

13 August 2014

## **SUNCORP REPORTS FULL-YEAR PROFIT OF \$730 MILLION, INCREASES FINAL DIVIDEND AND ANNOUNCES 30 CENTS SPECIAL DIVIDEND**

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### **Key Points**

- Group net profit after tax (NPAT) of \$730 million (FY13: \$491 million)
  - Profit after tax from business lines of \$1,330 million
  - Final dividend of 40 cents per share fully franked (FY13: 30 cents)
  - Special dividend of 30 cents per share fully franked (FY13: 20 cents)
  - General Insurance NPAT of \$1,010 million (FY13: \$883 million)
  - Increase in the underlying insurance trading ratio (ITR) to 14.3% (FY13: 13.5%)
  - Bank NPAT of \$228 million (FY13: loss of \$343 million). Net interest margin (NIM) of 1.72% (FY13: 1.64%)
  - Suncorp Life NPAT of \$92 million (FY13: \$60 million) with an underlying NPAT of \$84 million (FY13: \$120 million)
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Suncorp Group Limited (Suncorp) today reported net profit after tax of \$730 million for the year to 30 June 2014. Profit after tax from the business lines was \$1,330 million.

This strong result was delivered through top-line growth, improved margins, operational efficiencies and favourable natural hazard and investment markets.

Suncorp Chairman, Dr Ziggy Switkowski, said the Group's strong capital position, continued improvement in operational and financial performance and positive outlook had allowed the Board to declare a final dividend of 40 cents per share and a special dividend of 30 cents per share. Both dividends are fully franked and will be paid on 1 October 2014.

Suncorp's total dividends for 2014 financial year of \$1.05 represent a yield of 7.4% based on the SUN closing share price of \$14.12 on 12 August.

Dr Switkowski said Suncorp continued to focus on its balance sheet strength during the year with a number of initiatives, including increased Life reinsurance arrangements, contributing to the further strengthening of the Group's capital position.

"The improved dividends reflect the Group's de-risking strategy over the past four years. After paying these dividends, the Group will still hold more than \$831 million of additional capital above the company's conservative operating targets," he said.

Suncorp Chief Executive Patrick Snowball said the clear and consistent strategy and focus on simplification were reflected in the Group's strong financial results in 2014.

"We've achieved significant milestones in simplifying our business and delivering ongoing cost savings. We've made appropriate investments in technology, data and business intelligence and we've taken the necessary measures to account for fundamental changes in the life insurance industry," he said.

“The benefits of the ‘One Company, Many Brands’ business model continue to emerge as we transform the business while maintaining a flat cost base, improved margins and profitable growth.

“General Insurance Gross Written Premium, excluding the impact of Fire Services Levies, is up 5.1% to \$8,725 million. Suncorp Bank retail and business lending is up 5.0% to \$49.8 billion and Life Risk Individual In-force premiums are up 8.5% to \$852 million.

“Simplification initiatives continue to deliver benefits and are expected to provide \$225 million in savings in the 2015 financial year and \$265 million in the 2016 financial year.

“Positive momentum remains across all of Suncorp’s business lines and we are targeting growth of between 4% and 6% in the coming year,” Mr Snowball said.

### **General Insurance**

General Insurance profit after tax was \$1,010 million for the full year. The key drivers were premium growth, favourable natural hazard and investment experience and a continued focus on expense management.

Fire Services Levies (FSL) were removed from policies in Victoria during the year, which impacted both Gross Written Premium (GWP) and expenses. Excluding FSL, GWP increased by 5.1% to \$8,725 million with all product lines achieving growth. In Personal Lines, Home (up 6.3%) and Motor (up 2.6%) growth was due to increased average written premiums and the strengthening NZ\$. In Commercial Insurance, GWP increased by 6.8% with growth across all major product lines as a result of improvements in retention.

The reported ITR was 15.5% and the underlying ITR increased to 14.3%, well above Suncorp’s commitment to ‘meet or beat’ an underlying ITR of 12%.

### **Suncorp Bank**

Suncorp Bank reported net profit after tax of \$228 million for the year.

The 2014 financial year was one of transition for Suncorp Bank as it consolidated operations and addressed legacy funding and cost positions related to the former ‘Non-core’ portfolio.

Retail and business lending growth of 5.0% reflects the Bank’s conservative approach and a focus on the ‘below 80%’ Loan to value ratio (LVR) market. This growth was supported by a retail deposit to lending ratio of 65.8%, well within the target range of 60% to 70%. The NIM has significantly improved over the year to 1.72%, with the second half NIM of 1.78% back in the target range of 1.75% to 1.85%, six months earlier than expected.

During the year, impaired assets reduced by 34.2% and total gross non-performing loans reduced by 17.9%. Credit impairment losses of \$124 million, or 25 basis points of gross loans, reflected the continued drought-related stress in the agribusiness segment.

### **Suncorp Life**

Suncorp Life profit after tax was \$92 million. Underlying profit after tax of \$84 million was down 30% primarily due to the lower planned profit margins following revised assumptions and increased reinsurance arrangements. The result also included \$50 million of claims and lapse experience losses.

During the year, additional reinsurance has reduced Life's capital requirements by \$207 million contributing to the return of \$535 million of capital from Suncorp Life to the Group.

Total Life in-force premiums are up 8.5%. Direct new business sales were flat for the year due to the in-house transition, however, there was good momentum in the second half with business sold via the General Insurance brands achieving growth of 11% half on half.

## Capital and Dividend

The Group's Common Equity Tier 1 (CET1) capital position remains strong with \$831 million of additional capital held above the conservative operating targets, after accounting for dividend payments.

The Group's Risk Based Capital (RBC) program of work has been progressing well and is now embedded in the business lines and at the Group level. Importantly, RBC has strengthened the link between risk, capital management and business planning. From a consolidated Group perspective, RBC has confirmed the potential for a diversification benefit that is inherent within the Group given the different primary risks affecting each business unit.

The Group has \$215 million of franking credits available after the payment of the declared dividends. Suncorp remains committed to its full-year target dividend payout ratio of 60% to 80% of cash earnings and returning to shareholders any capital deemed surplus to the needs of the business.

## Outlook

Simplification initiatives are on track and provide the foundation for delivering the key market commitments of:

- Group growth of 4% to 6% in the 2015 financial year;
- Group RoE of at least 10% in the 2015 financial year;
- 'meet or beat' an underlying ITR of 12% through the cycle;
- an ordinary dividend payout ratio of 60% to 80% of cash earnings; and
- continuing to return surplus capital.

## Further information

Further information regarding Suncorp's results, including an explanation of statutory and non-statutory financial information, is set out in the Group's Analyst Pack.

The Analyst Pack, Annual Review and Directors Report and Financial Statements are available at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au). They are also available via the Suncorp Investor Relations App. Search 'Suncorp IR' in the app store.

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