ASX announcement

One Company Many Brands
SUNCORP GROUP

21 August 2013

Suncorp Group Limited

Consolidated Financial Report and Appendix 4E

Attached for immediate release is the Suncorp Group Ltd **Appendix 4E** – Preliminary final report.

The following documents, relating to the Suncorp Group financial results, will be provided separately for lodgement:

- Consolidated Financial Report for period ended 30 June 2013
- Media Release
- Announcement of Consolidated Financial Results - 30 June 2013

D C Solomon
Company Secretary

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

Appendix 4E

Preliminary final report
For the financial year ended 30 June 2013

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross-referenced to the 2013 Consolidated Financial Report and Directors' Report, which are attached.

1. Company details

Suncorp Group Limited and its subsidiaries (the Suncorp Group)
ABN 66 145 290 124
Reporting period: 30 June 2013
Previous corresponding reporting period: 30 June 2012

2. Results for announcement to the market

Suncorp has delivered a full year after tax profit of $491 million. This result includes an after tax loss of $632 million for the Non-core Bank. The core business results have been achieved through strong top-line growth, maintained or growing margins and improved operational efficiencies.

The resolution of the Non-core Bank represents a significant milestone for Suncorp. The Non-core portfolio was originally established in 2009 with $18 billion in corporate, development finance and property investment loans. The sale of the $1.6 billion portfolio of assets in June 2013 brought to a close the Non-core Bank and resulted in an aggregate return of approximately 90 cents in the dollar on the original $18 billion portfolio.

Suncorp and its stakeholders can now focus on the true value of the Group, comprising the General Insurance, Bank and Life businesses. These businesses are delivering:

- measured growth within risk appetite and target markets;
- improved or stable margins; and
- a strong focus on cost control.

Despite the impact of the Non-core loss, shareholders have received improved returns in the form of total dividends of 75 cents per share, an increase of 36% over the prior year, and an increase in Suncorp Group's share price of almost 50% over the 2013 financial year.

The financial performance of Suncorp confirms the successful implementation of the Group's transformation and strategy under the 'One Company. Many Brands' business model. Growth has been delivered across the Group, with:

- General Insurance Gross written premium (GWP) up 8.0% to $8,589 million;
- Core Bank lending up 9.5% to $47.5 billion; and
- Life Risk Individual In-force Premium up 8.7% to $785 million.

Operational efficiencies and a focus on cost control ensure the Group's business lines are all delivering solid margins.

Comparison to previous corresponding period	Increase/ Decrease	%	To $m
Revenue from ordinary activities	Increase	0.78	16,186
Net profit from ordinary activities after tax attributable to owners of the Company	Decrease	32.18	491
Net profit for the period attributable to owners of the Company	Decrease	32.18	491

Dividends

	Amount per share	Franked amount per share
Ordinary Shares (SUN)		
2013 Interim ordinary dividend – paid	25 cents	25 cents
2013 Final ordinary dividend – payable	30 cents	30 cents
2013 Special dividend – payable 1 October 2013	20 cents	20 cents
Convertible Preference Shares (SUNPC)		
6 November 2012 – 16 December 2012 – paid	$0.6141	$0.6141
17 December 2012 – 16 March 2013 – paid	$1.3377	$1.3377
17 March 2013 – 16 June 2013 – paid	$1.3550	$1.3550
17 June 2013 – 16 September 2013 – payable 17 September 2013	$1.3111	$1.3111

Record dates for determining entitlements to the above dividends payable are as follows:

Ordinary shares (SUN)	30 August 2013
Suncorp Convertible Preference Shares (SUNPC)	10 September 2013

3. Statement of comprehensive income with notes to the statement

Refer 2013 Consolidated Financial Report attached
Consolidated statement of comprehensive income
Notes to the consolidated financial statements as shown

4. Statement of financial position with notes to the statement

Refer 2013 Consolidated Financial Report attached
Consolidated Statement of financial position
Notes to the consolidated financial statements as shown

5. Statement of changes in equity with notes to the statement

Refer 2013 Consolidated Financial Report attached
Consolidated statement of changes in equity
Notes to the consolidated financial statements as shown

6. Statement of cash flows with notes to the statement

Refer 2013 Consolidated Financial Report attached
Consolidated statement of cash flows
Note 25 to the consolidated financial statements

7. Dividends

Refer 2013 Consolidated Financial Report attached
Note 4 to the consolidated financial statements
There is no attributed conduit income.

8. Dividend reinvestment plan

Ordinary shareholders will be able to participate in the Company's Dividend Reinvestment Plan in respect of the 2013 final and special dividends. The last date for receipt of an election notice is 30 August 2013.

9. Net tangible assets per security

	2013	**2012**
Net tangible assets per security ($)	6.11	6.15

10. Entities over which control has been gained or lost during the period

There were no material acquisition or disposal of subsidiaries during the financial year.

11. Details of associates and joint ventures

Associate / Joint Venture	2013		2012	
	Holdings %	Profit Contribution $	Holdings %	Profit Contribution $
RACT Insurance Pty Ltd	50	Not material	50	Not material
NTI Limited	50	Not material	50	Not material
Capital Managers Pty Ltd	40	Not material	22	Not material
AA Warranty Ltd	50	Not material	50	Not material
AA Life Services Ltd	50	Not material	50	Not material

The profit contribution from any one of these joint ventures or associates is not material to the Suncorp Group's profit for the period or the previous corresponding period.

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position

All significant information has been included elsewhere in this document or in the 2013 Consolidated Financial Report attached.

13. For foreign entities, which set of accounting standards is used in compiling the report

Not applicable.

14. Commentary on the results

The Suncorp Group recorded a net profit after tax and non-controlling interests for the financial year ended 30 June 2013 of $491 million, compared to $724 million in the prior financial year. The divisional operating profit before income tax is as follows:

	2013 $m	**2012 $m**	**Reference to the Consolidated Financial Report**
General Insurance	1,249	670	Note 6.1
Suncorp Bank	(475)	39	Note 7.1
Suncorp Life	110	323	Note 8.1
Corporate / other	(118)	(69)	
Profit before income tax	766	963	
Income tax	(270)	(235)	
Profit for the financial year	**496**	**728**	
Attributable to:			
Owners of the Company	491	724	
Non-controlling interests	5	4	
Profit for the financial year	**496**	**728**	

Corporate / other net loss before tax of $118 million mainly relates to investment income on capital held at Group level of $33 million; interest expense on convertible preference shares (SUNPC) and subordinated notes (SUNPD) of $26 million; amortisation of acquisition intangible assets of $111 million; and other expenses of $11 million.

General Insurance

General Insurance profit after tax was $883 million (2012: $493 million).

The Insurance Trading Result (ITR) was $959 million, representing an ITR ratio of 13.1%. The result was driven by top-line growth, operational efficiencies and favourable investment movements.

GWP increased 8% to $8,589 million. Personal lines experienced growth (Home 10.4% and Motor 4.7%), with pricing capability continuing to drive improved risk selection with combined units remaining stable. Commercial lines increased 8.4%, with growth across all major product lines as a result of improved pricing and retention. CTP increased 8.5% driven by unit growth, favourable retention across all brands and an average rate increase in both NSW and Queensland in response to the low yield environment.

Net incurred claims were $4,919 million, with the loss ratio reducing to 67.4% (2012: 79.3%). Current year loss ratios benefited from improved working claims frequency and an increase in discount rates. Natural hazard claims were $183 million lower than the prior year, with experience $75 million above long-run allowances. Reserve releases of $105 million were broadly in line with long-run expectations.

The total operating expense ratio increased marginally to 24% from 23.7%. This includes the accelerated investment in Simplification projects which will generate future expense benefits.

Investment income on insurance funds decreased to $333 million, largely reflecting the low yield environment. The impact of lower investment income on insurance funds is partially offset by discounting movements on the outstanding claims provisions.

Investment income on shareholder funds increased 41.9% to $288 million, driven by a return on equity assets of $127 million. The remaining direct property assets were disposed of during the year with the sale of the Health and Forestry House buildings.

Capital funding expense has decreased to $33 million from $66 million as a result of the run-off of the Group’s legacy funding arrangements.

Banking

Banking loss after tax was $343 million (2012: profit after tax of $26 million).

Following the Group's strategic review of the Non-core Bank, the resolution of the Non-core banking portfolio was announced to the market on 13 June 2013. Central to the resolution was the sale of $1.6 billion of corporate and property assets. The sale was settled on 31 July 2013 and the Group received $940 million. Consistent with expectations, the Group incurred a pre-tax loss of $484 million including costs associated with the portfolio sale. The Bank's core lending portfolio continues to focus on relationship-based lending and deposit gathering in personal, small to medium enterprises and agribusiness banking.

Total banking loans, advances and other receivables increased to $47,999 million due to the growth in the Core lending portfolio, partially offset by the Non-core portfolio sale and continued run-off in the Non-core portfolio during the year.

Home lending benefited from investments in channel and geographic expansion to deliver growth of 9.4%. Growth appetite is controlled, underpinned by credit quality and margin management. Interstate expansion has improved retail lending diversification outside of Queensland. The interstate portfolio has grown 50% over the past three years and now accounts for 43% of total retail lending.

The Bank's Commercial portfolio increased 9.2% to $5,531 million. The growth reflects an increased share in low risk areas of new business within the Health, Self-Managed Super Funds and Franchise lending sectors. The Agribusiness portfolio increased 11.8% to $4.3 billion, underpinning growth in market share across Queensland and NSW. New business was of desired credit quality and was sourced from a number of rural sectors, assisting in portfolio diversification. Growth was achieved by leveraging recent investment in capability and the Bank's long heritage and strength of brand in the Agribusiness sector. The portfolio is well-diversified across sector with less than 30% concentration in Beef and Grain/Mixed Farming respectively. Geographically, 35% of the portfolio is outside the Queensland market, with South Australia, New South Wales and Western Australia all growing their respective contributions.

Retail deposits are managed to support the Core Bank's lending growth, liquidity and revenue objectives. The retail deposit to core lending ratio is currently at 66.5%. It is expected that this ratio will be managed around these levels over the short to medium term. The Bank has achieved material benefits from investments in the retail distribution footprint and capability. Transaction account balances grew 22% in the year to 30 June 2013. Interstate expansion has enabled diversification of the Bank's retail funding base. Interstate transaction account balances grew 50% in the year to 30 June 2013.

Net interest income increased 6.3% as targeted lending growth volumes were met across the Retail, Commercial and Agribusiness portfolios.

Operating expenses were $619 million. The increase of 3.7% on the prior year reflects the one-off transaction costs associated with the Non-core portfolio sale. The Core Bank cost to income ratio remained steady at 53.0% compared with 52.8% in the 2012 financial year.

Impairment losses were down 7.4% at $375 million. Core Bank credit losses continue to trend within the normal operating range of 15 to 30 basis points of credit risk-weighted assets. Total provision for impairment at 30 June 2013 was $300 million, representing a decrease of 44% on the prior financial year.

Life

Life profit after tax was $60 million (2012: $251 million).

The Life Risk business was impacted by adverse experience particularly in disability claims and lapses. Life Risk new business sales were $129 million, an increase of 16%, with growth in both the Independent Financial Adviser Australia and Direct channels. Life risk in-force has increased by 9%, despite industry wide higher lapse rates, reflecting on-going new business momentum across all lines. Funds under administration were $7,339 million, up 3.2%, with good early growth in Suncorp Life's new Suncorp EveryDay Super product.

Life (continued)

Overall expenses have been controlled with the 7% increase driven by investment in the Direct market and to support regulatory change. Capital management is a key focus area and Suncorp Life is well progressed with plans to reduce capital and benefit from lower capital requirements under LAGIC. CET1 decreased for the half despite double digit new business growth. As a result of higher, but more stable yields, negative market adjustments of $60 million were recognised on policy liabilities and investments (2012: $105 million gains). These balance sheet revaluation adjustments are timing related and are expected to neutralise over time.

Earnings per share

Basic earnings per share for the financial year ended 30 June 2013 was 38.42 cents (2012: 56.68 cents).

Diluted earning per share for the financial year ended 30 June 2013 was antidilutive at 38.42 cents (2012: dilutive at 55.74 cents).

Returns to shareholders

There were no returns to shareholders during the financial year other than dividends. Refer item 7 above.

15. Status of audit

The attached 2013 Consolidated Financial Report has been audited.

16. Dispute or qualification if not yet audited

Not applicable.

17. Dispute or qualification if audited

None.