

21 August 2013

SUNCORP CONFIRMS FULL-YEAR PROFIT AND DECLARES SPECIAL DIVIDEND

Key Points

- Group net profit after tax of \$491 million (FY12: \$724 million) has reduced due to the \$632 million loss after tax from resolution of the Non-core Bank
 - Profit after tax from core business lines up 19% to \$1,232 million (FY12: \$1,033 million)
 - Full-year ordinary dividend of 55 cents per share fully franked (FY12: 40 cents) and a special dividend of 20 cents per share fully franked (FY12: 15 cents)
 - The Group holds \$847 million of total capital in excess of operating targets after paying almost \$1 billion in fully franked dividends for the 2013 financial year
 - General Insurance NPAT of \$883 million (FY12: \$493 million)
 - Reported Insurance Trading Result (ITR) of \$959 million. Underlying ITR up from 12.1% to 13.5%
 - Core Bank NPAT of \$289 million (FY12: \$289 million).
 - Suncorp Life NPAT of \$60 million (FY12: \$251 million). Suncorp Life Embedded Value of \$2,569 million (FY12: \$2,604 million)
 - Annual growth of between 8% and 10% across Suncorp's core business lines
 - Increased benefits from Simplification projects - \$225 million in expected annualised benefits in the 2015 financial year and \$265 million in the 2016 financial year
 - Strategic assets of Cost, Capital, Customer and Culture to drive 10%+ Return on Equity in the 2015 financial year
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Suncorp Group Limited (Suncorp) today reported net profit after tax of \$491 million for the full year to 30 June 2013. The full-year profit was reduced due to an after-tax loss of \$632 million from the resolution of the Non-core Bank.

Profit after tax from core business lines increased 19%, from \$1,033 million to \$1,232 million, as a result of strong top line growth, maintained or growing margins and operational efficiencies.

In line with previous guidance, the Board declared a final ordinary dividend of 30 cents per share (FY12: 20 cents) and a special dividend of 20 cents per share (FY12: 15 cents). Both dividends will be fully franked and paid on 1 October 2013. Total dividend payments for the 2013 financial year have increased to \$965 million.

Suncorp Chairman Dr Ziggy Switkowski said the Group had delivered solid earnings from its core businesses, strengthened the balance sheet and increased dividends, further demonstrating the successful transformation of the company.

“Resolution of the Non-core Bank came at a cost to the headline profit but the decision to undertake the portfolio sale has de-risked the Bank, released capital in support of shareholder returns and made clear the true value of the Suncorp Group,” he said.

“In 2013, shareholders have received improved returns in the form of total dividends of 75 cents per share, up 36%, and an increase in Suncorp’s share price of almost 50%.

“The next phase of transformation will drive improved performance and efficiency, and deliver further benefits for customers and shareholders.”

Suncorp Chief Executive Officer Patrick Snowball said the Group’s business lines were all delivering growth within risk appetite and had maintained or improved margins through operational efficiencies and a focus on cost control.

“A number of significant financial and operational milestones have been achieved. Our three-year Building Blocks program has been completed and our businesses are now fully integrated. We are also making great progress on a range of initiatives designed to simplify our legal, administrative and operational structures that will make our business more efficient and lead to further savings,” he said.

“This year has proven to be the major turning point in the recent history of the Group.

“Everyone at Suncorp is now firmly focussed on the future and driving value from our core franchise.”

Mr Snowball said the key differentiators for the Group, its strategic assets known as the 4Cs, were driving benefits including:

- Cost – lowering the unit cost of procurement by leveraging the Group’s scale, buying power and supplier relationships;
- Capital – demonstrating a diversification benefit through improved risk-based capital modelling and ultimately a reduction in the quantum of capital held across the group;
- Customer – enhancing the value of 9 million customer connections by deepening their relationships with the Group brands; and,
- Culture – operating as ‘One Company. Many Brands. One Team’ and positioning Suncorp as the place to work in Australia and New Zealand.

General Insurance

General Insurance posted an after-tax profit of \$883 million (FY12: \$493 million). The key drivers were top line growth, operational efficiencies and favourable investment movements.

Gross Written Premium (GWP) increased by 8% to \$8,589 million with all product lines recording strong growth. In Personal Insurance, GWP increased by 10.4% in the Home portfolio, offsetting increased reinsurance costs and natural hazard allowances. In Motor, GWP growth of 4.7% was achieved through increased average premiums and net written units.

In Commercial Insurance, GWP increased by 8.4% with growth across all major product lines as a result of improved pricing and retention. Premium increases in the statutory classes of Compulsory Third Party and Workers Compensation have been achieved to offset falling bond yields.

The reported ITR increased to 13.1% and the underlying ITR increased to 13.5%, both well above Suncorp’s commitment to ‘meet or beat’ an underlying ITR of 12%.

Suncorp's New Zealand business contributed an ITR of \$74 million (FY12: \$18 million). GWP growth of 13.6% was achieved through all distribution channels and both personal and commercial lines.

The allowance for natural hazard events has been increased to \$565 million for the financial year ending 30 June 2014.

Suncorp Bank

Suncorp's Core Bank delivered an after-tax profit of \$289 million. Asset growth of 9.5% was achieved across the Bank's segments of mortgages, agribusiness and commercial/SME lending. The net interest margin has improved over the course of the year while the retail deposit to loan ratio of 66.5% sits comfortably within the target range of 60% to 70%.

Credit quality remains sound with impairment losses within operating ranges.

The resolution of the Non-core Bank has now been completed and will no longer be reported as a separate division. The Non-core Bank after tax loss was \$632 million.

Suncorp Life

Suncorp Life profit after tax was \$60 million. The result was significantly impacted by increased discount rates.

The underlying profit after tax was \$120 million, down on the prior year due to negative experience against lapse and claims assumptions. Reported Life individual risk new business sales were \$121 million up 14.2%.

Sales of life insurance through General Insurance are up by 16%, reinforcing the strategy to concentrate on growing this channel. The Embedded Value of Suncorp Life was slightly down at \$2,569 million despite changes in lapse assumptions and market movements in 2013.

Capital and Dividend

The Group's balance sheet strengthened during the year and the Group's surplus capital position enabled the Board to declare a fully franked final ordinary dividend of 30 cents and a special dividend of 20 cents per share. Total dividend payments for the full year were 75 cents per share or almost \$1 billion, up 36%.

After the dividend payments, the Group's capital position will remain strong with \$847 million of additional capital held above operating targets. The quality of capital is demonstrated by the Group's Common Equity Tier I (CET1) being \$801 million above operating targets.

Outlook

The ongoing transformation of the Suncorp Group is demonstrated in the strength of the balance sheet, reduced complexity of operations and the growth and performance of the core businesses. The resolution of the Non-core banking portfolio will ensure all stakeholders can focus on the future operations of the Group.

Simplification initiatives will continue to deliver benefits ahead of plan, providing \$225 million in expected cost savings in the 2015 financial year and \$265 million in the 2016 financial year.

Simplification provides the foundation for delivering the key market commitments of:

- Group growth of 7% to 9% per annum over the next two years;
- 'Meet or beat' an underlying ITR of 12% through the cycle;
- Group Return on Equity of at least 10% in the 2015 financial year;
- An ordinary dividend payout ratio of 60% to 80% of cash earnings; and
- Continuing to return surplus capital.

These targets and a total focus on capital efficiency will help support the next stage in the evolution of the Suncorp Group. They will deliver real value for shareholders by demonstrating what the Group can achieve by capitalising on the 'One Company. Many Brands' business model and its strategic assets, known as the 4Cs – Cost, Capital, Customer and Culture.

Further information regarding Suncorp's results, including an explanation of statutory and non-statutory financial information, are set out in the Group's detailed financial information for the year ended 30 June 2013, available at www.suncorpgroup.com.au or www.asx.com.au.

Analyst briefing – 10.30am

Australia dial-in: 1800 801 825
International dial-in: +61 (0)2 8524 5042
Conference ID: 7958161
Webcast: www.suncorpgroup.com.au

Media conference – 2.00pm

Australia dial-in: 1800 801 825
International dial-in: +61 (0)2 8524 5042
Conference ID: 8233972

Ends

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