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SUNCORP REPORTS FULL-YEAR PROFIT INCREASE TO \$1,133 MILLION

Key Points

- Group net profit after tax (NPAT) of \$1,133 million (FY14: \$730 million)
 - Profit after tax from business lines of \$1,235 million (FY14: \$1,330 million)
 - Final ordinary dividend of 38 cents per share fully franked, bringing total ordinary dividends to 76 cents per share (FY14: 75 cents). Special dividend of 12 cents per share fully franked (FY14: 30 cents)
 - Total annual dividends of 88 cents per share which represents 100% of the Group's NPAT
 - General Insurance NPAT of \$756 million (FY14: \$1,010 million)
 - Increase in the underlying insurance trading ratio (UITR) to 14.7% (FY14: 14.3%.)
 - Bank NPAT of \$354 million (FY14: \$228 million). Net interest margin (NIM) of 1.85% (FY14: 1.72%)
 - Suncorp Life NPAT of \$125 million (FY14: \$92 million) with an underlying NPAT of \$113 million (FY14: \$84 million) due to positive claims and lapse experience
 - Suncorp New Zealand Operations, across General and Life Insurance, provided geographical diversification with an after tax contribution of A\$175 million (FY14: A\$110 million)
 - Capital levels remain very strong with General Insurance Common Equity Tier 1 (CET1) 1.40 times PCA and Bank CET1 at 9.15%
 - As at 30 June 2015 on an ex-dividend basis, Suncorp Group will hold \$570 million of capital above its operating targets
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Suncorp Group Limited (Suncorp) today reported NPAT of \$1,133 million (FY14: \$730 million) for the 12 months to 30 June 2015. Profit after tax from business lines was \$1,235 million (FY14: \$1,330 million).

The improved result was achieved despite the financial impact of Suncorp's worst year of natural hazard events which had a net impact of \$1,068 million, well above the allowance of \$595 million.

Suncorp Chairman Ziggy Switkowski said the Group's strong capital position and improved financial performance has allowed the Board to declare a final ordinary dividend of 38 cents per share and a special dividend of 12 cents per share.

"Both dividends are fully franked and will be paid on 22 September 2015. Total dividends for the year represent a payout of 100% of the Group's \$1,133 million NPAT," Dr Switkowski said.

"Following payment of the dividends, Suncorp will continue to have a very conservative balance sheet. The strong excess capital position of \$570 million provides the Group with flexibility in its capital management, including the ability to make further capital returns in the future."

Suncorp's Group CEO Patrick Snowball said that the strong result was delivered despite five major weather events in Queensland and New South Wales which, when combined with smaller attritional events, resulted in total net natural hazard claims of \$1,068 million.

"I'm proud that Suncorp has been able to increase profit and dividend in a year of terrible weather events and, at the same time, deliver exceptional customer service. This demonstrates that Suncorp's diversification across General Insurance, Banking and Life is delivering a resilient earnings profile," Mr Snowball said.

"The Building Blocks, Simplification and Optimisation projects are allowing Suncorp to grow its customer base while maintaining strong margins. During the year, margins have increased with the General Insurance UTR at 14.7% and the Bank NIM at 1.85%."

General Insurance

General Insurance NPAT was \$756 million, despite the financial impact of over \$1 billion in natural hazard events. The result was driven by underwriting discipline in a highly competitive market and a focus on claims and expense management. Improvements in long-tail claims management resulted in reserve releases of \$427 million.

Personal Insurance gross written premium (GWP) reduced by 2.5%, however customer unit growth was positive over the year as reinvestment of efficiency benefits improved customer retention. Commercial Insurance GWP grew 2.2% impacted by a reduction in Workers' Compensation GWP in Western Australia. Compulsory Third Party (CTP) GWP grew by 5.9% with Suncorp leveraging the scale of its national CTP model to enter new markets. New Zealand GWP was up 5.7% (in A\$ terms) due to strong growth in personal lines and positive customer unit growth in commercial lines.

Reported ITR was 11.4% and the UTR increased to 14.7%. Simplification continues to deliver increased efficiency across both claims and support functions. Customers and shareholders are also benefiting from improved claims management following vertical integration initiatives such as SMART, SMARTplus and ACM Parts.

Suncorp Bank

The Bank delivered NPAT of \$354 million, up 55.3%. This significant increase was achieved through an improved NIM and lower impairment charges. Home lending growth of 7.1% reflects the success of the Bank's improved product offering while also maintaining conservative lending standards and focusing on the 'below 80%' loan to value ratio (LVR) market.

The NIM improved by 13 bps to 1.85%, benefiting from improvements in funding composition and favourable term deposit pricing.

Suncorp Life

Suncorp Life's NPAT was \$125 million, up 35.9%. Underlying profit was \$113 million, up 34.5%. Underlying profit was above target, benefiting from positive claims and lapse experience and a focus on cost control with operating expenses down 7.3%. The NPAT benefited from a reduction in long-term interest rates which will unwind when rates increase.

Annual in-force premium increased to \$970 million, with total in-force premiums up 6.5%. Suncorp Life continues to focus on value over volume and this is reflected in the value of one year's sales (VOYS) which has more than doubled to \$25 million.

Reinsurance update and resolution of the 2011 reinsurance issue

At the half-year results announcement on 11 February 2015, Suncorp advised that there was a potential issue relating to recoveries under the 2011 catastrophe reinsurance program. This potential issue had a maximum financial impact of \$118 million after tax. Suncorp has now largely finalised commercial negotiations with all stakeholders, the effect of which reduced the impact of this issue to

less than \$20 million after tax. Negotiated arrangements include one-off ex-gratia payments and other recovery payments from key reinsurance partners.

In consideration for this support, Suncorp has provided, and in some cases increased, participation for some reinsurers on key reinsurance protections including adverse development cover and multi-year catastrophe covers. While unrelated to the claims recovery, these support items benefit Suncorp in 2015 and have also contributed to mitigating the impact of this issue.

The 2016 financial year catastrophe program and the additional multi-year covers have been purchased on favourable terms relative to the 2015 reinsurance program.

Capital and Dividend

Based on capital levels at 30 June 2015 on an ex-dividend basis, the Suncorp Group will continue to hold \$570 million in capital above its operating targets. The General Insurance CET1 is 1.40 times PCA and the Bank CET1 is 9.15%.

During the year, the Group has improved its capability in risk management, including further embedding its Risk Based Capital (RBC) modelling. The Group and the business lines have used RBC to assess risk appetite, reinsurance strategy and capital targets. As a result the General Insurance CET1 operating target range and the Non-operating Holding Company targets have been reduced.

The Group also has \$152 million of franking credits after payment of the dividends.

Outlook

Simplification initiatives have delivered \$225 million in cost savings in the 2015 financial year and this will increase to \$265 million in the 2016 financial year.

Building on the successful Building Blocks and Simplification programs, a further \$170 million of efficiency benefits will be delivered in the 2018 financial year under the Optimisation program. The Group will invest \$75 million for the Optimisation program of work to deliver these efficiency benefits.

Suncorp has made the following market commitments that align with the shareholder promise to build a simple, low risk financial services group that delivers both high yield and above-system growth. In the medium term, Suncorp's key targets are:

1. 'above system' growth in key target markets
2. Optimisation benefits of \$170 million in the 2018 financial year
3. 'meet or beat' an underlying ITR of 12% through the cycle
4. sustainable return on equity of at least 10%
5. an ordinary dividend payout ratio of 60% to 80% of cash earnings
6. continuing to return surplus capital to shareholders

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, Directors' Report and Financial Statements are available at 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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