

21 September 2017

CEO's address
Suncorp Group Limited 2017 Annual General Meeting



CEO's address
Michael Cameron, CEO & Managing Director

Good afternoon and welcome to the 2017 Suncorp AGM.

I hope you enjoyed the video of our team doing what they do best, being there for our customers during the moments that matter.

Today I will provide:

- An overview of our results;
- An outline of our strategy, including the reasons for change;
- Metrics for our Business Improvement Program and Marketplace Acceleration; and
- Confirmation of our medium term targets.

Delivering strong returns for all stakeholders



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Net profit after tax was \$1,075m, representing a 3.6% increase on last year. The result reflected good top line growth, disciplined management of margin, and a sensible balance between reducing overheads and investing in the future. With working claims now under control, the Insurance business achieved an underlying result well ahead of the prior year.

The final dividend of 40 cents took total dividends for the year to 73 cents, an increase of 7.4%, representing a payout ratio of 82% of cash earnings. ROE of 8.4% was also an increase on the prior year. The Total Shareholder Return for the 12 months was 28% (net of dividends reinvested), outperforming our peer group at 20%.

On 3 August, we announced our decision to accelerate our investment in the Marketplace. We expect that more intensive engagement with investors over the year will lift confidence and understanding of the benefits of our strategy.

Our new strategy and operating model are now fully embedded in the business. We've seen early signs of the deepening of relationships with improvements in our customer measures and good top line growth. We've grown customer numbers for the first time in years, through improved volumes and better retention. This is tangible evidence that the strategy is working.

We continue to digitise our business and we now have over 80 million digital interactions with our customers each year. More customers with deeper relationships will unlock significant value for shareholders.

We have a culture that values diversity. We seek to reflect, and be a part of the communities in which we operate and live. We pride ourselves on flexible work offerings with 82 per cent of our people accessing these arrangements. We continue to review our people practices to better facilitate gender equality. Our organisation recognises the value of mature aged employees with 11% of the team over 55.

I'm pleased that our employee engagement scores are above Australian and Global averages. Our ultimate goal is to be top quartile. There has been significant change at Suncorp over the past year and we constantly ask our teams to do more. Although this can be disruptive and can cause uncertainty, our people continue to deliver outstanding results. I'm very proud of their efforts, particularly the senior executive team.



Our impact on the environment is important. I'm pleased that we have achieved a meaningful reduction in greenhouse gas emissions and fuel usage. We also reduced our air travel by 22%. We will continue to drive further reductions this year and into the future.

In relation to the impact of major events like Cyclone Debbie, our comprehensive reinsurance programs help to protect our capital and reduce the earnings volatility in the insurance business. Our extra cover in FY17 worked extremely well, and we have extended those arrangements into FY18.

The Need for Change

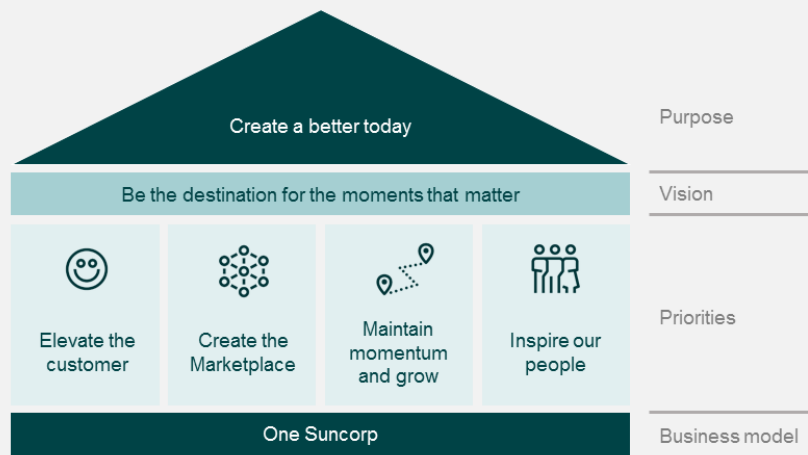
- **Increased competition** from traditional and Fintech operators
- **Commoditisation** of products on price
- Increased **customer expectations** on speed and functionality
- Increasing **complexity and choice**, low trust
- Increased **regulation** and cost **inflation**

I mentioned it's been a year of change for Suncorp with the new strategy and operating model. Often people talk about our strong foundations, including our success over the last five years, and question why we need to change. There is increasing competition from both traditional players and from new technology operators. A significant number of our products are being commoditised, where lower prices are the only difference between Suncorp and others – this is not sustainable.

Our customers' expectations have dramatically increased and we are being measured against companies outside of our industry on aspects such as speed and functionality.

Financial Services offerings are increasingly complex and there is enormous choice. Trust is not automatic. As an industry, there is increased regulation and operating costs are growing.

Strategy and 'One Suncorp' model



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Our strategy is working towards *creating a better today* for all stakeholders. Our vision, *To be the destination for the moments that matter*, focuses on services being bought, to better meet the needs of our customers, not products sold to meet targets. Our priorities are locked in, including 'Inspiring our People'. When teams are highly engaged and advocates for our business, they deliver their best.

Operational Excellence – Business Improvement Program

“Owner’s Mindset”	Cost (\$m)			Benefit (\$m)		
	FY18	FY19	FY20	FY18	FY19	FY20
Digitisation of customer experience	21	22	8	1	27	38
Sales and Service channel optimisation	9	17	18	15	13	30
End-to-end process improvement	12	1	0	15	45	45
Claims supply chain re-design	24	26	13	39	122	196
Smarter procurement and streamlining our business	31	13	23	37	67	82
Total	97	79	62	107	274	391
Net Benefits				10	195	329



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There are two significant programs of work that are currently underway. The first is the Business Improvement Program, which is about challenging the organisation to have an “owner’s mindset”. There are five main streams of work that are outlined on the slide. The focus is on digitising the customer experience, optimising our sales and service, end-to-end process improvement, claims redesign and smarter procurement.

As set out on the slide, this process will deliver net benefits of \$10 million, \$195 million and \$329 million over the next three years. This will ensure we maintain our expense base at \$2.7 billion in FY19 and beyond, absorbing the impact of inflation and expected growth in business volumes. \$2.7 billion is equal to our expense rate over the last few years.

Suncorp Marketplace Acceleration

	“Faster and Sooner”	Accelerated Investment (\$m)	
		Pre-Tax	Post Tax
– Up to \$100m after tax one-off in FY18	Single digital customer experience	23	16
	National roll-out of brand refresh	24	17
– Expenses expected to return to ~\$2.7bn in FY19	Journeys and integrated offers	25	18
	Third party partnerships	24	17
	Customer reward and recognition program	7	5
	Other (enabling technology)	39	27
Total		142	100



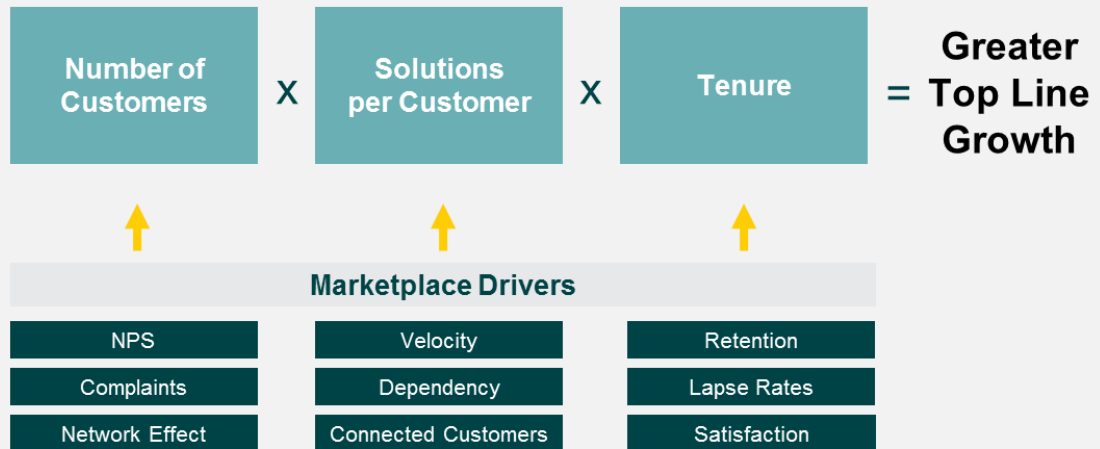
The second major program of work is the acceleration of the Marketplace. It’s about delivering benefits faster and executing sooner. Details of each component and a breakdown of the \$100 million post tax investment are shown on this slide.

We are building an app that will radically change how our customers interact with us, and this will create more value for them. We continue to roll-out the new branding to all our digital and physical assets, to underpin new growth opportunities. New journeys around home and car, and integrated offers will deliver additional solutions to our customers. New third party partnerships will allow us to satisfy more of our customers’ needs. An exciting customer reward and recognition program will further increase the value that our most loyal customers receive.

To ensure shareholders are not impacted by the additional one-off investment, we intend to increase the dividend payout ratio for this period. It will revert back to the 60-80% target range in FY19.

There is a small window to deliver the core components of this strategy. By accelerating the investment required to create the Marketplace, Suncorp can capture this opportunity ahead of others.

Suncorp Marketplace Benefits



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These initiatives will drive greater top line growth. This means more customers, with more needs met, using our services more frequently, and staying with us longer. Outstanding customer service alone doesn't guarantee a successful business. We have to genuinely meet the needs of our customers, with useful products and services, in a way that they can depend on us, and tell their friends. When we consistently create value for our customers, we have a sustainable business, where shareholders also benefit.

The Business Improvement Program will keep our expenses flat and reduce claims costs. Our Marketplace strategy will drive higher revenue through stronger top line growth.

Medium Term Targets

- **Broadening and deepening** customer relationships
- Operating expenses to **return to** ~\$2.7bn in FY19
- **Improving** underlying NPAT
- **Sustainable ROE** of at least 10%
- **Maintaining a dividend payout ratio** of 60% to 80% of cash earnings and returning surplus capital to shareholders

Our medium term targets are focused on building a resilient Suncorp and to drive shareholder returns. Improved top line growth and flat expenses provide a clear path to deliver a sustainable ROE of at least 10%. We will continue to target a dividend payout ratio of 60-80% of cash earnings, although as I said, we intend to increase this in the 2018 financial year to neutralise the impact of accelerating the strategy.

Delivering strong returns for all stakeholders

OUR BUSINESS PERFORMANCE

Net profit after tax
\$1,075m

Cash return on average shareholders' equity
8.4%

Customer satisfaction across our consumer brands
82%

OUR PEOPLE AND SOCIETY

Women in leadership
49%

Investment in local communities
\$9.8m

Engagement of our people
62%

OUR ENVIRONMENT

Reduction in air travel
22%↓

Reduction in fuel used in company vehicles
15%↓

Customers received premium reductions from Cyclone Resilience Benefit
35,000



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In conclusion, Suncorp has delivered strong business performance with improved net profit after tax and return on equity. We have embedded a new strategy and operating model designed to respond to market trends and to create value for our customers. This will unlock value for our shareholders and ensure a sustainable and resilient business for the future.

Thank you to all of our investors for your support, and to the Board for their ongoing commitment.

Ends

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