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Chairman's Address
Suncorp Annual General Meeting - Wednesday 31 October 2007

The past year has been an eventful period for our company. When I reported to you at our last annual general meeting we had only recently announced our intention to merge with Promina.

While there have been many challenges, I am pleased to report that we are progressing well in building the most admired diversified financial services organisation in Australia and New Zealand.

I want to start by thanking the team that worked long and hard, day and night, to make the merger a reality.

No-one should underestimate the complexities involved.

This was one of the largest financial services transactions of the past decade, requiring numerous legal, regulatory and government approvals. In addition to the mechanics of the offer itself, it was essential that it be well supported and backed by secure and innovative funding arrangements.

That each step was implemented seamlessly is a testament to the capabilities of the Suncorp and Promina teams involved, and the painstaking preparation that pre-dated the formal announcement of the offer.

But while due credit needs to be afforded to those directly involved in the transaction, there is a far wider acknowledgement to be made.

Major transactions, and the integration processes that follow, provide multiple opportunities for organisational disruption. At the launch of our bid in October last year, we asked our people not to be distracted by the merger and to continue to focus on all our stakeholders, most particularly our customers.

There is little doubt that the employees of Suncorp and the former Promina businesses heeded this call, putting aside the inevitable feelings of uncertainty and insecurity to remain focussed on the job at hand.

As a Board we could not expect any more of our people and I do want to take this opportunity today to thank them for their efforts.

Evidence of their focus and commitment can be found in our financial results which were released to the market in late August. I want to recapitulate briefly on the very strong results that we were able to present.

On a consolidated basis, Suncorp produced a 16.2% increase in Net Profit after Tax to a record $1.064 billion for the year. Of course, this year's result includes a 15 week contribution from Promina, as well as a number of consolidation adjustments following the completion of the transaction.

In order to get a better understanding of the underlying performance of the business, we should look at underlying profit before tax, which excludes the contribution from Promina, one off items and investment income on shareholder funds. Here, the increase was a very satisfying 10.3% to $1.149 billion. This is the first time that Suncorp has topped the $1 billion mark for both NPAT and underlying profit, which underscores just how far our company has come since its formation in 1996, when we reported an underlying profit of just $130 million.

The divisional results reflect strong performances in each of our businesses.

In the **Bank,** net profit before tax increased by 12.5% to $569 million, which is a very good result in a highly competitive market. Our lending growth remains strong, with our home, business and consumer lending portfolios growing ahead of market rates for the year.

Because of our very strong brand and direct distribution capability here in Queensland, there are some who are under the misapprehension that we are simply a localised regional bank.

This fails to recognise the achievements of our banking team in expanding our national distribution footprint, both by direct distribution and through intermediaries such as mortgage brokers. With approximately 40 per cent of our home and business lending coming from outside Queensland we are a national Bank, with the ability to capitalise on opportunities wherever they present themselves.

While John will go into the recent global credit issues in more depth in his address, we have over the past five years significantly strengthened our balance sheet and the diversity of our funding sources, meaning that we have been well placed to deal with credit market volatility.

You can also be assured that the Board and management remain highly focussed on risk, ensuring that our credit processes are rigorous, and that our loan book is well secured.

In **General Insurance**, consolidated pre tax profits, on a statutory basis, reached $976 million. Again, this includes a 15 week contribution from the Promina General Insurance business.

As you know the financial results for the year were impacted by the severe storms across New South Wales in June this year, and, to a lesser extent, later that month by the Victorian floods.

Despite these events, which collectively cost the industry in excess of $1 billion, both the Suncorp and Promina businesses were able to achieve their stated guidance, which for Suncorp was for an insurance trading ratio (or ITR) in the 16% – 19% range and for Promina, an ITR in excess of 10%.

The Suncorp GI business, covering the Suncorp and GIO brands, continues to be highly profitable, benefiting from management's focus on superior risk selection and claims cost reductions. Our recent investment in new generation pricing capability has allowed us to achieve industry-leading expertise and we are now in the enviable position of being able to map this across all our GI brands.

In Promina, the general insurance business includes the AAMI, APIA, Shannons, Just Cars and Vero brands. Growth in gross written premium across these brands continues to be very strong, up by 4.3% for the year. Claims management processes in Promina, particularly in AAMI, are highly efficient and, again, where it makes sense, we will be map these across the organisation, thereby driving further efficiencies in our processes.

While we are discussing general insurance I do want to mention the recent reductions in CTP premiums in New South Wales and Queensland. You will notice in our outlook statement that recent decisions by the CTP regulators in NSW and QLD will have a significant impact in this financial year.

In Queensland, the implementation of a $28 reduction in the ceiling price for the July quarter will reduce our overall CTP premium by $33 million. While reductions of this magnitude provide some discomfort for the industry overall, they nonetheless provide irrefutable evidence that the Legislative "tort law' reforms are providing tangible and sustainable savings for the benefit of consumers - notwithstanding the self serving protestations which from time to time emerge from the plaintiff lawyers.

It is now time for all participants in this debate to recognise that the fundamental reforms are here to stay and for us all to focus on the incremental fine tuning necessary to ensure that these schemes continue to strike the right balance.

Another issue that has come to the fore in recent years has been that of non-insurance and under insurance.

It is estimated that of Australia's 7.7 million households, 23 per cent do not have a building or contents policy. Additionally, it is estimated that as many as 81 per cent of consumers are underinsured by 10 per cent or more.

These are seriously frightening statistics demanding a national response.

This becomes even more evident in the immediate aftermath of Australia having experienced 1 in 100 year events, in two consecutive years! It is clear to us that insurance coverage has not moved in step with inflationary pressures overall and, more specifically, has not taken into account the escalation in building costs associated with state and local authorities progressively tightening building codes.

We have seen in north Queensland, and again in the Hunter Valley, the consequences for society of non and under insurance in the circumstances of major destructive events. While the costs can not be precisely measured, we know that they are substantial and are, in the end, borne by the community.

Yes, there is a very important role for the insurance industry to play. And in Innisfail and again in NSW, collectively we took a very sympathetic and compassionate approach to the treatment of claims.

But given our fiduciary duty to our shareholders and our obligations to those who are properly insured, there is a limit to how far we can, or should, go. Its time for Government also to step up to the mark.

It is a fact that in those states where taxes and charges on insurance products are highest, so too is the level of non and under insurance. Reducing taxes on insurance products is just part of the story. We need to partner with Government to find ways to encourage broader insurance coverage and more equitable methods of funding emergency services, which continue to impact premiums in New South Wales and Victoria.

In concluding the divisional business summary I now turn to our **wealth management** business and here we delivered an exceptional result, posting a 44 per cent growth in profit before tax to $221 million.

While new business and net inflows benefited from changes to the superannuation laws, retention rates across the portfolio continued to show pleasing improvement.

The combination of the highly complementary Suncorp and Promina wealth businesses – while sometimes understated - provides significant opportunity and scope for growth.

This business has the potential to become an outstanding jewel in the Suncorp crown.

We are in the process of combining two relatively small businesses to create a new business that will benefit from increased scale, a wider product set and improved distribution capabilities.

Let me now turn to the important subject of **dividends.**

The strength of the result allowed us to declare a final, fully franked, ordinary dividend of 55 cents per share, bringing the full year ordinary dividend to 107 cents per share, an increase of more than 10 per cent on the 05/06 year.

It is, however, important to remind you, as we did consistently through the Promina transaction, that our dividend policy needs to be adjusted to take account of the increased number of shares on offer and the timing of integration costs and synergies.

Therefore, while we expect that dividends will grow in absolute terms, this growth may not necessarily be at the same rate as in previous years.

Another item of interest is **capital management**.

As foreshadowed in my report last year our excess capital was applied to the funding of the cash consideration payable to Promina shareholders.

Having now completed the transaction, we are well placed to restructure our capital base so as to make it more efficient. While we have a good understanding of what needs to be done, for taxation reasons we will not be in a position to finalise this work until after the first anniversary of the completion of the transaction, which of course is March next year.

In addition we are hopeful that our ongoing dialogue with the ratings agencies will provide us with an ability to adjust our capital ratios to reflect the improved diversification of our business.

On the basis that these initiatives will unlock surplus capital, we expect to be in a position to consider our capital management position towards the end of this financial year.

But fundamental to our consideration will be the following:

- We need to take account of the on-going capital needs of the business.
- We need sufficient capital buffers to deal with external factors such as major insurable events, or external shocks such as further contagion from the recent global credit issues.
- And finally, the quantum of the return needs to be sufficient to make it meaningful for shareholders, and cost effective in its distribution.

It is the Boards unequivocal view that sustainable excess capital should be returned to shareholders rather than retained on the balance sheet.

Earlier this year, we took the opportunity to renew John Mulcahy's employment contract. This would otherwise have expired in January 2008.

Our objective was to remove any uncertainty in the market place, and it was taken in the context of the company's performance during John's stewardship. The underlying profit of Suncorp, on a stand-alone basis for 2007 was $1.149 billion, and compares to $582 million for 2003, the year of John's arrival.

The full year dividend has increased from 56 cents to 107 cents per share, not forgetting the special dividend of 75 cents in 2005.

The underlying strength of the company has improved to the extent that we were confident of our ability to undertake the Promina transaction. We very much look forward to the continued progress of the company under John's dynamic leadership.

So, that brings me to the end of my report.

I do want to thank my fellow Board members, most particularly those that have joined us from Promina - Paula Dwyer, Ewould Kulk, Geoff Ricketts and Leo Tutt – we have welcomed your experience and the new perspectives you have provided to our deliberations.

Thanks also to John Mulcahy, his management team and all Suncorp people, both old and new, who have worked so hard over the course of the year.

And finally, my thanks to you, the shareholders, for your interest and your support.

We have an exciting but challenging year ahead.

I look forward to meeting you all again in 12 months time to update you on our progress towards our vision of being the most admired financial services organisation in Australia and New Zealand. Thank you.

I would now like to ask the Managing Director, John Mulcahy, to address the meeting.

John Story
Chairman
31 October 2007