

13 June 2013

Suncorp announces resolution of Non-core portfolio

Suncorp today announced the resolution of the Non-core banking portfolio with the sale of a \$1.6 billion portfolio of corporate and property assets at a weighted realisation of 60 cents in the dollar¹.

The sale to The Goldman Sachs Group, Inc., follows a strategic review of the Non-core portfolio which at 31 May 2013 had an outstanding balance of approximately \$2.8 billion¹. In addition to the portfolio sale, the Group expects further organic run-off and individual loan sales of \$500 million in June and \$200 million in July.

This will leave a residual portfolio of approximately \$500 million of loans. There are 130 loans within this remaining portfolio. They have an average loan balance of under \$4 million and will be managed as part of the overall Bank's lending portfolio. The majority are expected to be settled over the 2014 financial year. Additional specific provisions have been provided against these loans with the provision coverage against impaired loans expected to be over 50%.

As a result of the steps taken to resolve the portfolio, the Group expects the Non-core portfolio to incur an after tax loss of between \$470 million and \$490 million in the second half of the 2013 financial year.

Suncorp Chairman, Ziggy Switkowski said the resolution of the Non-core portfolio marked a significant milestone in the Group's transformation. "Resolving the Non-core portfolio over the past four years has been a difficult and challenging experience for the Board, Suncorp management and, of course, our shareholders."

"The reducing scale of the Non-core portfolio and the strength of the Suncorp Group have allowed us to act decisively at this time to remove the Non-core portfolio risk."

Dr Switkowski said that Suncorp remained committed to providing its shareholders with an attractive ordinary dividend stream. To achieve this, the Board would consider paying above its target dividend payout range of 60% to 80% of cash earnings for the 2013 financial year. He also reiterated that any capital that was surplus to the needs of the Group would be returned to shareholders.

Suncorp Group Chief Executive Officer, Patrick Snowball said: "We have made great progress in transforming and de-risking Suncorp. All our businesses are in great shape and the market is beginning to value the significant upside that is available as we operate as 'One Company, Many Brands' and capitalise on our competitive differentiators."

"With the portfolio below \$3 billion, the Group balance sheet in great shape and a general improvement in funding and capital markets now was the time to act.

"This is a significant turning point and the Non-core portfolio will no longer divert attention from the real progress being made across our business.

"The distraction is now gone and investors will now be able to see the true value of the Suncorp Group."

The Non-core portfolio was initiated in 2009 following the Global Financial Crisis. The former Corporate Banking, Property Investment, Development Finance and Lease Finance divisions were placed into an \$18 billion portfolio and the Group began an orderly run-off strategy designed to reduce risk and maximise shareholder value. The portfolio had reduced to \$3.4 billion at 31 December 2012 with \$420 million of capital being realised to date as a result of the orderly run-off.

The Bank's core operations in the low risk segments of retail, agribusiness and commercial SME continue to perform strongly.

Suncorp Bank Chief Executive Officer, David Foster said the Bank had emerged from a period of enormous change as the genuine alternative to the Majors. "We are now in a very strong position to realise our goal of being the best bank for middle Australia."

Mr Foster said the Bank was well placed to deal with any capital, cost and funding implications from the early closure of the Non-core portfolio. "We will provide more detail about this at the full year result in August but our objective will be to set the Bank up in the best possible position as we move through the 2014 financial year."

The Suncorp Group reports its full year financial results on 21 August 2013.

Ends

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Shareholder and media teleconference

A teleconference for investors, analysts and media will be held at 10.00am today. Details are as follows:

Dial in numbers: 1800 801 825 (Australia)
+61 2 8524 5042 (International)

Conference ID: 9671938

ⁱ On the net receivable balance.