2.

We expect this phase to run until the end of the 2009/10 financial year.

So let me now report on progress and recap our full-year result, presented on August 27.

GROUP RESULT

At the Group level, Suncorp’s net profit for the year was a record $1.064 billion, an increase of 16% on June 2006 and the first time we have broken the $1 billion net profit mark.

When I talk to the market I often refer to the key themes underpinning the result.

This year there were three.

Firstly, the Group result confirms the strong organic, stand alone performances of each of our businesses. It proves that each of them, in their own right, is fit and well, sustaining their own unique value proposition and competing strongly with their competitors.

Secondly, it’s a result that proves that the job of completing the Promina transaction, and taking the first steps towards integration, has not distracted us from our business as usual activities, nor provided any easy wins for our competitors.

And finally, it was a result that further underlines the huge opportunity we knew existed when we first started planning this merger. The opportunity to identify the best of two strongly performing companies and bring all of this together in a NEW Suncorp.

Let me now re-cap briefly on each of our lines of business.

Banking Overview

The Banking division delivered a very solid result, lifting profit before tax by 12.5% to $569 million for the full year.

The product and pricing initiatives we put in place over 12 months ago enabled us to achieve strong lending growth across our home, business and consumer lending portfolios, with all growing ahead of industry rates.

The Bank's cost to income ratio again improved and credit quality remained stable with losses low by historical standards.

But, we know that in a highly competitive banking industry we have to continually adjust our strategies to further improve our performance.

That is why in recent weeks we have refreshed our retail banking strategy to support our growth plans for both our direct and indirect customer channels.

As a direct result of this review we plan to further expand our Retail Bank outlets into identified growth corridors, primarily in the strong growth states of Queensland and Western Australia.

We will also significantly boost the resources we deploy to service the broker introduced market, which as you know, is our primary means of retail distribution outside of Queensland.

This is clearly a growth opportunity for our bank, with Suncorp currently having only an approximately 4% share of this growing market. But to grow we need to invest so as to ensure our fulfilment capability continues to meet the needs of brokers and their end customers.

We anticipate that this investment in customer service will generate an estimated 270 new customer service jobs over the next three years, including 125 new branch staff positions this financial year.

At Suncorp we are committed to growing our own when it comes to the filling of new jobs. That is why we have identified an opportunity to re-train re-skill and redeploy up to 250 people currently working in back office roles and move them to the front line.

In an era of low unemployment and fierce competition for talent, this approach makes sense for both Suncorp and the people involved.

To fill the gap that exists in the back office we have entered into strategic partnerships with Australian and international firms that specialise in data management and processing.

This investment will support our growth aspirations while at the same time further improving the efficiency of our processes.

General Insurance Overview

To General Insurance now and this year saw good performances across all the businesses in the merged Group.

Despite the twin challenges of taking the first steps towards integration with Promina and severe storms in New South Wales and Victoria, the business posted a full year profit before tax of $976 million.

The standalone Suncorp General Insurance business achieved a full-year profit before tax of $821 million. This result was driven by improvements in claims management, risk selection and pricing and our continued policy of conservative provisioning.

The Insurance Trading Ratio (ITR), which is the best measure of the underlying performance of a general insurer, was 19.6%, ahead of our 16-19% guidance for the year and well in excess of our long term 11% to 14% target.

The former Promina General Insurance business, which includes market-leading brands such as AAMI, Apia, Just Car, Shannons and Vero, maintained its enviable growth profile, with overall gross written premiums up 4.3% for the year.

Wealth Management Overview

And finally to Wealth Management and here the combined business capitalised on recent changes to superannuation laws and favourable equity markets, contributing profit before tax of $221 million, up a huge 44.4% on the previous year.

Again, the results of two strongly performing wealth management businesses reinforce the significant opportunities available to the Group post merger with an increased product suite, distribution avenues and expanded customer base.

DELIVERING TO OUR STAKEHOLDERS

As you are probably aware, Suncorp judges its performance not only in terms of numbers but by the delivery of benefits to all our stakeholders – our shareholders, customers, employees and the community.

I want to touch briefly on each of these stakeholders.

Shareholders

Firstly to you, our shareholders…

As John has mentioned, we are committed growing our annual dividend payments to our shareholders in absolute terms. The strength of the 2006/07 result, coupled with the Board's continuing confidence in the performance of our business has allowed us to declare a final, fully franked, ordinary dividend of 55 cents, taking the full year ordinary dividend to 107 cents, an increase of 10.3% on the past year.

Customers

To customers, and if Suncorp is to take full advantage of the opportunities now available to it as a result of the merger, it is essential that our customers continue to remain at the centre of everything we do.

People often refer to us as allfinanz or a bankassurer, inferring that we seek to be all things to all people, forcing products on our customers at every available opportunity.

This is not what we are about.

We approach product development from the customer perspective, gaining a deep understanding of our customers and their needs and being innovative around product packaging.

This, in turn, enables us to tailor solutions to meet those needs.

At Suncorp we called this 'user based design'. Promina called it 'activity alignment'. Together, under the new Suncorp, these tools will be used to ensure we deliver superior customer experiences through targeted brands and tailored products.

In 2007, improving our customer service, particularly in our call centres, was a priority.

We demonstrated our commitment to providing the highest standards of customer service following the severe storms which affected parts of the Hunter region in New South Wales and the Gippsland region in Victoria in June.

Drawing on lessons learned from Cyclone Larry in early 2006 our insurance businesses responded to a combined total of over 20,000 home, motor and commercial insurance claims, immediately establishing a presence in the affected areas. As a result we are well progressed in the recovery effort.

Our commitment to this high level of service continues to be our priority and was evident in our response to the Lismore storms earlier this month.

Employees

To our people now and Suncorp's merger with Promina has seen our workforce double to over 16,000 employees in 450 locations throughout Australia and New Zealand.

This has created increased career and development opportunities for all our people – an important point of difference for Suncorp in a market where talented and skilled individuals are in short supply.

In 2007 we focused on training our people, implementing accelerated development programs designed to fast-track skills levels in critical areas, as well as introduced new and enhanced leadership programs.

Community

Suncorp has a proud history of working closely with the communities of which we are a part. Our program, combined with that of the former Promina group, ensures that our community programs and sponsorships will continue to support and benefit people from all walks of life.

As a good corporate citizen we support our communities through sponsorships such as our skin cancer initiative, our support of the Hear & Say Centre, AAMI's support for the National Trauma Research Institute and the Australian Drug Foundation and Apia's partnerships with Adult Learning Australia and Probus, to name but a few.

Suncorp also reaches many in the community through its links to sporting groups, including our sponsorship of the Wallabies, Queensland Reds and Air New Zealand Cup referees.

OUTLOOK

Now, finally to our outlook and first to the Bank where we expect profit growth before bad debts and tax of approximately 10% - which of course excluded the impacts of the global credit crunch.

I do want to spend a moment talking about the credit crunch and the impacts on Suncorp.

The first point to make is an important one – and that is that we have no direct exposure to the US sub prime market.

Over the past four years we have taken steps to further improve the strength of our balance sheet by lengthening the duration of liabilities to 0.5 years. This means that on average the funds we borrow from wholesale markets take six months to reprice. Therefore, when the crunch hit the debt markets and prices were at their worst, our cost of funds did not go up significantly.

Over that same period we have also significantly diversified our funding sources by targeting new markets and new investor types.

These initiatives have meant we have been well placed in dealing with the effects of the global credit crunch.

A good example is that earlier this month we attracted orders from 84 investors from across Europe and Asia for a 200 million Sterling transaction. The transaction was four times oversubscribed, which allowed us to increase the transaction size to 325 million Stirling. Over half the investors in the book were new to Suncorp and this has become our largest ever subordinated debt offering.

In addition to the cost of funds for lenders around the world, the issue has also been getting access to traditional sources of funds to meet their needs. Suncorp's strong balance sheet and diversified funding sources means that we have been able to increase our liquidity to easily cover our operational needs as well as hold a buffer to cover a protracted disruption to the markets.

Our view is that while credit markets have begun to settle and the cost of debt has fallen from its peak of six weeks ago, it is unlikely to fall to where it was prior to the credit crunch.

And while the industry will move to factor this into its pricing, the full effects will take some time to flow through. This will create a lag effect as the ability to re-price a loan book will lag the increased cost of credit.

For Suncorp, we expect our robust balance sheet and the strength of our brand will minimise the long term impacts of an increased cost of credit. It will, however, have some impact in the first half, where the lag effect will be at its most obvious.

By year end it is our current expectation that the increased cost of credit flowing from this event will have approximately between a $10 million and $15 million impact on the Bank's bottom line full-year result.

Moving on to the outlook for our general insurance business, and we are well on track to achieve an ITR for the merged group of 13% to 16%, which excludes any major weather events.

This merged ITR guidance reflects our expectation that we will achieve our previous guidance for Suncorp which was for an ITR in the 16-19% range and for Promina an ITR of 10+%.

In Wealth Management, we expect growth in underlying profit, which excludes investment returns on shareholder funds, of greater than 10%.

And finally at the Group level, we anticipate providing sustainable growth in dividends, although not necessarily at the same rate as in previous years.

CONCLUSION

To conclude, Suncorp has delivered another strong result in 2007 despite increasing competitive pressures.

Our strongly performing business lines and the range of opportunities provided by the merger with Promina means we are in a fantastic position and well on our way to becoming "the most admired financial services organisation in Australia and New Zealand".

Thank you to my management team and all our people who have worked tirelessly through the course of the year.

And finally, thank you again for being here today and for your ongoing support and loyalty.

John Mulcahy
Managing Director and Chief Executive Officer
31 October 2007