25 August 2010

SUNCORP DELIVERS IMPROVED FULL YEAR RESULT

Key Points

- Group net profit after tax of $780 million, up from $348 million in the previous financial year.
- General insurance after tax profit of $557 million, up 34% despite major weather events in Melbourne and Perth.
- Insurance trading result of $605 million, a margin of 9.6% on net earned premium. Underlying margin of 9% to increase at least 3% by FY12.
- Combined Bank after tax profit of $44 million, including core bank after tax profit of $268 million and non-core Bank after tax loss of $224 million.
- Suncorp Life after tax profit of $222 million and underlying profit of $192 million, up 6.7%.
- Final ordinary dividend of 20 cents per share fully franked, bringing total dividend for the year to 35 cents per share fully franked.
- Strong capital position with the General Insurance MCR coverage at 1.89 times and the Bank Adjusted Fundamental Tier One ratio at 7.03%.
- Prudent capital management through on-market purchase of shares and removal of discount to eliminate the dilutionary impact of the dividend reinvestment plan.

Financial services group Suncorp today reported a net profit after tax of $780 million for the full year to 30 June 2010, up from $348 million in the previous financial year.

Each of the Group's business lines delivered improved underlying results, with profit after tax from business lines up 37% on the previous financial year. The sale of the LJ Hooker subsidiary and Suncorp's joint venture interests in RACQ Insurance and RAA Insurance contributed pre-tax profits of $215 million.

Chief executive officer Patrick Snowball said the 2010 financial year had been one of significant change for Suncorp but the full year result confirmed the Group's recovery was underway.

"Suncorp is making good progress in recovering from the challenges that became apparent during the global financial crisis," he said.

"Over the course of the financial year, we stabilised the Group, strengthened its balance sheet and capital position, appointed a new executive team and laid the foundations for sustainable growth and profits by clarifying our strategic direction and restructuring operations."

"The benefits of these initiatives can be seen in our solid headline result and the improved underlying performances of our businesses despite ongoing market volatility and the Melbourne and Perth hailstorms, two of the more costly weather events in Australian history."

Suncorp-Metway Ltd ABN 66 010 831 722 GPO Box 1453 BRISBANE QLD 4001
www.suncorpgroup.com.au

15170 01/05/09 A

"While we are pleased with our progress and outlook, we understand there is much more to do before we can deliver a truly satisfactory result for shareholders."

General Insurance

General Insurance recorded an after-tax profit of $557 million for the year to 30 June 2010 (2009: $416 million). The insurance trading result was $605 million, representing an insurance trading ratio of 9.6% (2009: 7.7%) despite Suncorp taking a conservative approach to balance sheet management.

As flagged at the general insurance investor presentation in May, Suncorp provided the methodology behind its underlying margin of 9% for the financial year. Mr Snowball reiterated the Group's confidence in achieving its targeted improvement of at least 3% in underlying margin by June 2012.

Gross written premium increased 3.1% to $7 billion (2009: $6.8 billion) with the short tail classes of home and motor experiencing strong growth of 13.6% and 6.4% respectively.

In long tail classes, compulsory third party rates increased in New South Wales and Queensland resulted in an overall gross written premium increase of 13.3%. Premium income for commercial insurance lines was flat. Growth was achieved in the target market of SME packaged business through a focus on broker business, stable retention and some rate increases.

Net claims were stable at $4.6 billion. Short tail claims were impacted by a number of major weather events which resulted in natural hazard claims being $165 million above the Group's long run allowance.

The Group's New Zealand business produced a strong result with premium growth of 6.5% and an insurance trading result of $70 million (2009: $38 million) representing an ITR ratio of 12.2% (2009: 7.1%).

Suncorp Bank

In the first full year result since the Bank's activities were split into core and non-core portfolios, the core bank's after tax profit was $268 million, featuring a margin of 1.80%. The core bank's margin trend was positive in the second half, being 8 basis points higher than the first half at 1.84%.

Lending was constrained over the first half of the year as the Bank rebalanced its funding mix but growth was achieved in most segments in the second half of the year. Lending across the core portfolio grew 2.5% over the second half of 2010.

The Bank maintained its focus on attracting retail deposits and achieved an 8.5% increase in core retail deposits during the half to $23.2 billion, which resulted in continued improvement in the deposit to core lending ratio to 71%.

The non-core bank incurred an after tax loss of $224 million. The run-off of the portfolio progressed ahead of expectations with gross loans and advances reducing by $4.9 billion over the year.

Non-core impairment losses were down 43% half on half, demonstrating continued improvement in non-core credit quality.

Suncorp Life

Suncorp Life's focus on building distribution reach and capability resulted in a net profit after tax result, including market adjustments, of $222 million (2009: $117 million). The underlying after tax profit was $192 million, up 6.7% on the previous financial year.

In-force premium grew by 7% to $784 million, while operating expenses fell 5% to $321 million. Suncorp Life's embedded value increased 12.2% from $2,145 million at June 2009 to $2,406 million at June 2010.

Capital

Mr Snowball said the Group's capital position strengthened considerably over the financial year due to improved operational earnings, the non-core banking run-off and the sale of L.J. Hooker and the motor club joint ventures. However, it was prudent to retain capital buffers while economic volatility and regulatory uncertainties remained.

The Bank's capital adequacy ratio increased nearly 2% to 14.71%, while its Tier 1 ratio was up a similar amount to 13.23%. Its Adjusted Fundamental Tier 1 ratio increased from 5.78% to 7.03% at 30 June 2010.

The General Insurance Minimum Capital Requirement (MCR) coverage increased to 1.89 times from 1.67 times, reflecting solid business earnings.

Dividend

Suncorp Chairman John Story announced a final ordinary dividend of 20 cents per share fully franked, taking the full year ordinary dividend to 35 cents per share fully franked. This represents a full year payout ratio of 58% of cash profits, excluding divestments, at the top end of stated guidance.

"At the interim, we felt we needed a buffer for the second half and that turned out to be the case. Now that we have stabilised the business and strengthened the balance sheet, the Board decided to push the full year payout towards the top end of our policy," he said.

"We firmly believe our dividend payout target remains appropriate given ongoing market volatility. Given continued fair winds, we anticipate the emergence of capital that is surplus to the requirements of the Group, and it is our intention that this be returned to shareholders when it is fully prudent to do so."

15170 01/05/09 A

Suncorp-Metway Ltd ABN 66 010 831 722 GPO Box 1453 BRISBANE QLD 4001
www.suncorpgroup.com.au

Mr Story said Suncorp's capital position had allowed it to neutralise the impact of the Dividend Reinvestment Plan by removing the discount and purchasing shares on market.

Ends

For more information, analysts/investors should contact:
Mark Ley – 0411 139 134

Journalists should contact:
Jamin Smith – 0409 170 035

Teleconference details

Analyst briefing – 1030 EST
Webcast address: www.suncorpgroup.com.au
Australia dial-in: 1800 148 258
International dial-in: +61 2 8524 6650
Conference ID: 89120362

Media conference – 1230 EST
Australia dial-in: 1800 148 258
International dial-in: +61 2 8524 6650
Conference ID: 90009051

15170 01/05/09 A