

19 February 2014

SUNCORP REPORTS HALF-YEAR PROFIT OF \$548 MILLION AND INCREASES INTERIM DIVIDEND BY 40% TO 35 CENTS

Key Points

- Group net profit after tax (NPAT) of \$548 million (HY13: \$574 million)
 - Interim dividend of 35 cents per share fully franked, up 40%
 - General Insurance NPAT of \$470 million (HY13: \$564 million)
 - Increase in the underlying insurance trading ratio (ITR) to 14% (HY13: 13.4%)
 - Bank NPAT of \$105 million (HY13: \$4 million). Net interest margin (NIM) of 1.66%
 - Suncorp Life NPAT of \$22 million (HY13: \$51 million) with an underlying NPAT of \$41 million (HY13: \$61 million)
 - \$1.2 billion of capital in excess of conservative operating targets
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Suncorp Group Limited (Suncorp) today reported net profit after tax of \$548 million for the half year to 31 December 2013. Profit after tax from the business lines was \$597 million.

This profit was achieved through measured top-line growth, maintained margins and improved operational efficiencies.

Suncorp Chairman, Dr Ziggy Switkowski, said the Group's financial and operating performance had allowed the Board to declare a fully franked interim dividend of 35 cents per share, an increase of 40% on the prior period. The dividend will be paid on 1 April 2014.

This interim dividend is equal to the total dividends paid in each of the 2010 and 2011 financial years.

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

"The Group has more than \$1.2 billion of additional capital held above the company's conservative operating targets," he said.

"The transformation of the Suncorp Group is evidenced in the capital position, strength of the balance sheet, reduced complexity of operations and the growth and performance of the businesses lines.

"The business is well positioned to continue to deliver for customers and shareholders."

Suncorp Chief Executive Patrick Snowball said the strong financial performance of Suncorp confirmed the successful implementation of the Group's transformation and strategy under the 'One Company, Many Brands' business model.

"Growth, operational efficiencies and a focus on cost control are evident across the Group," he said.

“General Insurance Gross Written Premium, excluding the impact of Fire Services Levies, is up 6.6% to \$4.3 billion. Suncorp Bank retail and business lending is up 6.8% to \$48.9 billion and Life Risk Individual In-force premiums is up 10.1% to \$821 million.

“In 2014, 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.”

“There is positive momentum across all lines of business and we will continue to deliver on our growth trajectory,” Mr Snowball said.

General Insurance

General Insurance profit after tax was \$470 million for the half year to 31 December 2013. The key drivers were top-line growth, continued focus on claims and expense management and favourable investment movements.

Fire Services Levies (FSL) were removed from policies in Victoria during the period, which impacted both Gross Written Premium (GWP) and expenses. Excluding FSL, GWP increased by 6.6% to \$4,302 million with all product lines achieving growth. In Home, GWP increased by 8.9% due to increases in average written premiums. In Motor, GWP growth of 4.8% has been achieved through increased average premiums and net written units. In Commercial Insurance, GWP increased by 6.2% with growth across all major product lines as a result of an increased breadth of products, as well as improvements in pricing and retention.

The reported ITR was 13.9% and the underlying ITR increased to 14%, well above Suncorp’s commitment to ‘meet or beat’ an underlying ITR of 12%.

The Simplification program of work continues, delivering increased efficiency across both claims and support functions. All mass market brands are now on a single underwriting platform.

Suncorp Bank

Suncorp Bank reported net profit after tax of \$105 million for the half year to 31 December 2013.

This year represents a transition period for the Bank as it consolidates operations, continues to de-risk the balance sheet and unwinds legacy funding and expense costs.

Lending growth of 6.8% was achieved across the Bank’s segments of mortgages, agribusiness and commercial/SME lending. This growth was supported by a retail deposit to lending ratio of 65.7%, well within the target range of 60% to 70%. The NIM of 1.66% has been temporarily impacted by the legacy Non-core funding position. The residual corporate and property portfolio is \$298 million, a reduction of \$437 million.

Credit impairment losses of 18 basis points to gross loans remains in line with the industry.

Suncorp Life

Suncorp Life reported net profit after tax of \$22 million for the six months to 31 December 2013. The result was impacted by higher discount rates which resulted in an accounting loss after tax for market adjustments of \$19 million.

The underlying profit after tax was \$41 million, down on the prior year due to negative experience against lapse and claims assumptions. Planned margins reduced following changes in lapse and claims assumptions and the purchase of additional reinsurance covers.

This additional reinsurance reduced Life's capital requirements by \$207 million and has contributed to the return of \$535 million of capital from the Life company to the Group in 2013. Total Life in-force annual premiums are up 10.8% with individual in-force premiums up 10.1%. Direct new business sales are up 6.3% to \$17 million.

The Life Insurance industry is undergoing significant cyclical change and structural reform which is impacting on the performance of the business.

Capital and Dividend

After accounting for dividend payments, the Group's total capital position remains strong with over \$1.2 billion of additional capital held above the conservative operating targets. The quality of capital is demonstrated by the Common Equity Tier 1 (CET1) being \$1.1 billion above operating targets.

The Group also has \$252 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 7% to 9% per annum through to the 2015 financial year;
- 'meet or beat' an underlying ITR of 12% through the cycle;
- Group RoE 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.

** Further information regarding Suncorp's results, including an explanation of statutory and non-statutory financial information, is set out in the Group's financial results announcement for the half year ended 31 December 2013, which is available on www.suncorpgroup.com.au or www.asx.com.au.*

Analyst briefing – 10:30am (Sydney time)

Australia dial-in: 1800 801 825
International dial-in: +61 (0)2 8524 5042
Conference ID: 3931699
Webcast: www.suncorpgroup.com.au

Media conference – 2:00pm (Sydney time)

Australia dial-in: 1800 801 825
International dial-in: +61 (0)2 8524 5042
Conference ID: 5133958

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