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SUNCORP FLAGS ANNUALISED SIMPLIFICATION BENEFITS OF \$200 MILLION

Key points

- Building Blocks program already in place and on track to achieve \$235 million of annualised savings by June 2013.
- New Group simplification program to deliver annualised benefits of \$200 million from FY16.
- Group strategic assets – capital, cost, customer and culture – to drive Suncorp’s future competitive advantage.
- Underlying general insurance business performing ahead of expectation – targeting full year underlying ITR of 12 percent for FY12.

Suncorp Group today unveiled a new strategic simplification program that will deliver annualised benefits of \$200 million from the 2016 financial year.

Speaking at Suncorp’s Investor Day, Group CEO Patrick Snowball said the program would invest in modern platforms and systems, reduce the cost of operating and maintaining legacy infrastructure, further streamline legal structures and transition more of the Group cost onto a variable footing.

“Simplification will ultimately deliver a lower cost and more productive organisation, with benefits that extend far beyond efficiency gains,” he said.

“It will result in a modern and forward looking organisation focussed on high quality services and value for money, and built around an ability to efficiently service customers.”

Suncorp’s simplification program, which will cost \$275 million and be expensed from within operating budgets, will focus on the following areas:

- Organisational redesign through the Group’s operational excellence program, which is aimed at increasing the productivity of Suncorp’s workforce and the quality of customer interactions;
- In General Insurance, decommissioning 14 legacy policy systems and consolidating general insurance licences, significantly improving the way Suncorp Insurance services customers;
- A staged investment to improve Suncorp’s core banking platform, as well as an enhanced risk management program moving the Bank towards advanced Basel accreditation; and
- Focusing employees on high value activities that deliver the Group a strategic advantage by using two global partners to provide support on a range of activities.

The new program builds on the foundations laid by the Group’s Building Blocks initiative, which is on track to deliver \$235 million of annualised savings by June 2013.

Mr Snowball said Building Blocks savings have been achieved through the introduction of a common insurance pricing engine; improving motor claims, including the introduction of SMART facilities; procurement efficiencies; and by simplifying technology and reducing operating costs.

Group strategic assets

Mr Snowball said that, having built an efficient platform for the business, the next phase of the Suncorp’s transformation will be to drive value from the Group’s unique strategic assets – capital, cost, customer and culture.

“There are four specific reasons why it makes good business sense for us to retain our five lines of business and why, ultimately, the whole of Suncorp is greater than the sum of its parts,” Mr Snowball said.

“By leveraging the diversity and capital return of each of our businesses we can effectively direct capital throughout the Group to where it can achieve the greatest return while aggregating for scale achieves the cost benefits of an ASX 25 organisation without diminishing brand differentiation.”

“Enhancing the value of our nine million strong customer base provides us with a clear strategic advantage as does building on the common elements of our culture.”

Core businesses performing strongly

Mr Snowball said Suncorp’s businesses were performing strongly and broadly on track to deliver the growth targets outlined in May 2010, although some of these would be over a longer timeframe than originally anticipated due to volatile market conditions.

He also confirmed the underlying general insurance business had improved ahead of expectation in the second half and the Group would now be targeting an underlying margin of 12 percent for the full year.

“I am proud of our achievements over the last few years, particularly around our key commitments to improve the underlying general insurance margin and delivering the Building Blocks savings,” he said.

“In summary, our businesses have been de-risked and simplified, with an organic strategy focussed entirely on domestic Australian and New Zealand markets. We’re defensively positioned if markets continue to be volatile but we also have a platform for growth into the future.”

“All of this is aimed at improving the Group’s return on equity and taking the value we are creating through to our shareholders in the form of total shareholder returns.”

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