# ASX announcement

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SUNCORP GROUP

31 July 2013

**SUNCORP FINANCIAL UPDATE**

Suncorp today announced the successful completion of the Non-core portfolio sale to Goldman Sachs and updated the market on its preliminary expected financial result and proposed dividend payments for the year ended 30 June 2013.

Suncorp confirmed receipt of the final settlement proceeds in relation to the $940 million Non-core portfolio sale to Goldman Sachs as announced on 13 June 2013. With the overhang of the Non-core Bank removed, the strength of the Suncorp balance sheet supports the Board's intention to declare a final ordinary dividend of 30 cents per share (2012: 20 cents) and a special dividend of 20 cents per share (2012: 15 cents). These proposed dividends will bring the full year dividends to 75 cents per share (2012: 55 cents), well above the Group's dividend payout guidance of 60% to 80% of cash earnings. The proposed dividends are also above current market expectation.

Suncorp Chairman Ziggy Switkowski said it was pleasing to reward loyal shareholders and return some of the capital raised during the global financial crisis with another special dividend.

The Group's net profit after tax (NPAT) is expected to be in the range of $480 million to $500 million (2012: $724 million). This includes a full year after-tax loss of approximately $630 million on the Non-core Bank. NPAT from core businesses is expected to be in the range of $1,210 million to $1,250 million (2012: $1,033 million).

Suncorp's General Insurance NPAT is expected to be in the range of $870 million to $890 million (2012: $493 million). Premium increases have been recorded across all portfolios with Gross Written Premiums up by approximately 8%.

The Group's reported Insurance Trading Ratio (ITR) and underlying ITR are both expected to be above 13%. This is above the Group's target to 'meet or beat' an underlying ITR of 12%. Natural hazard costs are expected to be approximately $600 million, ahead of the natural hazard allowance of $520 million.

Suncorp's Core Bank's NPAT is expected to be in the range of $280 million to $300 million (2012: $289 million). The Core Bank's net interest margin is expected to be towards the top of the target range of 1.75% to 1.85%.

Suncorp Life's underlying profit is expected to be approximately $120 million (2012: $146 million). Increasing discount rates have driven negative market adjustments of approximately $60 million, resulting in a likely NPAT for Suncorp Life of approximately $60 million (2012: $251 million). The Life Insurance industry continues to be impacted by negative experience against lapse and claims assumptions. For Suncorp Life, current lapse experience is broadly consistent with the assumption changes that were outlined in the Group's half year result in February.

Group amortisation expense and other adjustments are expected to be approximately $110 million after tax.

Suncorp Group CEO Patrick Snowball said the 20% increase in NPAT from core businesses reflected the improved performance of the Group and this had been taken into account in calculating the final dividend.


Suncorp Group Ltd- ABN 66 145 290 124 - GPO Box 1453, Brisbane QLD 4001
www.suncorpgroup.com.au

After the payment of the proposed final dividend and special dividend, the Group's balance sheet will remain strong with capital well above regulatory and operating targets.

Suncorp will update the market on its excess capital position at its financial results presentation on 21 August 2013. The expected financial result remains subject to management finalisation and external audit. Proposed dividends will be fully franked. The ex-dividend date is 26 August 2013 with a payment date of 1 October 2013.

Suncorp also confirmed placement of its 2014 reinsurance program that applies from 1 July 2013. The program is broadly similar in structure to the 2013 program.

The upper limit on Suncorp's main catastrophe program has increased from $5.3 billion to $5.8 billion as a result of exposure growth and an increase in sums insured. As additional protection for the 2014 year, horizontal cover of $250 million was purchased for third and fourth events in excess of $250 million. Suncorp's insurance concentration risk charge will be $250 million under both current capital requirements and new rules that become effective on 1 January 2014.

The cost of the catastrophe reinsurance program will marginally increase for the 2014 financial year due to the additional cover, exposure growth and the increase in sums insured. On a risk adjusted basis, costs are marginally down and Suncorp remains committed to 'meet or beat' an underlying ITR of 12%.

Suncorp also has multi-year arrangements in place that provide specific protection for natural hazard events in Queensland and New Zealand. In Queensland, a 30% quota share arrangement applies to the home portfolio. In New Zealand, dropdowns have been purchased to reduce the first event retention to NZ$50 million and second and third event retentions to NZ$25 million.

**Ends**

For more information contact:

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| **Media:** | Michelle Barry on 0402 892 789 |
| **Analysts/Investors:** | Mark Ley on 0411 139 134 |