

26 September 2023

Suncorp 2023 AGM Chairman's and Group CEO Addresses

Suncorp Group Limited's (ASX: SUN | ADR: SNMCY) 2023 Annual General Meeting (AGM) will be held today at 11:00am Australian Eastern Standard Time (AEST). The meeting will be held in a hybrid format, with shareholders able to attend in person at the Sofitel Brisbane, Ballroom, and via the online AGM platform which can be accessed at meeting.linkgroup.com/suncorp23.

More information on the AGM, including the 2023 Notice of Meeting, is available on the [Suncorp Group website](#). If you are unable to join the AGM live, a recording will be made available shortly after the conclusion of the meeting on the [Suncorp Group website](#).

The Chairman's and Group CEO's addresses to be delivered at the AGM are enclosed.

Authorised for lodgement with the ASX by the Company Secretary.

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CHAIRMAN'S ADDRESS - CHRISTINE MCLOUGHLIN

Navigating our operating landscape

Suncorp Group's achievements over the past year have been underpinned by three years of focus and dedication in delivering the Group's FY23 strategic plan, which our CEO Steve Johnston will talk to in greater detail.

The challenges we have faced over this time and continue to navigate, include ongoing geopolitical and economic volatility, the consequences of the global supply chain disruption, permanent shifts in workforce dynamics and accelerated technology demands and developments.

We've also experienced record levels of inflation, heightened regulatory imposts for the financial services industry; greater threats of scams and cyber-attacks, and elevated levels of natural disasters across Australia and New Zealand including both the costliest insured event in Australia's history, being the 2022 East Coast Floods, and the unprecedented flooding and Cyclone Gabrielle that ravaged parts of New Zealand's North Island within just weeks of each other earlier this year.

These are the constant reminders of the impacts extreme weather patterns and our changing climate are having on people and communities, while the resulting increases in reinsurance costs for insurers like Suncorp and related pressure on premiums are being felt across the insurance industry and by consumers alike. Our CEO will speak about reinsurance costs and insurance affordability shortly.

The value of insured losses in Australia for 2022 alone was estimated to reach a record high of more than \$7 billion as outlined in the Insurance Council of Australia's most recent Catastrophe Resilience report. Reinsurance costs rose to 20-year highs this year, with hikes of more than 20 to 30 per cent for Australian insurers.

Given these challenges, we also acknowledge that the insurance industry faces into a period of increased focus and scrutiny from government, regulators, consumer groups, and the community.

Suncorp's priority remains on driving better outcomes for our customers. We take our engagement with regulators and the government around customer matters seriously, with such matters a focus of your Board. We, along with other insurers and the Insurance Council of Australia, will engage constructively in the upcoming Parliamentary Inquiry being conducted by the House of Representatives, which will review insurers' response to the 2022 floods and how we can better prepare for future events.

I remain encouraged by the Group's ability to tackle challenges, capitalise on opportunities, and focus on the things that matter through times of turbulence and uncertainty – which has seemingly become par for the course. It is critical against this backdrop that your Board dynamically assesses risks and opportunities that come with the shifts we see in addressing climate change and in adaptation enabled by new technologies and innovation – I'll cover more on how Suncorp is responding in a moment.

Financial performance

Before doing so, I'll make a few brief comments on the Group's FY23 financial performance, noting that CEO Steve Johnston will cover this in more depth in his address.

The Group delivered a strong set of results for the year, with material increases in both the Group's net profit after tax of \$1.15 billion and cash earnings of \$1.25 billion. This was largely underpinned by a significant turnaround in investment returns and the release of the provision we had held for business interruption through the year. The Group also met its key financial and operational targets through the delivery of our FY23 plan.

In line with our disciplined approach to capital management, we maintained appropriate capital buffers throughout the year, factoring in the elevated level of natural disasters and impacts on our reinsurance program.

Your Board determined to pay a fully franked final ordinary dividend of 27 cents per share, bringing the total ordinary dividend for 2023 to 60 cents per share. While this is at the bottom end of our 60 – 80 per cent target

payout range, it reflects factors including higher capital requirements relating to our reinsurance renewal and the uncertainty created by the recently announced delay in the sale of Suncorp Bank.

Sale of Suncorp Bank

Shareholders are aware that last month the Australian Competition and Consumer Commission (or ACCC as it's commonly referred to) determined that it would not approve the proposed sale of the bank to ANZ Banking Group.

Your Board remains of the view that the sale of our Bank to ANZ is in the best interests of you, our shareholders, and all of our stakeholders. For this reason, Suncorp is supporting ANZ in applying to the Australian Competition Tribunal for a review of the ACCC's decision.

The Tribunal, which is led by a Federal Court Judge, has now been formed and will independently review all of the evidence that was before the ACCC and form its own view based on that material. We expect the hearing to take place in December this year, with a decision likely to be made by the end of February 2024.

As the matter is now before the Tribunal, it is not appropriate that I comment on this any further. I appreciate your patience as this is underway.

As you may be aware, should ANZ receive approval from the Tribunal, the Bank transaction remains subject to both the amendment of Queensland's State Financial Institutions and Metway-Merger Act and approval from the Federal Treasurer.

Pending all approvals, we would expect completion of the transaction to be around the middle of next year and our intention to return the majority of net proceeds in excess of the needs of the business to our shareholders following this remains unchanged.

In the meantime, I would like to make it very clear that we are getting on with business and remain 100% committed to executing on our Bank's operating plan. As always Suncorp Bank strives to provide excellent service to our customers and communities.

Shaping our future

As we navigate our rapidly evolving landscape, your Board continues to place high priority on ensuring we are well equipped with the right mix of knowledge and skills to effectively respond and adapt, and meet customer, employee and community needs and expectations – not only today but into the future.

We do this through regular engagement with experts across a variety of fields who help deepen our understanding of the major trends impacting our economies and the industry globally. This helps us make more informed, contemporary, and balanced decisions about the risks and opportunities that come with a future shaped by technology, digital and data advancements occurring at lightning speed; climate change and the related transition to a net zero economy; increased cybercrime and scams; and a heightened degree of regulatory impost given the increasingly complex regulatory landscape in both Australia and New Zealand.

Throughout the year the Board conducts insight sessions on key environmental, social and governance matters, cyber scenario planning and testing, customer immersion experiences, stakeholder and industry forums such as our annual consumer advocate day and various resilience roundtables, and on-the-ground assessments following weather events. This past year saw a number of us visit affected regions to get a deeper sense of both the destruction and the customer experience.

When we visit communities after major disasters, we are inevitably struck by the confluence of events which includes failures in planning processes. There are examples where customers' homes have been impacted in a flood zone, time and time again. This is not sustainable.

Recent KPMG analysis indicates that around 18 million Australians were living in a local government area impacted by a natural disaster in 2022, with the number of people living in impacted areas more than double the average for the previous ten years.

Demanding greater urgency in addressing these planning failures remains core to Suncorp's advocacy agenda, which more broadly calls for greater investment in community resilience and mitigation measures to better protect people and communities – and alleviate the growing problem of insurance affordability and accessibility.

Essentially, governments at all levels need to limit development on flood plains and encourage their occupants to move to higher ground. While a sobering read, it was encouraging to see the recently released Intergenerational Report by the Australian Government stress the urgency for investment in resilient infrastructure given the increasing risk of such natural hazards and their broad social and economic impacts.

Having recently hosted the annual Queensland SES Awards at our Brisbane headquarters, I know this is also top of mind for our emergency services departments who are often at the forefront of the response and recovery efforts each time disaster strikes.

Technology

As I've touched on, technology innovation continues to be a driving force for change. The opportunities automation and Artificial Intelligence, or AI as it's known, present for the insurance industry will be game changing. Suncorp is well advanced in exploring the considerable opportunities AI will provide in reshaping our value chain and improving how we serve our customers.

We have used AI for a number of years, with a focus on saving time for our people; creating more intuitive, personalised experiences for our customers; and driving business outcomes.

There has however been a step-change in terms of the capabilities AI can deliver since late last year, via Generative AI. While there has been a lot of buzz about it, these new models have the capability to truly transform both our customer and people experience, from underwriting and pricing to claims and reporting – with the ability to deliver more streamlined operations and greater personalisation.

Like the adoption of any technology, your Board remains deeply alert to the importance of having adequate risk controls and data ethics principles to underpin such innovation. This is why we are taking a strategic and prudent approach to managing both the usage of generative AI and understanding its potential application across our business.

Data privacy and security remains of utmost importance to Suncorp, and an increasing area of focus for your Board. The escalating frequency and sophistication of scams and cybercrime is a confronting issue for businesses and consumers.

As such, it is an area where your Board has placed extensive focus this year. Banking scams featured as a key topic at our Consumer Advocate Day in June, with consumer advocates and Suncorp leaders coming together to co-design solutions to the growing problem. At the same time ensuring the right level of support is being offered for our customers and communities. We know it is imperative that not only the threats be understood but the actions available to our customers protect themselves are also well understood, which is why education campaigns remain crucial.

While we have invested in research to inform our approach to scam awareness for both customers and employees, we know we must do more as the pace of technology innovation underpins increased frequency and severity of financial crime. This is an industry issue across the markets we operate in. Ongoing cross-sector collaboration is critical in addressing the issue and on this front, we continue to work with the Australian Banking Association, Australian Federal Police, and key regulators to share knowledge and learnings with a view to national, industry and customer security.

At the same time Suncorp continues to place increasing emphasis on building our own cyber resilience and strengthening our capabilities and investment in data analytics and technology to protect our customers, people, and our business as best possible.

Closing comments

Over the past 18 months Board stability and focus has been critical.

As we look ahead, your Board will evolve to reflect the changing composition and priorities of our business. We remain committed to ensuring that collectively we have the necessary mix of skills, expertise and diversity for the effective governance of Suncorp.

In closing, I would like to thank my fellow Directors for their continued support, guidance, and commitment, Suncorp's Group CEO, Steve Johnston and the executive team for their ongoing leadership and delivery against our commitments.

I would also like to record the Board's thanks for Paul Smeaton's significant contribution to Suncorp's success in the various roles he has held since joining Suncorp in 1994, most recently as our Insurance Chief Operating Officer in Australia. We wish him well.

Likewise, as I mentioned, we announced this morning that Clive van Horen will depart Suncorp at the end of the year to pursue an external opportunity and we wish him well.

And as always, we thank all of Suncorp's dedicated employees for their support of our customers and communities, which remains at the heart of Suncorp.

It remains a great privilege to chair the Board of this company which plays such an important role in our community.

Finally, my sincere gratitude goes to you, our valued shareholders, for your continued loyalty and confidence in the Suncorp Group. Be assured we remain committed to delivering long term value for you.

GROUP CEO'S ADDRESS - STEVE JOHNSTON

Today's report on the FY23 financial year represents the final year of the three-year plan I outlined soon after being appointed your CEO.

By focussing on four key areas – our people, our customers, investments in technology; and by advocating for change, we set out to simplify our business and drive improved outcomes and performance.

Our plan was underpinned by our Purpose and by 12 clear initiatives across our three businesses, with targets attached to allow our stakeholders - including you, our shareholders – to measure our progress.

Specifically, in financial terms - by FY23 we said we would deliver a sustainable return on equity above the through the cycle cost of equity, with the general insurance business achieving an underlying insurance trading ratio (or ITR) of between 10-12%, and the Bank a cost to income ratio of around 50%. We committed to keep our costs flat while building the Group's digital and data capabilities.

I'm pleased to report that three years on, and in the face of some considerable headwinds, we have delivered.

We've taken Suncorp's strong foundations and built a more resilient, purposeful and modern business. One that is well placed to deliver to the changing needs of our customers now and well into the future.

Turning now to a brief overview of our performance for the FY23 year and the Group's net profit after tax of \$1.15 billion and cash earnings of \$1.25 billion, represent significant increases on the FY22 year.

You may recall I spent some time discussing the flow on impacts of investment market volatility on our reported profits at last year's AGM. I said then that the mark to market losses we experienced in FY22 could be expected to unwind to profit in FY23, and that's exactly what has happened.

However, looking through the headline profit results to the key underlying metrics - and the evidence of improved performance is clear.

Both our Australian and New Zealand insurance businesses achieved strong premium growth of 10.6% and 14.3% respectively, largely reflecting the price adjustments required to address material increases in reinsurance and natural hazard costs and broader claims inflation. I'll talk more about the rising cost of reinsurance and its impact on our customers in a moment.

The underlying ITR, which is the metric that best measures the underlying performance of an insurance business, has improved from 9% at the start of the year to 10.9%. I'd remind you that this measure was 7% when we embarked on our three-year plan.

The Bank has had a very strong year, with growth across both business and home lending; a cost to income ratio of 51.8% and continuing low impairment charges, reflecting the high quality of the portfolio.

As the Chairman pointed out - the FY23 year was not without its challenges, thanks to a third consecutive La Niña weather pattern and the emergence of economy-wide inflation. Natural hazard costs exceeded our allowances by \$97 million however, this year, the exceedance occurred in New Zealand, with Australia largely in line.

In late January, Auckland and its surrounding regions were smashed by a unique rain event causing widespread flash flooding and property inundation. Two weeks later, with the floodwaters barely receded, along came Cyclone Gabrielle. I had an opportunity soon after to tour the affected regions with our NZ CEO Jimmy Higgins. Seeing the damage firsthand and meeting with customers, brokers and our people made it clear that this was a recovery like no other we have experienced. Once lush, fertile vineyards and orchards found themselves covered in metres of toxic silt. Remediation would be painstaking and take many years, if at all in some cases.

It's in these moments the discussion moves from the cost of insurance to the value of insurance.

I'm incredibly proud of the way our Vero and AAI teams have mobilised to manage such a challenging event. They have done an amazing job with more than 70% of claims already completed. The recovery, however, was meaningfully assisted by our ability to redeploy a team of Australian-based claims managers, assessors and builders - Suncorp people and partners who had recently been supporting customers following the Australian east coast floods. To have up to 100 of our Aussie team taking calls from our kiwi customers or arriving at their doorstep in their moment of need shows how concepts like Purpose and customer obsession transcend geographies.

I'm also proud of the progress we have made in digitising our customer interactions across sales, service and claims management. This was a key operational metric attached to our three-year plan. Plenty of people have said that given its complexity insurance would always be an over-the-phone type of product. Today we are well on our way to our ambition of being an 80/20 business; that is 80% digital and 20% via the phone. There is no P&L item to reflect this progress, but I know from meeting with established, large-scale insurers in Europe and the US, that we are a leader in digitising our business.

And finally, another non-P&L measure that should be highlighted is the improvement in our broker engagement and turnaround times in home lending. When we embarked on our three-year plan we were an outlier in terms of speed to approval, complexity of process and broker satisfaction. Today we are a leader having scored number one for turnaround times for 32 of the 52 weeks in the FY23 year. The Bank team have done a terrific job.

Our people, customers and communities

Indeed, while the financial and operational results achieved are an important measure of our performance, we also measure ourselves on the outcomes we achieve for our people, customers, and communities throughout the year. We go to great lengths to ensure the wellbeing of our people is prioritised and that they have the tools and support they need to deliver for our customers. Our employee engagement scores at Suncorp remained in the top quartile of our peer group this year, reflecting our compelling employee value proposition and meaningful work.

I've already mentioned our efforts in New Zealand but in Australia we have maintained a strong focus on supporting our customers impacted by extreme weather events throughout the year, as well as working through the remaining claims, many of them highly complex, following the 2022 Australian East Coast Floods.

We have finalised more than 90% of these claims and are committed to getting every last claim sorted.

Naturally, there is increasing attention on insurers in how customers are supported, how claims are managed, and complaints dealt with given the frequency and magnitude of such natural hazard events and the growing issue of insurance affordability and accessibility.

While Suncorp has stepped up as best possible under unique and challenging circumstances, I acknowledge there is always more work to do to simplify insurance, make it easier to understand and in making the experience better.

Likewise on the banking front the uptick in scams and fraud being experienced remains a priority for our team.

Insurance affordability and accessibility is a topic that's been top of mind for Suncorp for a very long time and is intrinsically linked to the advocacy work we do around natural hazard resilience.

One contributing factor is reinsurance. Like most Australian insurers, we buy extra cover from global reinsurers to manage the risk of large-scale natural disasters. Off the back of an elevated level of natural hazard activity, insurers like Suncorp are now experiencing significantly higher reinsurance costs as reinsurers around the world reassess and price for the increased risk of such disasters across Australia and New Zealand.

In this regard I welcome the involvement of the Assistant Treasurer, Stephen Jones who last week led a delegation to the UK and Munich to hear the issues firsthand. In insurance as in banking, Australia is inextricably linked to the global marketplace and the increasing frequency of hazard events, climate change and long dated failures in local planning and mitigation have conspired to drive this material transference of risk from reinsurers to primary insurers like Suncorp.

This, combined with the inflationary environment and the proportional impact of taxes and charges on insurance products, is contributing to rises in insurance premiums. We recognise the impact more expensive insurance is having on people, families and businesses and we know they cannot be expected to bear all these additional costs.

This is why Suncorp continues to focus on embedding greater efficiencies in our own business through initiatives like our best-in-class claims program. It's why we continue to digitise and automate our business and invest in world-class technology. Creating the capacity to invest in innovation in product design and coverage is an essential part of the insurance affordability story.

So too is advocacy. This issue cannot be solved by the industry or governments alone. We must work constructively together. This is why we continue to argue for increased investment in measures that help build a more resilient Australia and New Zealand. The bottom line is if we reduce the risk, we reduce the premiums.

This year we've seen some encouraging progress with commitments of Federal and State government funding for mitigation and resilience programs. But there remains so much more to do.

Just last week we saw the declaration of an El Niño climate pattern by the Bureau of Meteorology which will likely bring its own set of challenges in the form of warmer, drier conditions and increased risk of bushfire and drought.

Looking ahead

As we look ahead, our focus remains on building on the strong foundations and momentum achieved across our businesses over the past three years, while working with government, industry and other stakeholders to tackle these fundamental challenges.

We will continue to work constructively and respectfully through the approval process in relation to the sale of our Bank to ANZ over the coming months.

As always, I thank all of our teams for their ongoing dedication and tireless commitment to our customers, communities and business.

I would like to thank the Board and our leadership team for their ongoing support, and make a special mention of Paul Smeaton, our Chief Operating Officer for Insurance, who as the Chairman mentioned will retire at the end of 2023. Paul has served Suncorp for almost three decades, and we wish him well.

We have recently welcomed Michael Miller to our Executive Leadership Team in the newly created role of CEO Commercial and Personal Injury Insurance. Michael, a Queenslander, who like me was raised in Brisbane's southern suburbs, has served Suncorp in a number of senior roles over the past 12 years and we look forward to his ongoing contribution in this elevated capacity.

I'd also like to acknowledge Clive's contribution to the Bank and its improved performance over the past three years. Clive should be very proud of what the Bank has achieved under his leadership. We're disappointed to see him go but wish him all the very best for the future.

Finally, I extend my appreciation to all of our shareholders for your continued confidence in our company.

ENDS