

4 August 2016

## Suncorp reports full-year profit of \$1,038 million and total dividend of 68 cents per share fully franked

---

### Key Points

- Group net profit after tax (NPAT) of \$1,038 million (FY15: \$1,133 million).
  - Profit after tax from business lines of \$1,159 million (FY15: \$1,235 million).
  - Final dividend of 38 cents per share fully franked (FY15: 38 cents) bringing the total dividend to 68 cents per share
  - General Insurance NPAT of \$624 million (FY15: \$756 million) with an underlying insurance trading ratio (ITR) of 10.6% (FY15: 14.7%).
  - Suncorp Bank NPAT increased to \$393 million (FY15: \$354 million). Net Interest Margin (NIM) of 1.86% (FY15: 1.85%) and Cost to Income ratio of 52.5% (FY15: 53.4%).
  - Suncorp Life NPAT of \$142 million (FY15: \$125 million) with underlying NPAT increasing to \$124 million (FY15: \$113 million) due to higher planned margins and continued positive claims and lapse experience.
  - Capital levels remain strong with the General Insurance Common Equity Tier 1 (CET1) at 1.21 times the Prescribed Capital Amount (PCA) and Bank CET1 improving to 9.21%, both above the top of the target ranges.
  - Organisational restructure completed on 4 July 2016, delivering \$80 million in annualised savings at a one-off pre-tax charge of \$55 million.
  - Continued implementation of plan to restore working claims performance.
  - Strategy focused on elevating the customer to drive growth and increase resilience to volatility.
- 

Suncorp Group Limited (Suncorp) today reported net profit after tax (NPAT) of \$1,038 million (FY15: \$1,133 million) for the 12 months to 30 June 2016. Profit after tax from business lines was \$1,159 million (FY15: \$1,235 million).

Chairman Dr Ziggy Switkowski said Suncorp has determined a final dividend of 38 cents per share fully franked, bringing the total dividend to 68 cents per share (FY15: 76 cents) which represents a payout ratio of 80% of cash earnings.

"The final dividend reflects the tangible benefits of the Group's diversified insurance and banking businesses. The net profit after tax result of \$1,038 million comprises improvements in underlying profit from our Banking, Life and New Zealand operations offset by the margin reduction experienced by our General Insurance business," Dr Switkowski said.

Suncorp CEO and Managing Director Michael Cameron said the organisational restructure, completed in early July, has positioned the business to deliver on its strategy.

"We have completed our transition to the new operating model, removing structural constraints to enable the business to deliver its unique customer marketplace strategy," Mr Cameron said.

“The Suncorp strategy focuses the business on elevating the customer to drive growth and increase resilience to volatility. The benefits of this strategy will continue to be seen over the medium term.”

## **General Insurance**

General Insurance NPAT was \$624 million with a reported ITR of 9.9%, reflecting the increased cost of settling claims and lower investment returns. Following the two East Coast Low weather events in June, natural hazard claims for the year were \$60 million above the allowance. After adjusting for the continuation of strong prior year reserve releases, natural hazards and investment market volatility, the underlying ITR was 10.6%. Total Gross Written Premiums (GWP) increased 1.8% to over \$9 billion.

Personal Insurance GWP improved by 1.6% resulting from targeted price increases across the portfolio. Customer retention rates remained steady as the business focused on improving its product offerings and service standards.

Mr Cameron said the reduction in working claims costs was his highest priority and the business was continuing to implement a plan to rectify performance across both home and motor working claims.

“We have made good progress with a number of proactive measures in place to reduce the volume of open claims including the utilisation of our SMART car repair centres and clearing the more complex water and fire damage claims,” Mr Cameron said.

Commercial Insurance GWP increased by 2.1% which reflected disciplined growth in selected product lines and the scale benefit from the national CTP model.

### ***Enhanced reinsurance program for the 2017 financial year***

To reduce the potential volatility of future natural hazards, Suncorp has purchased additional reinsurance protection for the 2017 financial year. The Natural Hazards Aggregate cover will provide Suncorp with \$300 million of protection after the retained portion of natural hazard events greater than \$5 million reaches a total of \$460 million.

The upper limit on Suncorp’s main catastrophe program, which covers the Group’s Home, Motor and Commercial Property portfolios for major events will remain unchanged at \$6.9 billion. The maximum event retention is \$250 million.

Additional cover has also been purchased to reduce the maximum event retention for a second Australian event to \$200 million and, for a third and fourth event, to \$50 million. For New Zealand risks, multi-year cover is in place which reduces the first event retention to NZ\$50 million and the second and third event retentions to NZ\$25 million.

The enhancements to the reinsurance program have resulted in a net reduction in the natural hazard allowance for the 2017 financial year to \$620 million.

## **Suncorp Bank**

Suncorp Bank increased its NPAT by 11% to \$393 million, driven by continued home lending growth, an increased net interest margin and ongoing improvement in credit quality. During the year the Bank’s standalone credit rating from S&P was lifted to “a-”.

Home lending growth of 5.9% reflects the success of the Bank’s product offerings whilst also maintaining conservative lending standards. The NIM increased to 1.86%, slightly above the top of its target range, as an improvement in deposit mix and spreads offset heightened lending competition and the impact of cash rate reductions.

The Bank Cost to Income ratio was 52.5% as the continued focus on cost discipline led to a reduction in operating expenses.

Through maintaining a strong focus on credit quality and disciplined risk management, the Bank benefited from a further 5.5% reduction in gross impaired assets. Impairment losses were \$16 million or 3 basis points of gross loans and advances, remaining well below the target range of 10 to 20 basis points.

### **Suncorp Life**

Suncorp Life's NPAT increased by 14% to \$142 million with the underlying profit increasing by 9.7% to \$124 million as a result of higher planned margins and favourable lapse and claims experience of \$21 million.

A focus on sustainable growth has resulted in total in-force annual premiums increasing by 6.4%.

### **Dividend and Capital**

The Group's balance sheet remains strong and the Board has declared a fully franked final dividend of 38 cents per share, which brings the total dividend for the 2016 financial year to 68 cents per share, representing a dividend payout ratio of 80% of cash earnings.

Suncorp's balance sheet remains very strong with capital levels slightly above the top of the target ranges. At 30 June 2016, the General Insurance CET1 is 1.21 times the PCA, slightly above its target of 0.95 to 1.15. Similarly, the Bank CET1 of 9.21% is above its target level of 8.5% to 9%.

The Group has \$146 million of franking credits available after the payment of the dividend.

### **Outlook**

In the medium term, the Suncorp's key targets are:

- Broadening of customer relationships;
- Maintaining a flat cost base in FY17 and FY18;
- Improving underlying NPAT;
- Delivering a sustainable ROE of at least 10%, which implies an underlying ITR of at least 12%; and
- A dividend payout ratio of 60% to 80% of cash earnings.

### **Further information**

Further information about Suncorp's results, including an explanation of statutory and non-statutory financial information, is contained in the Analyst Pack and Data Pack available at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au). This information is also available via the Suncorp Investor Relations App.

#### **Analyst briefing – 10:30am (Sydney time)**

Australia dial-in: 1800 558 698

International dial-in: +61 (0)2 9007 3187

Conference ID: 583487

Webcast: [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au)

#### **Media conference – 1:30pm (Sydney time)**

Australia dial-in: 1800 558 698

International dial-in: +61 (0)2 9007 3187

Conference ID: 799112

## Ends

For more information contact:

<b>Media:</b>	Nadia Farha	0408 535 993
<b>Analysts/Investors:</b>	Mark Ley	0411 139 134