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Chairman's Report to Shareholders
Suncorp Annual General Meeting
Thursday 4 November 2010

Today's shareholder meeting represents an opportunity for your Board to report on the steady progress our company has made during the course of the past year.

In my address last year I spoke of a sense of cautious optimism - that the worst of the global financial crisis was behind us and that we were on a path to restoring our company's business performance and profitability.

I am pleased to report that the financial results for the 2010 financial year justify that optimism.

The Group's net profit after tax for the full year was $780 million - up from $348 million in the previous financial year.

While we are encouraged by this improved financial outcome, we are aware, as I'm sure you are, that this growth was from an unacceptably low base.

We also accept there is a lot more to be done before we can claim to have rewarded you for your loyalty and support.

I want to start today by thanking all Suncorp people across Australia and New Zealand.

Our people have again worked extraordinarily hard over the course of another challenging year.

Their efforts in supporting our customers, and executing the strategy and direction outlined by Patrick and his executive team, are recognised and appreciated by the Board.

Before handing over to Patrick, I would like to provide a high-level overview of last year's financial performance, and address a number of specific issues of interest to shareholders.

Improved financial performance

As I have already mentioned, the Group's net profit after tax for the 2010 year was $780 million.

While this was a significant improvement on the previous period, our headline number was supported by the proceeds of divestments undertaken during the year.

As part of our on-going efforts to simplify our business, the Group divested its ownership of LJ Hooker, while our 50% joint venture stakes in the insurance arms of Queensland's RACQ and South Australia's RAA were sold to their respective motoring clubs.

Together, these divestments realised $215 million in pre-tax profits, which we believe reflects fair value for these assets and, overall, a good outcome for shareholders.

Most importantly, each of our businesses is now growing profitably, in accordance with clearly defined and articulated strategies.

The **General Insurance** business achieved an after-tax profit of $557 million for the 2010 financial year, up 34% on the previous year.

This improved profit was achieved despite a continuation of adverse weather, including the severe hail storms that struck Melbourne and Perth in March, and widespread flooding across Queensland and New South Wales.

All personal insurance brands experienced healthy growth, as premiums were repriced to take account of the increased frequency and severity of major claims events over the past four years.

Gross written premiums for home and motor increased by 13% and 6% respectively.

Notwithstanding these increases, customer satisfaction for the mass market home and motor portfolios of AAMI, Suncorp, GIO and Apia - remains very high - at over 80%.

In long-tail classes, growth was achieved in the target sector of SME packaged business through a focus on the broker market, with stable retention as rate increases flowed through.

This was particularly pleasing as it is an area that the Commercial Insurance business has identified for future growth.

Our New Zealand insurance business produced a particularly strong result, with premium growth of 6.5% and an insurance trading result of $70 million, up from $38 million the previous financial year.

Of course, the current year financial results in New Zealand will be impacted by the significant costs associated with the recent Christchurch earthquake.

Reinsurance arrangements will cap our exposure at approximately $50 million Australian dollars, but the magnitude of property damage associated with this event, and the complexity of the repair effort, will provide yet another test for the industry.

Once again, our teams from Vero New Zealand and AA Insurance, supported by the wider Group resources, have been exemplary in support of our customers during their time of need.

Turning to the **Bank** – it has overcome significant challenges in recent years.

As economic change forced regional bank competitors from the market, we have had to adapt quickly to a new funding and competitive environment.

As a priority, we implemented a strategic plan to reposition Suncorp Bank in this fundamentally altered marketplace.

In the first full year result since it was split into core and non-core portfolios, the Bank has performed well, culminating in a recent upgrade to its credit rating.

The core bank, focused on its traditional strengths of home lending, SME and agribusiness, achieved an after tax profit of $268 million, with a net interest margin of 1.8%.

Deposit growth of 12.9% was well above system growth of 7.9%, while lending growth for the second half and into this financial year has returned to system levels.

As anticipated, the non-core bank incurred an after-tax loss of $224 million, but the run-off of the portfolio has progressed ahead of expectations, providing significant capital benefits for the group.

Suncorp Life's full year result reflected its simplified, more efficient business model and strategy.

Net profit after tax for this business, which includes market adjustments, was $222 million compared to $117 million the previous financial year.

Underlying profit after tax increased nearly 7% to $192 million.

Our discipline in managing policy lapse issues resulted in Life Risk profit strengthening in the second half, and in-force premium growing by 7%.

New business growth was also seen in the independent financial adviser channel, while both the Superannuation and Investments and Asset Management businesses posted solid results.

Capital / Dividend

As a consequence of the Group's improved profitability, capital levels within the business have improved significantly over the course of the year.

The improvement in our capital position, combined with our confidence in the future prospects of the business, allowed the Board to pay a full year dividend at the top end of our target payout ratio.

We believe that this ratio, of 50% to 60% of cash profits excluding divestments, remains appropriate, having regard to the continuing uncertainties within the external environment that are affecting the global financial services sector.

However, it is clear that a combination of achieving the operational targets we have put into the market, and the orderly run-off of our non-core banking portfolios, will see the emergence of capital that is surplus to the requirements of the Group.

As and when this occurs, it is the clear intention of the Board, that this be returned to shareholders.

But I stress that this will be subject to a substantial resolution of the existing uncertainties within the external markets, and only when it is fully prudent to do so having regard to the circumstances within the Group.

NOHC proposal

An essential component of the Group's progress during the past 12 months has been the simplification of what had become a complicated corporate organisation.

In recent weeks we have flagged our proposed move to a Non Operating Holding Company structure.

Rather than the Bank being the holding company for the Group, the NOHC structure will create a new parent holding company for the Group.

A simplified structure with greater transparency will significantly enhance the way we manage the Group, particularly the way capital is allocated to our various business lines.

From a Board perspective, it will facilitate the setting of performance targets that are aligned to the interests of shareholders, and the assessment of performance against those targets.

From an external perspective the NOHC structure will allow the investment market to better analyse and value our business.

And from a regulatory perspective, we believe that, by moving to a NOHC structure, we will have anticipated the future regulatory framework as it will relate to financial conglomerates.

But, importantly for you, our shareholders, the NOHC proposal is very much about an internal restructure of the Group's current businesses.

It will not change the nature of your Suncorp investment, or require you to do anything other than vote on the proposal later this year.

More information about the NOHC proposal will be posted to you in the next fortnight.

Board size and composition

Turning to the Board, at last year's AGM shareholders approved an amendment to Suncorp's constitution.

This was the beginning of a process that allowed us to address issues related to the Board's size and composition.

After securing the relevant legislative and constitutional changes required, we have delivered on the commitment to address this issue.

Since last year's AGM, five directors have retired from the Board.

Two new directors - Stuart Grimshaw and Ilana Atlas - have been appointed, with Stuart standing for election today and Ilana joining us as from 1 January 2011.

They bring to the Board career experience in banking and the broader financial services industries.

At this point it is appropriate to acknowledge the contributions of those retired non-executive directors - Leo Tutt, Martin Kriewaldt, Cherrell Hirst and Ian Blackburne.

All served Suncorp and its predecessor companies with distinction - and we wish them all well in the future.

Sadly, another retired director - Chris Skilton - died earlier this year.

Chris had a distinguished career with Suncorp as an executive director, CFO and acting CEO, and he is greatly missed by all of us who had the pleasure of working with him.

Chairman transition

With continued evidence of the stabilisation of the operations of the Group and the generation of momentum within the business, it is also appropriate that we complete the renewal of the Board with the transition to a new Chairman.

I have decided, with the support of the Board, that I will retire at the 2011 Annual General Meeting.

I stand for re-election today but, if re-elected, will serve only one year of the extended term.

This timing will enable a planned and orderly process of transition.

In particular, it will ensure continuity as we emerge from the rebuilding phase and appropriate oversight of the complexities involved with our proposed move to a non-operating holding company structure.

Conclusion

In conclusion I would again like to thank Patrick, his executive team and all Suncorp people.

Although the Group's prospects improved significantly during the course of the year, many of our customers - particularly our insurance customers - experienced hardship or damage to their property as a result of ongoing volatility in the region's weather patterns.

Customer service is something that this company is very good at across all of its businesses, and I was proud of the way that Suncorp employees again responded to help our customers in their time of need.

Thanks also to my fellow Board members for having the unity of purpose and determination to make decisions for the benefit of this company, its shareholders, customers and employees.

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

I would now like to ask Patrick Snowball to address the meeting.

John Story
Chairman