

22 February 2012

## SUNCORP REPORTS INCREASED HALF YEAR NPAT OF \$389 MILLION

- Group NPAT of \$389 million, up from \$223 million in the prior comparative period (pcp).
- Group balance sheet and capital levels further strengthened with greater transparency provided by the non-operating holding company structure.
- Building blocks programs improving margins and offsetting increased reinsurance costs.
- General insurance NPAT of \$162 million (\$292 million pcp), impacted by Melbourne hailstorm, increased reinsurance costs, reduced reserve releases and falling interest rates.
- Increase in the underlying ITR ratio to 11.1% (FY11: 10.8%).
- Core Bank after tax profit of \$156 million (\$110 million pcp) offset by an after tax loss of \$54 million (\$107 million pcp) on the non-core portfolio.
- Suncorp Life after tax profit of \$133 million (\$61 million pcp).
- Increased interim ordinary dividend of 20 cents per share, fully franked.

Suncorp Group Limited has reported net profit after tax (NPAT) of \$389 million for the half year to 31 December 2011, up from \$223 million in the prior corresponding period.

The improved net profit result was achieved despite numerous external challenges including a weak domestic economy, volatile investment markets, ongoing natural hazard events and increased reinsurance costs.

Chairman Ziggy Switkowski said the Group had delivered increased profits and underlying margins, top-line growth across its businesses, improved cost control and a stronger balance sheet.

“The Group’s strong financial performance in challenging markets has enabled us to pay an increased half year dividend of 20 cents per share, fully franked.”

Dr Switkowski said Suncorp’s response to ongoing weather events and natural disasters highlighted the importance of its contribution to the broader community.

“Suncorp’s leadership in product innovation and efficient claims management has enabled local and regional communities to rebuild and return to productive capacity in a shorter timeframe than would otherwise be the case. Importantly, private assets have been replaced and livelihoods restored without recourse to public funds,” he said.

Group chief executive Patrick Snowball said Suncorp’s half year results demonstrated the strength and resilience of the Group and underlined the progress it was making in transforming and simplifying its business.

“Although external challenges mean that our first half profit is still not what we, and our shareholders, know this business is capable of, I’m proud of what Suncorp has achieved over the last six months and am confident the transformation of our Group is on track,” Mr Snowball said.

Mr Snowball said Suncorp’s balance sheet, as well as its Building Blocks program, had provided protection against the worst impacts of adverse weather events and difficult economic conditions.

“The Group’s surplus capital position means it is well placed should there be any further deterioration in the global economy,” he said.

“Our Building Blocks programs, which included the move to single insurance pricing and claims systems, helped the insurance business respond to the worst calendar year for natural hazards claims on record.”

Mr Snowball said further Group-wide transformation and simplification initiatives had been identified and were in the process of being implemented. An update on these programs will be provided at the Group’s strategy day in May.

## **General Insurance**

General Insurance recorded an after tax profit of \$162 million for the half year to 31 December 2011, with the result impacted by natural hazard claims that were \$149 million above allowances as well as falling interest rates and increased reinsurance costs. This resulted in a statutory ITR ratio of 3.8%.

Despite this, the business increased underlying margins through improved risk selection and pricing and a focus on cost control. The underlying ITR ratio for the half to 31 December 2011 increased to 11.1%.

Australian short-tail classes grew with Home up 15.9% and Motor up 1.7%. Premium rates in these classes increased following ongoing adverse natural hazard experience and significantly higher reinsurance costs.

Commercial insurance gross written premium increased 9.3%. Higher reinsurance costs saw price increases for most commercial lines although the small to medium enterprise market remained challenging due to competition and the economic environment.

## **Suncorp Bank**

Suncorp Bank improved its after tax profit to \$102 million for the half year.

The Core Bank’s after tax profit was \$156 million, with its direct footprint and broker flows increasing as customers seek an alternative to the major banks. Lending growth rebounded following the Queensland floods and cyclones in early 2011 and above system volumes are expected to continue into 2012.

Core Bank net interest margin declined slightly to 1.91% during the half year due to intense competition for retail deposits. The deposit to loan ratio remains at the top end of the 60% to 70% target range with the Group’s ‘A+/A1’ credit rating providing a diversity of alternative funding sources.

The non-core portfolio reported a reduced after-tax loss of \$54 million, reflecting lower impairment losses and the \$34.5 million pre-tax profit on sale of the Polaris data centre, the Bank’s joint venture asset.

The run-off of the non-core portfolio continued to progress ahead of expectations with total lending reducing to \$5.7 billion. Global economic uncertainty is expected to have some impact on the run-off of the remainder of the non-core portfolio.

## **Suncorp Life**

Suncorp Life’s after tax profit for the half was \$133 million while underlying profit after tax was \$69 million.

The business made good progress against its strategy to grow its intermediated and direct distribution channels. Individual Life Risk new business was \$51 million, up 11% on the prior corresponding period. Direct sales increased by 36% as Suncorp Life successfully leveraged the Group's assets to drive volumes.

The embedded value of Suncorp Life increased slightly to \$2,465 million.

### **Dividend/capital**

Suncorp will pay an interim dividend of 20 cents per share fully franked. Basic cash earnings per share, the basis of the Group's dividend payouts, were 34.13 cents.

The Group's capital position remained healthy, with more than \$1.18 billion identified as surplus to the Group's internal targets despite Suncorp paying down a further \$221 million in subordinated debt and repurchasing \$72 million of reset preference shares during the half.

Dr Switkowski said the Board and management placed a priority on balance sheet management and ensuring the Group is well placed to deal with ongoing regulatory and economic uncertainty.

"Our priority is to specify capital targets that appropriately reflect the evolving regulatory environment and the needs of our businesses," he said.

"While capital levels remain well above the Group's targets, we have decided to maintain these surpluses given ongoing global economic uncertainty. We will review this position at the conclusion of the full year."

*\* Further information regarding Suncorp's results, including an explanation of statutory and non-statutory financial information, is set out in the Group's financial results announcement for the half-year ending 31 December 2011 is available on [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au) or [www.asx.com.au](http://www.asx.com.au).*

### **Ends**

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#### **Analyst briefing**

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