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**Group CEO's Report to Shareholders  
Suncorp Annual General Meeting  
Thursday 4 November 2010**

I am delighted to be here to speak to you about my first year as the Group Chief Executive of Suncorp.

When I stood before you last year I expressed my enthusiasm for my new role and confidence about the prospects for Suncorp. I firmly believed this was a Group with quality people, leading products and loyal customers.

I also understood the daunting reputational and operational challenges Suncorp faced. The strengths of the Group and its people had been overshadowed by a series of disappointing financial results that had damaged the Group's credibility and the confidence of its key stakeholders.

Today, after a year of solid achievement the situation is markedly different.

Our businesses have been stabilised, our capital position is much stronger, we have appointed a very experienced senior leadership team and our key stakeholders now have a clearer understanding of the strategic direction of our Group and how we plan to get there.

Last year I talked about Suncorp's three big challenges. I said these were to restore the Group's credibility; rebuild the confidence of the Group's stakeholders in its strategies and capabilities; and to create the conditions for a new Suncorp culture.

The quality of our latest financial results has assisted in rebuilding the Group's credibility and confidence, and we have made good progress in building a new Suncorp culture that emphasises the value of working for a strong, unified, financial services group.

Whilst sentiment towards Suncorp has certainly improved, we recognise that it is just a start. We fully understand that Suncorp cannot regain credibility and rebuild confidence in a year.

What we have done is reduce the concerns many had about the prospects for our Group and laid the foundations for future improvement and long term, profitable growth.

Personally, the most pleasing aspect of my address today is that I can say to our shareholders that we have made excellent progress with the program of work we set out last year.

One of our tasks was to ensure we had a strategic direction that reflected Suncorp's business strengths and future needs. We then had to ensure this was understood and accepted by our key stakeholders, including our people.

We decided that *One Company. Many Brands* was a clear and compelling way to describe the Group's new strategic direction. This highlights our aim to combine the scale benefits of a large, unified financial services Group with the market strength of a portfolio of leading brands and nine million customers.

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To implement this strategy, we needed an effective structure and operating model to run Suncorp's unique businesses. So we now have five operating divisions: Personal Insurance; Commercial Insurance; Vero New Zealand; Suncorp Bank; and Suncorp Life.

These are supported by a lean corporate centre and specialist areas that provide services such as business technology, purchasing, real estate and human resource management, brought together in Suncorp Business Services.

Equally important has been the completion of the Group's new three-year business plan. We ensured the key elements of this plan were communicated to the market in three presentations earlier this year.

This plan will ensure our strategy is effectively implemented and each of our operating divisions has clear profit and growth targets.

When I addressed shareholders last year I said a priority would be to reduce the complexity and duplication in key processes and operating systems across the Group.

To do that we launched late last year a series of projects collectively known as our Strategic Building Blocks. These were designed to improve the efficiency of the systems we use to manage pricing, claims, financial control and human resources.

I am pleased to report that we have made good progress with these projects.

For example, we have successfully consolidated our multiple financial systems onto a single ledger. To assist with our marketing and sales activities, we now have a single view of our nine million customers across our major direct brands.

We are improving the efficiency of our pricing systems and we have built a computer system to enable us to more accurately assess the risks associated with each insurance policy we sell. We are already moving 80 per cent of our motor insurance policies on to one pricing platform.

Claims management is another area we are making more efficient. We are taking the best practices from the various brands across our Group and consolidating those into a standard claims model for all of personal insurance.

Another priority of our strategic building blocks program has been to simplify our people systems and processes and deliver consistent employment arrangements for all our employees. We are now moving from six separate and complex employment agreements to one highly flexible approach.

The result will be fairer, more transparent, market-competitive working arrangements for all Suncorp employees. Importantly, this approach will help us create the conditions for a unifying culture across the group.

The next step is for Suncorp people to vote on the new agreement later this month. We believe that through extensive negotiation, debate and discussion we have arrived at a proposal that appropriately balances the interests of all parties.

Across the Group, this will be a \$33 million annual investment in our people and you, our shareholders, will benefit from a company that will become more efficient, easier to manage and attuned to the needs of its customers.

As the Chairman has noted, another key element of our simplification story is the proposal to move to a non-operating holding company – or NOHC.

There are many operational and governance reasons why moving to a NOHC structure makes sense. For shareholders in our company, an obvious question would be: What's in it for us?

I believe one of the most important benefits will be an improvement in the understanding of the value of each of our businesses. The complexity of our current legal structure means that investment markets are unable to properly value operational performance and the quality of our underlying asset base.

Although this has not been the only reason for Suncorp's share-price underperformance over recent years, I believe it would be fair to say it has been a contributing factor.

The NOHC will significantly improve the transparency of our overall business and this should assist the valuation of our individual businesses and the Group as a whole.

All of this work to improve Suncorp's strategy, structure and operations has been important for our Group's recovery from the global financial crisis. Impressive as this is - it is not all that has been achieved during the past year.

As you have already heard, Suncorp reported a net profit that was substantially higher than the year before. This was broadly in line with market guidance and expectations, and was another key step in regaining credibility for our Group.

Our latest result was impressive considering the market volatility created by the global financial crisis and the need to manage claims from two of the largest and most expensive weather events in Australia.

The fact that we have been able to implement major changes across the Group and boost Group profit reflects well on the commitment and capability of Suncorp's people.

It is also confirmation of the unrealised potential of this Group.

In summary, our most recent financial results were encouraging and another sign that Suncorp's recovery is well underway.

Looking ahead, we expect continued instability in global economies and financial markets. Although Australia has passed through the global financial crisis better than most developed nations, this does not mean we can expect a rapid return to the economic growth and buoyancy that preceded the crisis.

Australia's economy continues to benefit from the strength of mineral and energy exports, yet the United States and economies in Europe continue to have serious issues that will take considerable time to resolve.

Global and local financial markets will remain unsettled. This is impacting on the cost of funds for Australian banks and is influencing their response to the RBA's recent interest rate rise.

The recent international tension over the management of national currencies is another example of the many issues impacting the global and our national economy.

Whilst most developed economies are trying to boost production and consumption, Australia has the challenge of controlling an economy that is close to capacity in some areas. A related challenge is to ensure that there is even growth across Australia and all industry sectors.

Australia also has a new Federal Government comprised of political parties and independent representatives. It will take time for these arrangements to be clearly understood and for companies such as Suncorp to adapt to the new terms of engagement with Canberra.

We understand that industry leaders such as Suncorp are expected to be clear about their corporate strategies and direction. They also need to be active in addressing corporate social responsibility and governance matters.

That is why we have introduced a new corporate social responsibility approach and enhanced our governance and risk management capabilities.

In conclusion, we have made a promising start to our recovery. We now have a clear strategic direction and a viable business model.

We also have the businesses and the capabilities to achieve the Group's potential and we have a logical and fully integrated series of change programs that are progressing well and already providing important benefits.

Our priorities for the coming year are clear.

Our full attention will be on implementing our plans and achieving profitable growth and we see this as the way to begin to meet the expectations our shareholders have for our Group.

I thank my Chairman John Story and others on the Suncorp Board for their ongoing support and also thank my leadership team and all within Suncorp for the extraordinary achievements of the past year.

Most importantly, I thank you the shareholders of Suncorp for your continued loyalty to our Group and for your confidence in our future.

**Patrick Snowball**  
**Group CEO**