



NEWS RELEASE

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Suncorp declares \$821 million annual profit

Suncorp - banking, insurance and wealth management - today reported a 33 per cent increase in net profit to \$821 million for the year to June 2005.

The final ordinary dividend increased 5 cents to 45 cents per share, fully franked, taking the full-year ordinary dividend to 87 cents per share, an increase of 24% over the prior year.

The company also announced plans to pay a special dividend of 75 cents per share, fully franked to shareholders.

Suncorp Chairman John Story said the company's strong performance reflected a continued focus on extracting cost and revenue synergies from the diversified banking, insurance and wealth management model, and an ability to capitalise upon solid market conditions.

"The result is a credit to the team, led by John Mulcahy, and represents a satisfying outcome for our loyal shareholders," he said.

Suncorp CEO John Mulcahy said the result was a reflection of strong underlying business operations and a combination of favourable market conditions.

"The fundamentals of the business are strong but the result was enhanced by solid equity markets, historic low loan losses, a high Insurance Trading Result and the fact that Suncorp has performed 'above systems growth' in key areas," he said.

"Pleasingly, we've been able to deliver a series of strong financial performances while building our community engagement, developing innovative products and services, and reducing premiums in insurance, particularly in compulsory third party and public liability.

"Our focus on our people, customers and the community is as strong as ever and, flowing from this, our shareholders are benefiting from share price growth and dividend payouts."

Mr Mulcahy said the special dividend of 75 cents per share would be supported by a subordinated debt transaction of \$200 million from Suncorp's banking line of business.

"The capital management initiative is aimed at returning surplus capital to the Company's shareholders, and is also an efficient means of transferring some of the Company's franking credit balance to shareholders."

Financial Performance Summary

Underlying profit¹ for the group increased by 26.7% to \$955 million, demonstrating the strong operating performance of the business.

	Year ended		Jun-05
	Jun-05	Jun-04	vs Jun-04
	\$m	\$m	%
Profit Overview			
Banking	458	371	23.5
General Insurance	651	465	40.0
Wealth Management	91	66	37.9
Other	9	43	(79.1)
<i>Profit before tax and goodwill</i>	1,209	945	27.9
Goodwill amortisation	(61)	(60)	1.7
Tax	(327)	(267)	22.5
Net profit	821	618	32.8
Underlying profit	955	754	26.7

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¹ Underlying Profit: Operating profit before tax, amortisation of goodwill, investment income on Shareholder Funds (General Insurance, General Insurance share of joint ventures and Wealth Management), investment income on capital and retained earnings in Wealth Management and one-off items.

Performance by Division

The **Banking** division delivered strong improvement in profit before tax to \$458 million for the year, up 23.5% on the prior year. The result was driven by robust lending growth, good deposit growth, higher net interest margins, and historically low bad debt write-offs and provisions.

Total lending grew by 15.6%, which was above the total industry growth rate of 11.8% for the year, with a strong performance in both retail and business lending.

Mr Mulcahy said the retail banking results showed the effectiveness of initiatives aimed at lifting retention rates and increasing new lending, in particular, rationalisation of the home loan product suite while improving functionality and pricing, as well as increased service standards.

Growth in retail deposits continues to be a feature of the banking performance reflecting the on-going success of the Everyday Options (EDO) transaction and savings account.

"In Business Banking, the relationship management model continues to support ongoing, sustainable growth in a slowing market. The division grew receivables by 17.7% to \$14.4 billion at June compared to 11.5% for system. Strong growth was achieved in Commercial (SME), Corporate and Development Finance lending. Also particularly pleasing was the strong turnaround in Agribusiness, lifting receivables 15.2% in the year," he said.

In **General Insurance**, pre-tax profits grew by 40% to \$651 million. This was driven by solid growth in premium revenue, favourable claims experience in long tail classes as well as increased investment income offset by well above average storm activity during the year.

The insurance trading result (ITR), which is the underwriting result plus investment income on insurance provisions and the clearest indicator of performance in the underwritten general insurance business, increased by 35.6% to \$427 million. This equates to an insurance margin of 17.7% on net earned premium for the year.

Mr Mulcahy said the General Insurance results were achieved through leveraging the brands, building on the unique distribution model and launching new business initiatives supporting growth.

"Group cost synergies and our disciplined expense control has allowed us to maintain a position as one of the most efficient in the industry," he said.

Wealth Management profits before tax increased 37.9% to \$91 million. The result includes a one-off gain of \$16.7 million resulting from the sale of management rights. Removing this one-off, profits increased 12.1% to \$74 million, from \$66 million in the prior year, largely driven by strong investment earnings as well as increased planned profits.

Outlook

Mr Mulcahy said macroeconomic fundamentals remained sound but the extent of future profit growth was dependent on a number of variables including claims experience in short and long tail classes, investment returns, margin pressures and credit quality.

"Our business remains strong and we continue to extract benefits from our operating model however we would expect competition to intensify across our markets. At a Group level we expect a strong operating performance and growth in market shares from the majority of our business lines, however increases in underlying profit will be slower if the general insurance trading margin reverts to its long-term sustainable range and if loan losses increase from current historic lows. We would expect our ordinary dividend growth to be at least 10% for the full year."

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