

7 August 2019

Suncorp announces \$506 million shareholder distribution

Suncorp (ASX: SUN | ADR: SNMCY) today announces the Board proposes to distribute the remaining surplus capital from the sale of its Australian Life Insurance business to ordinary shareholders in the form of a \$506 million capital return with a related share consolidation.

Suncorp sold its Australian Life Insurance business to TAL Dai-ichi Life Australia Pty Ltd (TAL) on 28 February 2019, and paid an 8 cent per share, fully franked, special dividend on 3 May 2019, equating to approximately \$104 million of sale proceeds. As previously disclosed, the preferred means of distributing the balance of capital generated from the sale is through seeking shareholder approval for a pro-rata return of share capital and share consolidation. Following final confirmation of the total sale proceeds, the Board now confirms its intent to put forward this capital management initiative for shareholder approval at Suncorp's 2019 Annual General Meeting on 26 September 2019.

The proposed \$506 million capital return, equating to 39 cents per share, will be combined with a related share consolidation which will be accretive to earnings per share, similar to a share buy-back. If approved, the capital return will be made on 24 October 2019 and will bring the total return to shareholders from the sale of the Australian Life Insurance business to \$610 million.

The share consolidation will be implemented in a manner which ensures each shareholder's proportionate interest in Suncorp remains unchanged following the capital return, subject to the rounding up of fractional entitlements. The ratio to apply to the share consolidation is the volume weighted average price (VWAP) of Suncorp shares over the five-consecutive trading day period ending 5 August 2019, less the capital return, as a proportion of the VWAP. Based on this calculation, the consolidation ratio is 0.9710 and, if approved by shareholders, will reduce the number of shares on issue by approximately 2.9% (refer to the Appendix for a worked example).

Acting Chief Executive Officer, Steve Johnston, said the capital management initiative further demonstrates Suncorp's ongoing commitment to return capital to shareholders in excess of operating requirements. "The proposed return, combined with the final ordinary dividend declared today would see over \$1 billion in capital distributed to Suncorp shareholders over the coming months," he said.

Following the final confirmation of the completion adjustment, the after-tax non-cash loss on sale of the Australian Life Insurance business was \$910m (previously \$880m) due to more prudent positioning for separation costs.

Suncorp has commenced a 20-year strategic alliance with TAL offering market-leading life insurance solutions through Suncorp's Australian distribution channels. Under the terms of the strategic alliance, Suncorp will continue to earn income on the distribution of life insurance.

Further information on the capital management initiative will be set out in the 2019 Notice of Annual General Meeting that will be sent to shareholders by 27 August 2019. A worked example, list of frequently asked questions and key dates are provided in the Appendix to this announcement.

Shareholders with queries related to their individual holdings or who wish to update their banking details should contact Link Market Services on 1300 882 012 (within Australia) or +61 2 8767 1219 (outside Australia) or online via www.linkmarketservices.com.au.

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Appendix

What is the capital management initiative?

Suncorp's proposed capital management initiative includes:

- **A return of capital to ordinary shareholders** – a return of approximately \$506 million of share capital where Suncorp pays each shareholder 39 cents per share held; and
- **A consolidation of ordinary shares** – an equal and proportionate share consolidation relating to the return of capital, through the conversion of each ordinary share into 0.9710¹ shares.

¹The share consolidation ratio is determined as
$$= \frac{(a - b)}{a} = \frac{(\$13.45 - \$0.39)}{\$13.45} = 0.9710$$

where:

a = the volume weighted average price of Suncorp's ordinary shares over the five trading days up to 5 August 2019

b = the amount of the return of capital

Note: Where the consolidation of an ordinary shareholder's holding results in an entitlement to a fraction of an ordinary share, the fraction will be rounded up to the next whole number of ordinary shares.

If shareholders approve the proposed capital management initiative, eligible Suncorp shareholders will receive 39 cents per share as a cash distribution on 24 October 2019.

If approved by shareholders, the proposed share consolidation will:

- ensure that each ordinary shareholder's proportionate interest in Suncorp remains unchanged following the payment of the return of capital subject to rounding of fractional entitlements to the next whole number of shares; and
- reduce the number of Suncorp ordinary shares on issue from approximately 1,298 million to approximately 1,261 million (representing a 2.9% reduction in the number of ordinary shares on issue).

Worked example for an individual shareholder

A shareholder with 100 ordinary shares on the proposed record date (1 October 2019) would expect a \$39.00 return of capital payment (39 cents per share). Using the consolidation ratio of 0.9710, the 100 ordinary shares would then be consolidated to 97.10 ordinary shares, which would be rounded up to 98 ordinary shares.

Number of ordinary shares pre-return of capital and share consolidation		100 shares
Return of capital payment based on 39 cents per share	100 shares x \$0.39	<u>\$39.00</u>
New number of ordinary shares post share consolidation at ratio of 0.9710 per share	100 shares x 0.9710	98 shares

Note: Number of shares is rounded up to avoid any fractional entitlements

Frequently asked questions

Why is Suncorp proposing this capital management initiative?

Suncorp is committed to returning surplus capital to shareholders. The surplus capital position arose following the sale of 100% of Suncorp's Australian Life Insurance business, which was completed on 28 February 2019.

On 3 May 2019, Suncorp paid a fully franked, special dividend of 8 cents per share, equating to approximately \$104 million, as the first component of the return of excess capital. The \$506 million return of capital announced today reflects the balance of sale proceeds available to return to shareholders following the final confirmation of the completion adjustment amount.

What is the total amount of capital to be distributed following the sale of the Australian Life Insurance business?

The total amount of excess capital from the sale of the Australian Life Insurance business available for Suncorp to distribute to shareholders was \$610 million:

- special dividend (fully franked): \$104 million (8 cents per share); and
- proposed return of capital: \$506 million (39 cents per share), with related share consolidation.

Further information relating to the completion of the sale of the Australian Life Insurance business, is available in Suncorp's FY19 results material available on the [Suncorp Group website](#).

Why return excess capital via a capital return and share consolidation as opposed to other options?

Suncorp evaluated various options for returning excess capital to ordinary shareholders and determined a capital return, combined with a consolidation of shares, was the optimal method because:

- it is more time-efficient than an on-market share buy-back, which could take some time to complete due to the amount of capital proposed to be returned to ordinary shareholders (being \$506 million);
- a capital return applies equally to all ordinary shareholders and proportionate interests in Suncorp remain unchanged; and
- a capital return preserves flexibility for distributions in the future.

What is the effect of the capital management initiative on Suncorp's share price?

Following the return of capital, shares may trade at a lower price from the 'post return of capital' date than they otherwise would have if the capital return did not proceed, due to the outflow of funds to ordinary shareholders. However, all else being equal, the consolidation of shares is expected to neutralise the effect of the return of capital on future earnings per share expectations and therefore, similarly neutralise any reduction in the share price specifically related to the return of capital.

Why is the capital management initiative subject to shareholder approval at the AGM?

The capital management initiative is subject to two requirements under the Corporations Act being specific shareholder approvals by ordinary resolutions under section 256C of the Corporations Act relating to the capital reduction and section 254H of the Corporations Act relating to the share consolidation.

How do I vote on the capital management initiative?

Voting instructions for eligible shareholders will be set out in the 2019 Notice of Annual General Meeting.

What are the tax implications of the capital management initiative?

Tax implications for shareholders will depend on their own individual facts and circumstances. All shareholders should seek their own taxation advice. Suncorp has applied for a Class Ruling from the Australian Taxation Office to confirm its understanding of the likely income tax consequences for ordinary shareholders who hold their ordinary shares on capital account for tax purposes. It is expected that the Class Ruling will confirm that:

- there should be no immediate tax liability for most ordinary shareholders related to the capital return as the proceeds from the capital return should first be applied to reduce the shareholder's tax cost base in the shares. However, where the capital return exceeds the shareholder's cost base in the shares, a capital gain may arise; and
- the share consolidation should not result in a capital gains tax event occurring for ordinary shareholders.

Am I eligible to participate and when will I receive my return of capital payment?

If the capital initiative is approved by shareholders at Suncorp's 2019 AGM and you are a registered holder of ordinary shares as at the proposed record date (1 October 2019), you will receive your payment on 24 October 2019.

How will I receive my payment and how do I update my banking details?

Eligible shareholders will receive their capital return payment by direct credit to the Australian or New Zealand bank, building society or credit union account nominated by each shareholder for receipt of dividends. The proposed shareholder distribution is not an ordinary dividend payment and therefore elections to participate in the Dividend Reinvestment Plan (DRP) will not apply. If you have elected to participate in the DRP, please ensure you nominate bank account details to receive this payment.

Shareholders can update their banking details online via www.linkmarketservices.com.au or by contacting Link Market Services (Link) on 1300 882 012 (within Australia) or +61 2 8767 1219 (outside Australia) before the proposed record date.

Employees whose shares are held in trust as shares subject to a restriction period under the Suncorp Equity Participation Plan and the Tax-Exempt Share Plan, will be treated as ordinary shareholders for the purposes of participating in the capital management initiative. Employee shareholders can update their banking details online via <https://investorcentre.linkmarketservices.com.au/Employee/SUN>.

Why didn't I receive the special dividend paid on 3 May 2019?

You may not have been a registered holder as at the special dividend record date (2 April 2019) or you may need to update your banking details with Link. For further information on your individual holding, please contact Link on the details below.

Where can I get more information?

Further information will be set out in the 2019 Notice of Meeting which will be sent to shareholders by 27 August 2019. Shareholders with queries related to their individual holdings or who wish to update their banking details should contact Link on 1300 882 012 (within Australia) or +61 2 8767 1219 (outside Australia), via email to suncorp@linkmarketservices.com.au or online via www.linkmarketservices.com.au.

Employee share plan participants can contact the Suncorp Employee Share Plan enquiry line via phone on 1800 822 008 (within Australia) or +61 2 8767 1330 (outside Australia) or via email to suncorp.employees@linkmarketservices.com.au.

Expected timetable

Event	Key dates
— Suncorp announces capital return and related share consolidation, subject to shareholder approval at AGM	Wednesday, 7 August 2019
— Suncorp completes Notice of Meeting mailing with voting information	Tuesday, 27 August 2019
— Suncorp Annual General Meeting and potential shareholder approval	Thursday, 26 September 2019
— Last day for trading of ordinary shares to be entitled to capital return — Last day for trading in pre-consolidated ordinary shares	Friday, 27 September 2019
— Suncorp ordinary shares commence trading on an 'ex return of capital' basis — Trading in post-consolidated Suncorp ordinary shares commences on a deferred settlement basis	Monday, 30 September 2019
— Record date for determining entitlement to participate in the Capital Return — Last day to register transfers of ordinary shares on a pre-consolidated basis	Tuesday, 1 October 2019 7.00pm (AEST)
— Post-consolidation holdings entered into ordinary shareholders' security holdings — Deferred settlement trading ends	Tuesday, 8 October 2019
— Holding notices issued confirming post-consolidation holdings of ordinary shareholders — Payment date for the capital return	Thursday, 24 October 2019

Note: Monday, 7 October is a public holiday in Queensland and New South Wales however is not listed as an ASX non-business day.