

SUNCORP GROUP LIMITED (SUN)

9 AUGUST 2018

RESULTS	Full Year 2018	Full Year 2017	CHANGE
Australian Insurance GWP (Gross Written Premiums) (\$m)	8,137.0	8,111.0	+0.3%
Australian Insurance NPAT (\$m)	739.0	723.0	+2.2%
Banking & Wealth NPAT (\$m)	389.0	400.0	-2.8%
Group NPAT (\$m)	1,059.0	1,075.0	-1.5%
Cash Earnings (\$m)	1,098.0	1,145.0	-4.1%
Bloomberg Consensus (\$m)	1,059.0		
Final Dividend (\$)	0.40	0.40	-

Suncorp (SUN) posts better profit, a special dividend and sale of life insurance

- **Suncorp (SUN)** posted a better than expected annual result, a special dividend and the sale of its life insurance business which was well received by investors. The financial services company's cash earnings fell by 4.1% to \$1,059m for the 12 months to 30 June but was approximately \$40m ahead of market expectations driven by a stronger outcome in its core general insurance business.
- Its **Australian Insurance operations** recorded a 2.2% lift in net profit to \$739m and remained the biggest earner following a better second half. Car and home insurance performance improved thanks to better weather which kept natural hazard costs under control together with a lift in insurance premiums, unit growth and fewer claims.
- Earnings in its **Life Insurance** unit rose by 70% to \$58m (note NPAT was held back by \$19m in this unit last year due to accounting adjustments). The group will sell its life insurance business to Japan owned TAL Dai-ichi Life for \$725m. SUN intends to return around \$600m to shareholders after receiving proceeds from the sale. It will book an \$880m write down of its goodwill in FY19.
- Its **Banking & Wealth** business posted a \$389m profit, 2.8% below a year earlier and a little short of market expectations mainly due to a 5% fall in banking profit. Growth in deposits and lending however was above the industry level. Deposits rose by 4.7% and home lending was up by a solid 6%.
- The **Business Improvement Program (BIP)** delivered net benefits of \$40m helping improve efficiencies (\$30m ahead of the company's targets for the year). SUN has reduced the cost to serve customers by digitising the user experience. It expects to exceed net benefits from its BIP of \$195m in FY19.
- SUN has declared a \$0.40 per share **final dividend**, with an ex-dividend date of 15 August and payable on 19 September. An additional \$0.08 per share will be paid out to eligible investors via a **special dividend** on the same day.
- **SUN shares** improved following the result and have outperformed the broader market (ASX 200) and financials so far this calendar year. It has maintained its FY19 targets.

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