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Chairman's Address
Suncorp Annual General Meeting
Tuesday 28 October 2008

It is now fifteen months since the global credit and equity markets were thrown into turmoil, as the first evidence of the subprime crisis emerged in the United States.

For those of us in the eye of the financial storm, and its aftermath, that period feels more like a lifetime - with no immediate end in sight.

Although the Australian market is robust and well-regulated, with limited direct exposure to many of the problems that have emerged in the overseas markets, I cannot emphasise enough how global developments have fundamentally changed the dynamics of our financial services industry at home.

I will talk in more detail shortly about how recent developments in this regard have affected Suncorp, and how we intend to approach the future.

In addition to the turmoil of the financial markets, your Company was also challenged by storms of the naturally occurring variety, with the past financial year bringing with it a run of severe weather events and other natural disasters.

This succession of adverse external factors had a major impact on Suncorp's financial result for the year to June 2008, with net profit falling to $556 million.

Let me say from the outset, the Board and management team share the disappointment of shareholders with this reduced headline result. We do not rely on external factors as excuses - we accept it is our job to guide your Company through challenging times.

The Board recognises its responsibility to represent you, our shareholders, when it comes to the operational performance of the company and issues such as the company's share price performance.

We do maintain a healthy dialogue with the owners of our company, and your views are reflected in our interactions with management throughout the course of the year.

We acknowledge that whilst we have done many things well, there are other things that we could have done better.

However, in reviewing the performance of our business during the last financial year, our overall assessment was that - outside of external events - the underlying business performance was sound.

As we began to see the impending turbulence in financial markets, the Board and management team made adjustments to improve our resilience to market turmoil.

This, and the fact that we had no direct exposure to sub-prime mortgages, enabled the Group to deliver a solid underlying performance in its banking business.

It has also helped mitigate the impacts on our wealth management business and the investment funds deployed in the general insurance business.

Although the impact of bad weather on our general insurance business was unavoidable, our track record, and evidence that premium increases are again starting to flow through to the bottom line, indicate that our policies on risk and pricing are appropriate.

I will leave the detailed divisional review for John to cover in his address but let me reflect briefly on some achievements.

In our **Bank**, we met our guidance for profit growth, despite the impact of the credit crunch.

Our margins improved over the course of the year and we continue to be disciplined in cost management - with a cost to income ratio in line with our major bank competitors.

In **General Insurance**, our employees across all our brands and geographies responded impeccably to the series of major weather events - the true cost of which far exceeded the reported $415 million - particularly when you take full account of the human and other resources that were required.

Our team was called upon to respond to over 49,000 claims.

The speed of our response, and the support for our customers in their hour of need, demonstrates fully the value of their policy holding, and has cemented their relationship with our company.

And in **Wealth Management**, under the new leadership of Geoff Summerhayes, we have moved to simplify our business model, ensuring we are making the most of our product advantages, as well as leveraging the distribution channels in which we expect the greatest returns.

With so much going on in the external world, it is easy to forget that we are in the midst of a large and complex **integration**.

To have remained on track and on time with this project, from both a financial and cultural viewpoint, is an outstanding achievement.

To this end, I would also like to acknowledge the efforts of the Group's employees across Australia and New Zealand for their contributions towards the past year's achievements.

They have coped with an overwhelming amount of internal and external change, while all the time maintaining their focus on providing exceptional customer service.

There are two metrics in particular that demonstrate what a great job they have done.

Firstly, Suncorp continues to benefit from higher than average levels of customer satisfaction across its business lines and brands.

And, secondly, as assessed independently, our employee engagement ratings remain above the averages recorded for other Australian and global financial services companies.

During the course of the last financial year, we provided shareholders with the opportunity to invest in our future growth, through an offer of **Convertible Preference Shares**.

The response to this offer demonstrated the strength of Suncorp's reputation in the market, and the confidence that shareholders have in our strategic direction and future prospects.

As many of you are aware, the CPS was significantly oversubscribed, making it impossible to accommodate in full the applications submitted by eligible shareholders.

Whilst applications from shareholders were prioritised ahead of other applicants, allocations had to be scaled back.

We sought to do this in a fair and equitable manner, seeking to disadvantage as few of our shareholders as possible.

Let me also briefly mention the **Dividend Reinvestment Plan**, which has just completed.

You would be aware the Board took a decision to underwrite the final DRP in order to further support the company's capital position.

The underwriting timetable coincided with one of the most volatile months in recent share market history, with the share prices of all financial institutions under severe stress.

For Suncorp, the underwriting process, where shares are sold into the market by the underwriter, placed additional pressure on our share price.

In order to relieve that pressure, the decision was made to place the remainder of the underwritten DRP shares privately.

The need to do this quickly meant the offer could only be made to major institutional investors.

There are stringent regulations regarding offers to retail shareholders, and in the circumstances Suncorp could not have met these regulatory requirements within the time-frame required.

It does, however, remain our objective that, where additional capital needs to be raised in the form of equity, all shareholders should have the opportunity to participate in as fair and equitable manner as possible.

Let me now turn to more recent events.

Over the past month or so, the strength of our banking business has attracted the attention of larger competitors as they seek to bulk up their own operations in response to volatile market conditions.

This should not come as a surprise.

Suncorp is an iconic brand, we have a large and loyal customer base, talented employees, a reputation for providing outstanding customer service, and a strong branch network that is predominantly located in a growth state.

Our responsibility as a Board was to give due consideration to those approaches, and a high level review process was initiated.

That process coincided with one of the most tumultuous weeks we had seen in an already volatile market.

In the circumstances, it was understandable that, notwithstanding the strong expressions of interest that had been previously received, two parties were unable to proceed.

The offer we received was on terms and conditions that were commercially unacceptable, and for consideration that did not reflect the strategic value of Suncorp's banking and wealth management assets to a purchaser, or fair value for shareholders.

That offer was rejected by the Board.

Given ongoing speculation about our banking and wealth management businesses, I would like to take this opportunity to clarify our position on any future approaches.

The Board is willing to re-engage with those parties who have, in the past, expressed strong strategic interest in these assets, and remains open to proposals that are, in the current economic conditions, realistic and offer fair value to our shareholders.

At the same time, the Board will consider all other options available to the company to conduct its business in a manner that is consistent with the changed economic circumstances.

In taking this position, the Board recognises the initiatives recently introduced by the Prime Minister and Treasurer in response to the global market developments.

While it is still too early to understand the full effects of the recent amendments, we acknowledge the efforts of the Government in seeking to maintain the strength of the Australian financial services sector at a time of global economic turmoil.

We do, however, acknowledge that this package is of a short-term nature, and is not seen by us as institutionalised support.

We have therefore responded, and will continue to respond, appropriately in light of the fundamental change in economic circumstances.

We continue to keep the value of our assets under review and, should we reach the conclusion that the interests of our shareholders would be better served by the disposal of any of our assets, we would take the appropriate action.

This should not be interpreted as a variance from our current diversified financial services strategy.

It is merely stating our Board's responsibility, as we have done consistently over the past few years, to take any action necessary to maximise shareholder value.

Before I hand over to John Mulcahy, I do want to make some comments about our dividend policy.

In the financial year just passed, the Board approved a full year ordinary dividend of 107 cents per share, despite the significant fall in headline profits.

This was based on our assessment of the underlying performance of the business, and our view that the confluence of external events had been the major contributor to that reduction in profits.

On August 1 this year we advised shareholders that we anticipated our ordinary dividend for the full year to June 2009 would be maintained at 107 cents per share.

In John's address, he will point out that our business has made a strong start to the current financial year.

This reflects a lot of good work that has already been done to make our company more resilient in these tumultuous times.

We have taken strong steps with respect to expense management.

We have slowed our growth in order to conserve capital. And we have significantly de-risked our business by taking a conservative approach to our reinsurance arrangements and the investments we make on behalf of our policy holders.

These actions provide us with confidence that we can respond effectively to the market conditions of today and into the future.

But, in the three short months since August 1, we have seen some fundamental changes in the world in which we operate. I challenge anyone to accurately predict what the immediate future may hold, when the immediate past has been characterised by such unprecedented volatility.

Therefore in what are extraordinary times, the Board believes it should adopt a conservative and prudent approach to the way it manages the capital position of the company, so as to have available appropriate buffers to better withstand a variety of exceptional scenarios.

Accordingly, the Board has concluded that it must be in a position to consider the reduction of the quantum of dividends payable to shareholders for this financial year.

This consideration would need to be made in the context of the company's first half result, which is due to be presented to the market on 24 February 2009.

Shareholders can be assured that any decision would not be taken lightly, and would take into account the operational performance of the business, Australia's economic outlook, the state of global funding markets and the Board's views of the level of capital required to appropriately manage the business in challenging times.

Finally, I would like to address the issue of Suncorp's share price.

As I mentioned earlier, we share the concern of our shareholders in relation to our recent share price performance.

Although the share price performance of the entire financial services sector has declined over the past 12 months, we do not believe that the market is ascribing fair value to Suncorp, especially given the strength of our underlying business performance.

We acknowledge, however, that it is up to the Board and management team of the company to address this - by demonstrating strong business performance, by ensuring integration remains on track and by delivering on the promises that we have made to the market.

As we achieve these milestones - and I firmly believe we have the management team and business model to do so - I am confident that the market will rerate us accordingly.

In conclusion, there is no doubt that this financial year was extremely challenging.

But it should not be over-looked that it was also a year in which considerable progress has been made.

I do want to thank John Mulcahy, his management team and all Suncorp people across Australia and New Zealand, who have worked extraordinarily hard over the course of the year.

Thanks also to my fellow Board members - your collective experience and perspective have been invaluable.

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

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

John Story
Chairman
28 October 2008