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Dear John,

Consultation request regarding dilution factor calculation in the case of special dividends

Suncorp welcomes the opportunity to respond to the ASX consultation on the dilution factor calculation in the case of special dividends. We appreciate that the ASX has sought feedback on this issue.

Background

Suncorp has paid three special dividends to its shareholders during the past three years. These have been classified as 'special dividends' to distinguish them from ordinary dividends which are based on a specified payout of cash earnings. The 'special dividends' are a return of surplus capital to shareholders. The surplus capital has been generated by the substantial de-risking of the Suncorp Group over the past five years from a combination of the run-off of banking assets (Non-core Bank), additional reinsurance arrangements and some smaller asset sales (Tyndall Funds Management and the RACQ Insurance joint venture).

The ASX adjustment of historical share prices as a result of these special dividends has caused confusion both internally and externally. Internally, Suncorp finds it difficult to explain the 'actual/unadjusted' share price movements on a weekly, monthly and annual basis. We also understand that our shareholders have difficulty accessing historical 'actual/unadjusted' share price information that they may require for taxation and benchmarking purposes.

Suncorp's dilutionary events are outlined in the table below:

Event	Date	Amount	Dilution Factor	Share price (unadjusted before event date)	Special dividend % of share price
Special	20/08/2014	30 cents	.9803	\$15.26	1.97%
Special	26/08/2013	20 cents	.9844	\$12.84	1.56%
Special	27/08/2012	15 cents	.9837	\$9.23	1.63%
NOHC	24/12/2010	n/a	1	\$8.84	n/a
1:5 non-renounceable issue	09/02/2009	\$4.50	.9432	\$7.13	n/a
2:15 (RAPID)	16/03/2007	\$15.50	.9682	\$21.25	n/a
Special	31/08/2005	75 cents	n/a	\$21.27	8.48%
1:2 non-renounceable issue	23/11/1998	n/a	.8488	\$9.15	n/a

As you can see, the more recent smaller special dividends have been impacted by dilution; however the larger special dividend in 2005 was not subject to dilution.

To illustrate the confusion that the dilution of small special dividends has caused, it is difficult to determine the highest actual SUN share price close. According to the current ASX data, SUN closed on 23 February 2007 at \$20.51. With some difficulty, we were able to determine that the 'actual/unadjusted' or actual share price close on that day was \$23.21.

Suncorp suggests that ASX consider a retrospective change to the adjusted share prices so that the recent small (<5%) special dividends do not impact on historical share price. Alternatively, Suncorp suggests that the ASX provide shareholders and investors with the ability to access the unadjusted share price data.

Specifically, in response to the ASX consultation questions:

1. *The impact of a change in dilution factor methodology to internal systems and processes?*

As outlined above, the current treatment of special dividends as dilutionary has caused confusion both internally and externally.

Suncorp Investor Relations provides the Board and executive team with weekly, monthly and annual reports that include information on Suncorp's share price with comparisons to peers and the broader market. The data used for this is provided by Thomson Reuters which relies upon ASX data and this is therefore impacted by the dilution factor calculation for special dividends. This causes a degree of confusion.

Similarly, retail shareholders often ask for historical share price information and find it difficult to access the 'unadjusted' share price information they require for taxation purposes.

There will be no impact on any internal systems as a result of the proposed change to the dilution factor calculation.

2. *Does Suncorp support the proposed changes?*

Suncorp does support the change and believes the benefits will outweigh any negative ramifications. There are a range of benefits from implementing ASX's suggested change to the dilution factor calculation for special dividends not least of which is to remove confusion for retail shareholders.

3. *Does Suncorp support the proposed threshold of greater than or equal to 5 per cent of the shares closing price at the time of calculation?*

Suncorp considers the 5% threshold as satisfactory. The three special dividends that Suncorp has paid over the past three years fall under this threshold.

4. *What alternative methodologies might be suggested?*

As mentioned, Suncorp believes that the ASX should make historical 'unadjusted' share price data easier for investors, particularly retail shareholders, easier to access.

If you would like any further background information on this response to your consultation, please contact either Nick Perchey (0281219206) or myself.

Yours sincerely,



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