



Suncorp Convertible Preference Shares

Prospectus for the issue of convertible preference shares to raise \$250 million with the ability to raise more or less

Arranger
UBS

Joint Lead Managers
Deutsche Bank
National Australia Bank
UBS

Co-Manager
JBWere

Suncorp Group Limited **CPS3 Prospectus**

Suncorp Group Limited ABN 66 145 290 124

One Company
Many Brands



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Important notices

About this Prospectus

This Prospectus relates to the offer by Suncorp Group Limited (ABN 66 145 290 124) ("**Suncorp**") of convertible preference shares ("**CPS3**") to raise \$250 million with the ability to raise more or less (the "**Offer**").

This Prospectus is dated and was lodged with the Australian Securities and Investments Commission ("**ASIC**") on 31 March 2014 pursuant to section 713(1) of the *Corporations Act*. This Prospectus expires on the date which is 13 months after 31 March 2014 ("**Expiry Date**") and no CPS3 will be issued on the basis of this Prospectus after the Expiry Date.

Neither ASIC nor the Australian Securities Exchange ("**ASX**") takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Defined words and expressions

Certain capitalised words and expressions used in this Prospectus have defined meanings which are explained in the Glossary in Appendix B of this Prospectus and in the terms and conditions of CPS3 as set out in Appendix A. If there is any inconsistency in definitions between Appendix A and Appendix B, the definitions in Appendix A prevail.

Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, New South Wales, Australia.

Offer and issuer

The Offer contained in this Prospectus is an offering by Suncorp of CPS3 at \$100 per CPS3 to raise \$250 million with the ability to raise more or less.

CPS3 are issued by Suncorp, an ASX-listed company incorporated in Australia. Suncorp is the ultimate parent company of a group of general insurance, banking and life insurance businesses. References in this Prospectus to Suncorp are to the holding company on a standalone basis and references to the **Suncorp Group** are to Suncorp and its subsidiaries on a consolidated basis.

This Prospectus describes the activities and the financial performance and position of the Suncorp Group.

CPS3 are not deposit or policy liabilities of Suncorp, or any other member of the Suncorp Group, are not protected accounts or policies and are not guaranteed

CPS3 are not:

- deposits or policy liabilities of Suncorp, or any other member of the Suncorp Group;
- protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act;
- protected policies for the purposes of the policy holder protection provisions of the Insurance Act; or
- guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.

CPS3 are complex and may not be suitable for all investors. The investment performance of CPS3 is not guaranteed by Suncorp or any other member of the Suncorp Group. The risks associated with investing in these securities could result in the loss of your investment. Information about the risks associated with investing in CPS3 are detailed in Section 5.

Exposure Period

The Corporations Act prohibits Suncorp from processing Applications to subscribe for CPS3 under this Prospectus in the seven day period after the date of lodgement of this Prospectus ("**Exposure Period**"). This period may be extended by ASIC by up to a further seven days. This period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Application Forms will not be available until after the Exposure Period has ended.

How to obtain a Prospectus and Application Form

This Prospectus is available to Australian investors in electronic form at www.suncorpgroup.com.au/cps3. The Offer constituted by this Prospectus in electronic form is available only to persons accessing and downloading or printing the electronic copy of the Prospectus within Australia and is not available to persons in any other jurisdictions (including the United States) without the prior approval of Suncorp. Persons in Australia may, during the Offer Period, obtain a paper copy of this Prospectus (free of charge) by telephoning the Suncorp CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday—8:00am to 7:30pm (Sydney time), or by registering online to receive a Prospectus at www.suncorpgroup.com.au/cps3. Applications for CPS3 under this Prospectus may only be made during the Offer Period, pursuant to an Application Form (either electronic or paper) that is attached to or accompanying this Prospectus. A printable version of this Prospectus may be downloaded in its entirety by eligible investors from www.suncorpgroup.com.au/cps3.

Providing personal information

You will be asked to provide personal information to Suncorp (directly or via its agents) if you apply for CPS3. See Section 9.9 and Suncorp's privacy policy which is available at www.suncorpgroup.com.au for information on how Suncorp (and its agents) collect, hold and use this personal information.

Important notices (continued)

Restrictions on distribution

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify CPS3 or the Offer or to otherwise permit a public offering of CPS3 outside Australia.

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither CPS3 nor the Ordinary Shares have been or will be registered under the US Securities Act or the securities laws of any state of the United States, and they may not be offered or sold in the United States. CPS3 are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the US Securities Act.

See Section 6.7.1 for further information.

Financial information and forward-looking statements

Section 4 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 4.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward-looking statements which are identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words that involve risks and uncertainties.

Any forward-looking statements are subject to various risk factors that could cause actual circumstances or outcomes to differ materially from the circumstances or outcomes expressed, implied or anticipated in these statements. Forward-looking statements should be read in conjunction with the risk factors as set out in Section 5, and other information in this Prospectus.

No representations other than in this Prospectus

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. You should rely only on information in this Prospectus.

Unless otherwise indicated, all information in this Prospectus, while subject to change from time to time, is current as at the date of this Prospectus.

ASX Quotation

Suncorp will apply for CPS3 to be quoted on ASX. CPS3 are expected to trade under ASX code ‘SUNPE’.

Website

The Suncorp Group maintains a website at www.suncorpgroup.com.au. Information contained in or otherwise accessible through this or a related website is not a part of this Prospectus.

This Prospectus does not provide financial product or investment advice—you should seek your own professional investment advice

The information in this Prospectus does not take into account your investment objectives, financial situation or particular needs as an investor. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues). See in particular the risks set out in Section 5.

If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in CPS3 or not, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

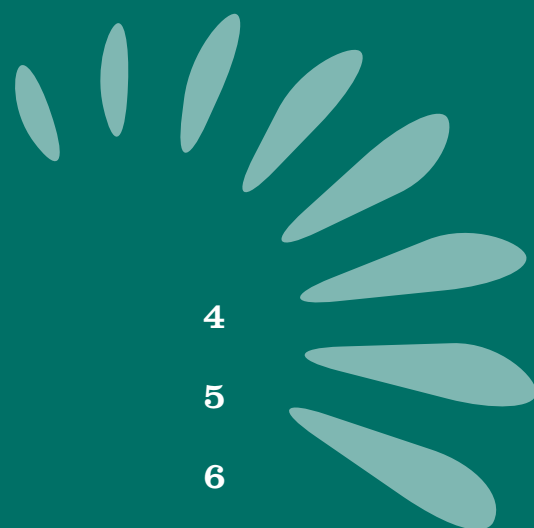
Enquiries

If you are considering applying for CPS3 under the Offer, this document is important and should be read in its entirety.

If you have any questions in relation to the Offer, please call the Suncorp CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday 8:00am to 7:30pm (Sydney time).

Table of contents

Chairman's letter	4
How to apply for CPS3	5
Key dates	6
1. Investment overview	7
2. About CPS3	17
3. About Suncorp	35
4. Financial information	41
5. Investment risks	47
6. About the Offer	61
7. Australian taxation summary	67
8. Key people, interests and benefits	75
9. Additional information	81
A. Suncorp CPS3 Terms	87
B. Glossary	107
Corporate directory	116



Chairman's letter

31 March 2014

Dear Investors,

On behalf of the Directors, I am pleased to present you with an opportunity to invest in convertible preference shares ("**CPS3**").

The Suncorp Group is a top 20 ASX-listed financial services group, comprising general insurance businesses in Australia and New Zealand, a regional bank in Australia and a specialist life insurance business. We operate a portfolio of brands including AAMI, Suncorp Insurance, GIO, Vero Insurance, Apia, Suncorp Bank, and Asteron Life.

Suncorp intends to raise \$250 million through the offer of CPS3 with the ability to raise more or less. CPS3 are being issued as part of Suncorp's ongoing funding and capital management strategy. Suncorp is issuing CPS3 to raise proceeds which it expects to use to fund the capital requirements of one or more regulated entities within the Suncorp Group.

CPS3 are fully paid preference shares to be issued by Suncorp. They will pay, subject to the terms outlined in this Prospectus and at Suncorp's discretion, floating rate, quarterly, non-cumulative, preferred dividends which are expected to be fully franked. We expect CPS3 will be quoted on ASX.

CPS3 are unsecured and perpetual in nature. Subject to APRA's prior written approval, Suncorp may elect to exchange CPS3 on 17 June 2020, otherwise they will mandatorily convert into ordinary shares of Suncorp on 17 June 2022 (subject to certain conditions being satisfied). If the conditions for conversion are not satisfied on that date, mandatory conversion will be deferred until a later date when conditions are re-tested. The key features of CPS3 are set out in Section 2 of this Prospectus.

On behalf of the Directors, I encourage you to read this Prospectus carefully and consider the risk factors set out in Section 5. CPS3 are complex financial products and have features that are more complicated than a simple debt or equity security. If, after reading this Prospectus, you have any questions about the offer or how to apply for CPS3 under the Securityholder Offer, please call the CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time). You should also seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to apply for CPS3.

If you have any questions in relation to the Broker Firm Offer, please call your syndicate broker.

The key dates for the offer are summarised on page 6. The offer may close early, so you are encouraged to submit your application as soon as possible after the Opening Date.

On behalf of the Directors, I invite you to consider this investment opportunity.

Yours faithfully,



Dr Ziggy Switkowski
Chairman

How to apply for CPS3

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- 1.** Read this Prospectus in full
 - If you are considering applying for CPS3 under the Offer, this Prospectus is important and should be read in its entirety.
 - You should have particular regard to the:
 - “Investment overview” in Section 1 and “About CPS3” in Section 2;
 - “Investment risks” in Section 5; and
 - Terms of CPS3 in Appendix A.
 - In considering whether to apply for CPS3, it is important that you consider all risks and other information regarding an investment in CPS3 in light of your particular investment objectives and circumstances.
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- 2.** Speak to your professional adviser
 - If you are unsure whether to apply for CPS3, you should seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser about the Offer.
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- 3.** Consider ASIC Guidance for retail investors
 - ASIC has published guidance on their MoneySmart website which may be relevant to your consideration of CPS3. You can find this guidance by searching ‘hybrid securities’ at www.moneysmart.gov.au.
 - The guidance includes a series of questions you should ask before you invest in hybrid securities, as well as a short quiz to check your understanding of how hybrids work, their features and risks.
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- 4.** Complete and submit your Application Form and Application Payment (as necessary)
 - If you have decided to apply for CPS3, you need to apply pursuant to the Application Form (either electronic or paper) attached to or accompanying this Prospectus.
 - The Application process varies depending on whether you participate in the Institutional Offer, Broker Firm Offer, or Securityholder Offer.
 - If you are applying under the Securityholder Offer, your Application Payment (and personalised Application Form, if paying by cheque or money order) must be received by the Closing Date of the Securityholder Offer, expected to be 30 April 2014. If you are applying under the Broker Firm Offer, your application must be received by the Closing Date for the Broker Firm Offer, expected to be 6 May 2014.
 - See Section 6 for more details on how to apply.
 - The Offer may close early so you are encouraged to consider submitting your Application as soon as possible after the Opening Date.
-

Key dates

KEY DATES FOR THE OFFER	DATE
Record date for determining Eligible Securityholders	24 March 2014
Lodgement of this Prospectus with ASIC	31 March 2014
Bookbuild	7 April 2014
Announcement of the Margin	7 April 2014
Lodgement of the replacement prospectus with ASIC	8 April 2014
Opening Date	8 April 2014
Closing Date for the Securityholder Offer	30 April 2014
Closing Date for the Broker Firm Offer	6 May 2014
Issue Date	8 May 2014
CPS3 commence trading on ASX (deferred settlement basis)	9 May 2014
Holding Statements despatched by	13 May 2014
CPS3 commence trading on ASX (normal settlement basis)	14 May 2014

KEY DATES FOR CPS3	DATE
First quarterly Dividend Payment Date	17 June 2014
Optional Exchange Date	17 June 2020
Scheduled Mandatory Conversion Date	17 June 2022

Dates may change

These dates are indicative only and may change without notice.

Suncorp and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late Applications, whether generally or in particular cases, or withdrawing the Offer at any time before CPS3 are issued, at their discretion.



This Section provides a summary of information that is key to a decision whether to invest in CPS3. Further details are provided in other Sections of this Prospectus, which you should read in its entirety.

Investment overview

1. Investment overview

1.1 Key features of the Offer and CPS3

TOPIC	SUMMARY	FURTHER INFORMATION
What is the Offer?	<ul style="list-style-type: none"> The Offer is for the issue of CPS3 to raise \$250 million with the ability to raise more or less. 	Section 6.1
Who is the issuer?	<ul style="list-style-type: none"> The issuer is Suncorp Group Limited ("Suncorp"). 	Section 3
What are CPS3?	<ul style="list-style-type: none"> CPS3 are shares issued by Suncorp which are: <ul style="list-style-type: none"> fully paid – at \$100 per CPS3; convertible – in certain circumstances, Suncorp will be required to Convert CPS3 into Ordinary Shares and in certain circumstances Suncorp may elect to Convert CPS3 into Ordinary Shares; preferential – CPS3 carry preferred rights over Ordinary Shares to payment of dividends and returns of capital on a winding-up (although Suncorp may issue other securities that would rank equally or ahead of CPS3, which therefore could take priority over CPS3 for dividends and on a winding-up); perpetual – CPS3 do not have any fixed maturity date and could remain on issue indefinitely if they are not Converted or Redeemed (in which case you would not receive your capital back or be issued any Ordinary Shares); unguaranteed and unsecured – CPS3 are not guaranteed or secured, and are also not deposit liabilities or policy liabilities of Suncorp or any other member of Suncorp Group or protected accounts under the Banking Act or protected policies under the Insurance Act; and ASX quoted – Suncorp will apply for CPS3 to be quoted on ASX – if quoted, they can be bought and sold on ASX. The CPS3 Terms are complex and derive from the detailed requirements of APRA for the instrument. Suncorp's ability to pay Dividends, or to optionally Convert or Redeem CPS3 is dependent on APRA either not objecting or giving prior approval. 	Section 2
Why is Suncorp issuing CPS3?	<ul style="list-style-type: none"> CPS3 are being issued as part of Suncorp's ongoing funding and capital management strategy. Suncorp is issuing CPS3 to raise proceeds which it expects to use to fund the capital needs of one or more Regulated Entities within the Suncorp Group. CPS3 and Suncorp's other equity capital help to protect Suncorp Group's depositors, policyholders and other creditors by providing a loss-absorbing capital buffer that supports losses that may be incurred by the Suncorp Group. 	Section 2.6
What Dividends are payable?	<ul style="list-style-type: none"> CPS3 are scheduled to pay quarterly, floating rate Dividends in arrears in cash until Converted or Redeemed. A Dividend is only payable if the Directors resolve to pay it and the other conditions to payment are met. These include that the payment not be contrary to APRA requirements. The Dividend Rate is calculated using the following formula: $\text{Dividend Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - T)$ where: <ul style="list-style-type: none"> The Margin will be determined by the Bookbuild and is expected to be between 3.40% and 3.60% over the Bank Bill Rate. T is the Australian corporate tax rate applicable to the franking account of Suncorp at the relevant Dividend Payment Date. Dividends are expected to be fully franked. However, Holders should be aware that franking is not guaranteed and a Holder's ability to use franking credits depends on their individual circumstances. Dividends are non-cumulative, which means that unpaid Dividends do not accumulate. Holders will not have any right to compensation if Suncorp does not pay Dividends. Failure to pay a Dividend when scheduled will not constitute an event of default. If a Dividend is not paid in full on a Dividend Payment Date, subject to certain exceptions Suncorp cannot declare, determine to pay, or pay dividends or distributions on its Ordinary Shares, or buy-back or reduce capital on any of its Ordinary Shares, until and including the next Dividend Payment Date (unless the Dividend is paid in full within 3 Business Days of the relevant Dividend Payment Date). 	Section 2.1

TOPIC	SUMMARY	FURTHER INFORMATION
Will I get my capital back?	<ul style="list-style-type: none"> • CPS3 do not have any fixed maturity date and could remain on issue indefinitely. • What will happen to CPS3 is uncertain and depends on a number of factors including whether Mandatory Conversion will occur, whether Suncorp elects to Convert, Redeem or Resell CPS3 on the grounds set out in the CPS3 Terms, and whether APRA's approval is given when required under the CPS3 Terms. Holders should not expect that APRA will give its approval for any Conversion, Redemption or Resale. • Holders will have no right to request Suncorp to Convert CPS3 to Ordinary Shares or Redeem or Resell them. • CPS3 are expected to be quoted on ASX so that they can be bought and sold on ASX. There may or may not be a liquid market for CPS3, which in turn may affect the market price of CPS3, and therefore whether you will get your capital back. If ASX does not grant permission for CPS3 to be quoted, CPS3 will not be issued and all Application Payments will be refunded (without interest) as soon as practicable. 	
Will CPS3 be Redeemed?	<ul style="list-style-type: none"> • If certain conditions are met, Suncorp will have a right, but not an obligation, to Redeem CPS3: <ul style="list-style-type: none"> – on 17 June 2020; – on the occurrence of a Tax Event (for example, this may include where a change in Australian tax law after the Issue Date results in an increase in the costs to Suncorp of CPS3 being on issue); or – on the occurrence of a Regulatory Event (for example, this may include where a change in Australian law or regulation after the Issue Date would impose additional requirements on Suncorp in relation to CPS3 which the Directors determine to be unacceptable or if the CPS3 are no longer entitled to be used to fund Additional Tier 1 Capital of a Regulated Entity within the Suncorp Group). • There are restrictions on Suncorp's right to Redeem (i.e. pay out) CPS3 with cash. • Most importantly, Suncorp can only Redeem CPS3 if APRA is satisfied with Suncorp Group's capital position which may mean that Suncorp must replace CPS3 with regulatory capital of the same or better quality. This is intended to protect Suncorp's creditors. Holders should not expect that APRA will give its approval for any Redemption. 	
Will CPS3 Convert to Ordinary Shares?	<ul style="list-style-type: none"> • CPS3 must Convert into Ordinary Shares on a Mandatory Conversion Date, on a Non-Viability Trigger Event or on an Acquisition Event (for example, a takeover of Suncorp). This may or may not be advantageous for Holders. • Mandatory Conversion can only occur on or after 17 June 2022 and if the Mandatory Conversion Conditions are met on the relevant date. These conditions are intended to protect Holders against receiving Ordinary Shares worth less than approximately \$101 per CPS3¹ and ensure that the Ordinary Shares are capable of being sold on the ASX. • Non-Viability Trigger Event: Suncorp will be required to Convert CPS3 to Ordinary Shares (or, where that is not possible, Write Off CPS3) if APRA determines that Suncorp would be non-viable (including where Suncorp is unable to meet obligations to creditors). If Conversion occurs in this circumstance, Holders are likely to receive Ordinary Shares that are worth significantly less than \$101 for each CPS3 they hold. • Optional Conversion: Suncorp may also choose to Convert CPS3 to Ordinary Shares with APRA's written approval if a Tax Event, Regulatory Event or Potential Acquisition Event occurs. In addition, Suncorp may also Convert CPS3 on 17 June 2020. Although Suncorp need have no reason to Convert on that date, an example of a circumstance in which it may elect to do so is where interest rates used for the dividend calculation on CPS3 are, at that point in time, considered high. • If Suncorp chooses to Convert CPS3 in these circumstances, each Holder should receive approximately \$101 worth of Ordinary Shares per CPS3¹. 	

¹ By the time of Conversion the value of Ordinary Shares received may be worth more or less than \$101 – see section 5.1.4 for further information.

1. Investment overview (continued)

TOPIC	SUMMARY	FURTHER INFORMATION																		
How would CPS3 rank in a winding-up of Suncorp?	<ul style="list-style-type: none"> In a winding-up of Suncorp, CPS3 rank ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind any securities or instruments that rank in priority to the CPS3 and all creditors of Suncorp, as shown below. <table border="1" data-bbox="304 421 1209 947"> <thead> <tr> <th></th> <th>Type</th> <th>Illustrative examples</th> </tr> </thead> <tbody> <tr> <td>Higher ranking</td> <td>Preferred and secured debt</td> <td>Liabilities preferred by law including employee entitlements and secured creditors</td> </tr> <tr> <td></td> <td>Unsubordinated and unsecured debt</td> <td>Bonds and notes, trade and general creditors</td> </tr> <tr> <td></td> <td>Subordinated and unsecured debt</td> <td>Subordinated Notes and other subordinated and unsecured debt obligations</td> </tr> <tr> <td></td> <td>Preference shares</td> <td>CPS3, CPS2 and any other preference shares or securities expressed to rank equally with CPS3</td> </tr> <tr> <td>Lower ranking</td> <td>Ordinary Shares</td> <td>Ordinary Shares</td> </tr> </tbody> </table> <ul style="list-style-type: none"> However, any return in a winding-up may be adversely affected if APRA determines that a Non-Viability Trigger Event has occurred. A CPS3 required to be Converted on a Non-Viability Trigger Event will be Converted and rank as an Ordinary Share, or if that is not possible, Written Off, in which case the Holder's claim ranks in substance with the claims of Ordinary Shares. CPS3 are claims on Suncorp. Suncorp is a non-operating holding company of the companies in the Suncorp Group and the claims Suncorp has on each of those companies rank behind the relevant company creditors, depositors and policy holders in a winding-up of the company. 		Type	Illustrative examples	Higher ranking	Preferred and secured debt	Liabilities preferred by law including employee entitlements and secured creditors		Unsubordinated and unsecured debt	Bonds and notes, trade and general creditors		Subordinated and unsecured debt	Subordinated Notes and other subordinated and unsecured debt obligations		Preference shares	CPS3, CPS2 and any other preference shares or securities expressed to rank equally with CPS3	Lower ranking	Ordinary Shares	Ordinary Shares	
	Type	Illustrative examples																		
Higher ranking	Preferred and secured debt	Liabilities preferred by law including employee entitlements and secured creditors																		
	Unsubordinated and unsecured debt	Bonds and notes, trade and general creditors																		
	Subordinated and unsecured debt	Subordinated Notes and other subordinated and unsecured debt obligations																		
	Preference shares	CPS3, CPS2 and any other preference shares or securities expressed to rank equally with CPS3																		
Lower ranking	Ordinary Shares	Ordinary Shares																		

1.2 Summary of certain events that may affect what Holders receive and when they receive it

The table below summarises certain events that may affect what Holders are likely to receive on CPS3. The events are subject to contingencies such as the solvency and/or non-viability of Suncorp and in some cases election by Suncorp. Accordingly they may not occur.

EVENT	WHEN?	IS APRA APPROVAL REQUIRED?	DO CONDITIONS APPLY?	WHAT VALUE WILL A HOLDER RECEIVE? ¹	IN WHAT FORM WILL THAT VALUE BE PROVIDED TO HOLDERS?	WHERE TO FIND FURTHER INFORMATION?
Optional Redemption or Resale	On 17 June 2020 or following a Tax Event or Regulatory Event	Yes	Yes	\$100	Payment in Australian dollars	Section 2.3
Optional Conversion	On 17 June 2020 or following a Tax Event, Regulatory Event or Potential Acquisition Event	Yes	Yes	Approximately \$101	Variable number of Ordinary Shares	Section 2.3
Mandatory Conversion on specified dates	On 17 June 2022 or the first Dividend Payment Date after that date on which the Mandatory Conversion Conditions are satisfied	No	Yes	Approximately \$101	Variable number of Ordinary Shares	Section 2.2
Mandatory Conversion upon Acquisition Event	On the Acquisition Conversion Date	No	Yes	Approximately \$101	Variable number of Ordinary Shares	Section 2.5
Mandatory Conversion or Write Off upon Non-Viability Trigger Event	Immediately on Non-Viability Trigger Event occurring	No	No	Between \$101 (and possibly significant less) and \$0	Variable number of Ordinary Shares or, if Conversion is not possible CPS3 are Written Off ²	Section 2.4

¹ The value stated is the value a Holder will receive on Conversion based on the share prices during a specified period prior to Conversion (not on the share price on Conversion itself) and since the Conversion Number may not exceed the Maximum Conversion Number the value received may be less than \$101 and, in the case of Conversion on account of a Non-Viability Trigger Event, substantially less than \$101.

² If a CPS3 is Written Off, the Holder will effectively lose their preferential rights to Dividends and returns of capital and will instead have rights to Dividends and return of capital on a winding-up broadly equivalent to that of a holder of Ordinary Shares.

1. Investment overview

(continued)

1.3 Key benefits and risks associated with an investment in CPS3

Before applying for CPS3, you should consider whether CPS3 are a suitable investment for you. There are risks associated with an investment in CPS3 and in Suncorp and in the general insurance, banking and life insurance industries generally. Many of these risks are outside the control of Suncorp and its Directors. These risks include those outlined below and in Section 5 and other matters referred to in this Prospectus.

TOPIC	SUMMARY	FURTHER INFORMATION
1.3.1 Key benefits associated with an investment in CPS3		
Key benefits of CPS3	<ul style="list-style-type: none"> Some of the benefits of an investment in CPS3 include: <ul style="list-style-type: none"> Dividends are calculated on the basis of a floating Dividend Rate; Margin expected to be between 3.40% and 3.60% over the Bank Bill Rate; Dividends expected to be paid quarterly in arrears and be fully franked; and CPS3 may be sold on ASX. 	Section 2.1
1.3.2 Key risks associated with an investment in CPS3		
Not deposit or policy liability	<ul style="list-style-type: none"> CPS3 are not deposit or policy liabilities of Suncorp or any member of the Suncorp Group and are not guaranteed by any government or other person. 	Section 5.1.1
Market price of CPS3	<ul style="list-style-type: none"> The price at which Holders are able to sell CPS3 on ASX is uncertain. Circumstances in which the price of CPS3 may decline include general financial market conditions, the availability of better rates of return on other securities and investor perception of Suncorp's financial performance or position. Unlike Ordinary Shares, CPS3 do not carry rights to variable amounts of dividends and capital on a winding-up, which, in each case may increase returns in the event of the improved financial performance or position of Suncorp, and accordingly do not provide a material exposure to growth in Suncorp Group's business. 	Section 5.1.2
Liquidity	<ul style="list-style-type: none"> There may be no liquid market for CPS3. Holders who wish to sell their CPS3 may be unable to do so at a price acceptable to them, or at all. 	Section 5.1.3
Fluctuation in Ordinary Share price	<ul style="list-style-type: none"> The market price of Ordinary Shares may fluctuate due to various factors. These include investor perceptions, Australian and worldwide economic conditions and Suncorp's financial performance and position. The market price may be affected by the actual or prospective Conversion of CPS3. Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all. 	Section 5.1.4
Dividends may not be paid	<ul style="list-style-type: none"> There is a risk that Dividends will not be paid, including where the Directors determine not to pay a Dividend or where APRA objects to a Dividend payment. Dividends are non-cumulative. Accordingly, in the event that Suncorp does not pay a scheduled Dividend, a Holder has no entitlement to that Dividend. 	Section 5.1.5

TOPIC	SUMMARY	FURTHER INFORMATION
Changes in Dividend Rate	<ul style="list-style-type: none"> The Dividend Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate. There is a risk that the Dividend Rate may become less attractive when compared with the rates of return available on comparable securities. 	Section 5.1.6
It is not certain whether and when CPS3 may be Exchanged	<ul style="list-style-type: none"> There are a number of scenarios in which CPS3 may be Exchanged. It is uncertain whether and when Exchange may occur. The timing of any Exchange may not suit Holders. CPS3 may not Exchange at all, in which case CPS3 are perpetual and have no maturity date. 	Section 5.1.7
Conversion following a Non-Viability Trigger Event	<ul style="list-style-type: none"> If Conversion occurs following a Non-Viability Trigger Event, Holders are likely to receive Ordinary Shares that are worth significantly less than the Issue Price of CPS3. In cases where Suncorp is prevented from Converting CPS3 for any reason (within five Business Days after the Non-Viability Conversion Date), the CPS3 which should have been Converted will be Written Off. This means that certain rights attached to the CPS3 will be amended to approximate the Ordinary Share rights which the Holder would have had if the relevant CPS3 had Converted into Ordinary Shares. 	Section 5.1.12
Restrictions on rights and ranking on a winding-up of Suncorp	<ul style="list-style-type: none"> In a winding-up of Suncorp, if CPS3 have not been Converted or Written Off, CPS3 rank ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind all creditors of Suncorp. If there is a shortfall of funds on a winding-up of Suncorp to pay all amounts ranking higher than and equally with CPS3, Holders will lose all or some of their investment. 	Section 5.1.13
Risks associated with Suncorp generally	<ul style="list-style-type: none"> Key risks associated with an investment in Suncorp and the business of the Suncorp Group generally are set out at Section 5.2. 	Section 5.2

1. Investment overview

(continued)

1.4 Key differences between term deposits, Subordinated Notes, CPS2 and CPS3

Comparison of CPS3 to term deposits, Subordinated Notes and CPS2

CPS3 are different from and higher risk than term deposits. They are also different from Suncorp Subordinated Notes and CPS2. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for CPS3.

Note: Suncorp does not issue term deposits. The table below refers to term deposits as issued by Suncorp Bank.

FEATURE	TERM DEPOSIT (ISSUED BY SUNCORP BANK)	SUNCORP SUBORDINATED NOTES	CPS2	CPS3
Issue date	Not applicable	22 May 2013	6 November 2012	8 May 2014
Legal form	Unsecured, unsubordinated debt	Unsecured, subordinated debt	Preference share	Preference share
Ranking in winding-up ¹	Rank higher than Subordinated Notes, CPS2, CPS3 and Ordinary Shares	Rank lower than all creditors, higher than CPS2, CPS3 and Ordinary Shares	Rank lower than Subordinated Notes and all creditors, equal with CPS3, higher than Ordinary Shares	Rank lower than Subordinated Notes and all creditors, equal with CPS2, higher than Ordinary Shares
Transferability	No	Yes – quoted on ASX as “SUNPD”	Yes – quoted on ASX as “SUNPC”	Yes – CPS3 are expected to be quoted on ASX as “SUNPE”
Protected under the Financial Claims Scheme	Yes ²	No	No	No
Distribution rate	Fixed (varies from product to product)	Floating (BBSW + 2.85% p.a.)	Floating (BBSW + 4.65% p.a.)	Floating (BBSW + margin to be determined under the Bookbuild (expected to be in the range of 3.40% and 3.60% p.a.)
Distribution payment dates	Often at the end of term or per annum	Quarterly	Quarterly	Quarterly
Distributions Cumulative/ non-cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative
Restriction on Ordinary Share dividends if distribution not paid	No	No	Yes, until the next Dividend Payment Date	Yes, until the next Dividend Payment Date
Franking	Unfranked	Unfranked	Expected to be fully franked. To the extent not fully franked, a gross up applies to reflect applicable franking rate	Expected to be fully franked. To the extent not fully franked, a gross up applies to reflect applicable franking rate
Fixed maturity	Yes, often between 1 month and 5 years	Yes, approximately 10 years	No, CPS2 are perpetual instruments (subject to scheduled conversion into Ordinary Shares)	No, CPS3 are perpetual instruments (subject to scheduled conversion into Ordinary Shares)
Optional redemption (Suncorp’s option)	Limited	Yes, at approximately 5 year anniversary of issue and following a regulatory event or tax event	Yes, at approximately 5 year anniversary of issue and following a regulatory event or tax event	Yes, on 17 June 2020 and following a Regulatory Event or Tax Event

FEATURE	TERM DEPOSIT (ISSUED BY SUNCORP BANK)	SUNCORP SUBORDINATED NOTES	CPS2	CPS3
Optional resale (obligation on Holder to sell instrument at Suncorp's option)	No	No	Yes, at approximately 5 year anniversary of issue and following a regulatory event or tax event	Yes, on 17 June 2020 and following a Regulatory Event or Tax Event
Optional conversion to Ordinary Shares (Suncorp's option)	No	No	Yes, at approximately 5 year anniversary of issue and following a regulatory event, tax event or potential acquisition event	Yes, on 17 June 2020 and following a Regulatory Event, Tax Event or Potential Acquisition Event
Mandatory conversion	No	Yes, on a non-viability trigger event	Yes, at approximately 7 year anniversary of issue and each dividend payment date after that, following an acquisition event, and on a non-viability trigger event	Yes, on 17 June 2022 and each Dividend Payment Date after that, following an Acquisition Event, and on a Non-Viability Trigger Event
Voting rights	No	No right to vote at general meeting of holders of Ordinary Shares	No right to vote at general meetings of holders of Ordinary Shares except in certain limited circumstances	No right to vote at general meetings of holders of Ordinary Shares except in certain limited circumstances
APRA regulatory treatment	No	Tier 2 Capital within the Suncorp Group ³	Additional Tier 1 Capital ⁴	Additional Tier 1 Capital ⁵

- 1 Any return in a winding-up may be adversely affected if APRA determines that a Non-Viability Trigger Event has occurred. A CPS3 required to be Converted on a Non-Viability Trigger Event will be Converted and rank as an Ordinary Share, or if that is not possible, Written Off, in which case the Holder's claim ranks in substance with the claims of Ordinary Shares.
- 2 From 1 January 2013, the protection for all protected accounts that an account holder has with Suncorp Bank is limited to \$250,000.
- 3 Suncorp expects capital deployed to Regulated Entities of the Suncorp Group to continue to contribute to Tier 2 Capital of the relevant Regulated Entities following the introduction of APRA's Conglomerates Proposal.
- 4 CPS2 is currently classified as Additional Tier 1 Capital of Suncorp under Suncorp's NOHC authority. Following the introduction of the Conglomerates Proposal, CPS2 may not constitute Additional Tier 1 Capital or any other form of regulatory capital of Suncorp. However Suncorp expects that APRA will consider any necessary transitional arrangements regarding capital treatment of CPS2 following the finalisation of the Conglomerates Proposal.
- 5 APRA has advised that:
 - CPS3 will constitute Additional Tier 1 Capital of Suncorp until the introduction of APRA's Conglomerates Proposal;
 - following the introduction of the Conglomerates Proposal, CPS3 will not constitute Additional Tier 1 or any other form of regulatory capital of Suncorp. However Suncorp expects capital deployed to Regulated Entities to continue to contribute to Additional Tier 1 Capital of the relevant Regulated Entities of the Suncorp Group.

1. Investment overview

(continued)

1.5 Information about the Offer

TOPIC	SUMMARY	FURTHER INFORMATION
When is the Offer Period?	<ul style="list-style-type: none"> The Offer opens on 7 April 2014. The Securityholder Offer closes on 30 April 2014. The Broker Firm Offer closes on 6 May 2014. 	<p>Key dates</p> <p>Section 6</p>
Is there a minimum amount to be raised?	<ul style="list-style-type: none"> No. The Offer is for the issue of CPS3 to raise \$250 million with the ability to raise more or less. 	Section 6
Is the Offer underwritten?	<ul style="list-style-type: none"> No. 	Section 9.5
How is the Offer structured and who can apply?	<ul style="list-style-type: none"> The Offer comprises: <ul style="list-style-type: none"> – an Institutional Offer to certain Institutional Investors; – a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers; and – a Securityholder Offer made to Eligible Securityholders. 	Sections 6.2 and 6.4.1
How can I apply?	<ul style="list-style-type: none"> Broker Firm Applicants should contact their Syndicate Broker. Securityholder Applicants should apply pursuant to the Application Form and pay the Application Payment either electronically by BPAY® or by cheque or money order. The allocation policy is described in Section 6.6.2. 	Section 6.4
Is there a minimum Application size?	<ul style="list-style-type: none"> Your Application must be for a minimum of 50 CPS3 (\$5,000). If your Application is for more than 50 CPS3, then you must apply in multiples of 10 CPS3 (\$1,000) after that. 	Section 6.4.1
Is brokerage, commission or stamp duty payable?	<ul style="list-style-type: none"> No brokerage, commission or stamp duty is payable by you on your Application. You may be required to pay brokerage if you sell your CPS3 on ASX after CPS3 have been quoted on ASX. 	Section 6.5.3
What are the tax implications of investing in CPS3?	<ul style="list-style-type: none"> A general description of the Australian taxation consequences of investing in CPS3 is set out in Section 7. 	Section 7
Where can I find more information about the Offer?	<ul style="list-style-type: none"> If you have any questions in relation to the Offer, please call the Suncorp CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time). If you are a Broker Firm Applicant, you should contact your Syndicate Broker. 	Section 6.8



This Section is intended to provide information about the key features of CPS3. Where indicated, more detailed information is provided in other Sections of this Prospectus.

About CPS3

2. About CPS3

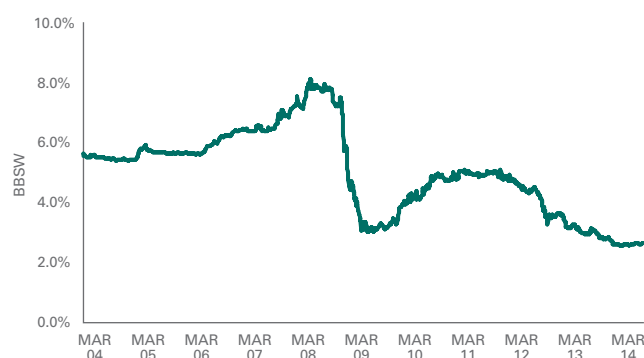
TOPIC	SUMMARY	FURTHER INFORMATION										
2.1 Dividends												
CPS3 are expected to pay quarterly Dividends, which are expected to be fully franked.												
A Dividend will be paid only if the Directors of Suncorp determine to pay it and if other conditions (summarised below) are met. The Dividend Rate is a floating rate (i.e. it will fluctuate), and is equal to the sum of a market reference rate (the Bank Bill Rate) plus a margin (as determined under the Bookbuild), adjusted for Suncorp's tax rate.												
If a Dividend is not paid, Holders have no right to receive that Dividend at any later time however (subject to certain exceptions) Suncorp will not be entitled to declare or pay Dividends on Ordinary Shares until and including the next Dividend Payment Date.												
2.1.1 What are Dividends?	<ul style="list-style-type: none"> • Dividends on CPS3 are preferred, discretionary, non-cumulative floating rate payments and are subject to certain Dividend Payment Tests. • Dividends are scheduled to be paid quarterly in arrears on the Dividend Payment Dates, subject to the Dividend Payment Tests. • Holders are expected to receive Dividends in Australian Dollars which have been fully franked. The value and availability of franking credits to a Holder will differ depending on the Holder's particular tax circumstances. Each Holder will only receive the benefit of the franking credits where those credits are able to be claimed in the Holder's tax return. If any Dividend payment is not fully franked, then Holders will be entitled to an additional cash payment to compensate for the unfranked amount. This payment will also be subject to the Dividend Payment Tests. • Dividends are non-cumulative. If a Dividend or part of a Dividend is not paid on a Dividend Payment Date, Holders have no claim or entitlement in respect of non-payment and no right to receive that Dividend at any later time. 	Clauses 2 and 19.2 of the CPS3 Terms										
2.1.2 How will the Dividend Rate be calculated?	<ul style="list-style-type: none"> • The Dividend Rate (expressed as a percentage per annum) for each quarterly Dividend will be calculated using the following formula: Dividend Rate = (Bank Bill Rate + Margin) × (1 – T) where: <ul style="list-style-type: none"> – Bank Bill Rate is the 90-day BBSW rate on the first Business Day of the relevant Dividend Period; – Margin is the margin determined under the Bookbuild, expected to be in the range of 3.40% and 3.60%; and – T is the Australian corporate tax rate applicable to the franking account of Suncorp at the relevant Dividend Payment Date. <p>As an example, assuming the Bank Bill Rate for the first Dividend Period is 2.70% per annum, the Margin is 3.40% per annum and T is 30%, then the Dividend Rate for that Dividend Period would be calculated as follows:</p>	Clause 2.1 of the CPS3 Terms										
<table> <tbody> <tr> <td>Bank Bill Rate</td> <td>2.70% per annum</td> </tr> <tr> <td>plus Margin</td> <td>3.40% per annum</td> </tr> <tr> <td>Equivalent unfranked Dividend Rate</td> <td>6.10% per annum</td> </tr> <tr> <td>Multiplied by (1 – T)</td> <td>× 0.70</td> </tr> <tr> <td>Indicative fully franked Dividend Rate =</td> <td>4.27% per annum</td> </tr> </tbody> </table>			Bank Bill Rate	2.70% per annum	plus Margin	3.40% per annum	Equivalent unfranked Dividend Rate	6.10% per annum	Multiplied by (1 – T)	× 0.70	Indicative fully franked Dividend Rate =	4.27% per annum
Bank Bill Rate	2.70% per annum											
plus Margin	3.40% per annum											
Equivalent unfranked Dividend Rate	6.10% per annum											
Multiplied by (1 – T)	× 0.70											
Indicative fully franked Dividend Rate =	4.27% per annum											

2.1.3 What is the Bank Bill Rate?

- The Bank Bill Rate is the average mid-rate for bills of a term of 90 days (**BBSW**) which is displayed on Reuters page BBSW (or any page which replaces that page) on the first Business Day of each relevant Dividend Period; please note that Suncorp will announce the relevant BBSW rate to the ASX at the commencement of each relevant Dividend Period.
- The BBSW rate is one of the interest rate benchmarks published daily by the Australian Financial Markets Association and appearing on information services (e.g. Reuters page BBSW). BBSW rates provide references for the pricing, rate-setting and valuation of Australian dollar financial securities. The graph below illustrates the movement in BBSW over the last 10 years. The rate on 27 March 2014 was 2.6967% per annum.

Clause 2.1 of the CPS3 Terms

BBSW rate since 2004



The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual BBSW. The actual BBSW for the first and any subsequent Dividend Periods may be higher or lower than the rates in the above graph.

2. About CPS3 (continued)

TOPIC	SUMMARY	FURTHER INFORMATION												
2.1.4 How will the Dividend be calculated for each Dividend Period?	<ul style="list-style-type: none"> Dividends scheduled to be paid on each Dividend Payment Date will be calculated using the following formula: $\frac{\text{Dividend Rate} \times \\$100 \times N}{365}$ <p>where:</p> <ul style="list-style-type: none"> Dividend Rate means the rate (expressed as a percentage per annum) calculated as set out in Section 2.1.2; and N means the number of days in the Dividend Period calculated as set out in the CPS3 Terms. <p>Following the formula above, if the Dividend Rate was 4.2700% per annum, then the Dividend on each CPS3 for the first Dividend Period (if the Dividend Period was 91 days) would be calculated as follows:</p> <table border="0" data-bbox="395 741 1182 947"> <tr> <td>Indicative fully franked Dividend Rate</td> <td>4.2700% per annum</td> </tr> <tr> <td>Multiplied by the Issue Price</td> <td>x \$100.00</td> </tr> <tr> <td>Multiplied by the number of days in the Dividend Period</td> <td>x 91</td> </tr> <tr> <td>Divided by 365</td> <td>÷ 365</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Indicative fully franked Dividend payment for the first Dividend Period per CPS3</td> <td>\$1.0646</td> </tr> </table> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Dividend payment for the first or any subsequent Dividend Period. Actual Dividend payments may be higher or lower than this example. The Dividend Rate for the first Dividend Period will be set on the Issue Date and will include the Margin to be determined under the Bookbuild.</p>	Indicative fully franked Dividend Rate	4.2700% per annum	Multiplied by the Issue Price	x \$100.00	Multiplied by the number of days in the Dividend Period	x 91	Divided by 365	÷ 365	<hr/>		Indicative fully franked Dividend payment for the first Dividend Period per CPS3	\$1.0646	Clause 2.1 of the CPS3 Terms
Indicative fully franked Dividend Rate	4.2700% per annum													
Multiplied by the Issue Price	x \$100.00													
Multiplied by the number of days in the Dividend Period	x 91													
Divided by 365	÷ 365													
<hr/>														
Indicative fully franked Dividend payment for the first Dividend Period per CPS3	\$1.0646													
2.1.5 What is the impact of franking credits?	<ul style="list-style-type: none"> Dividends are expected to be fully franked. The franking credits represent a Holder's share of tax paid by Suncorp on the profits from which the cash Dividend is paid. Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder. Holders should refer to the Australian taxation summary in Section 7 and seek professional advice in relation to their tax position. 	Section 7												
2.1.6 When are the Dividend Payment Dates?	<ul style="list-style-type: none"> The first Dividend Payment Date is 17 June 2014. Subsequent Dividend Payment Dates are 17 September, 17 December, 17 March and 17 June each year. If any of these dates is not a Business Day, then the Dividend Payment Date will be the next Business Day. 	Clause 2.5 of the CPS3 Terms												
2.1.7 What are the Dividend Payment Tests?	<ul style="list-style-type: none"> Dividends may not always be paid. The payment of each Dividend is subject to the following Dividend Payment Tests being satisfied: <ul style="list-style-type: none"> the Directors of Suncorp, at their absolute discretion, resolving to pay a Dividend; paying the Dividend on the Dividend Payment Date not resulting in the Eligible Capital of Suncorp Group not complying with APRA's then current prudential capital requirements as they are applied to Suncorp Group at that time; paying the Dividend not resulting in Suncorp becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and APRA not otherwise objecting to the payment of the Dividend on the Dividend Payment Date. 	Clause 2.3 of the CPS3 Terms												

TOPIC	SUMMARY	FURTHER INFORMATION
2.1.8 What is the Distribution Restriction and when will it apply?	<ul style="list-style-type: none"> If for any reason a Dividend has not been paid on a Dividend Payment Date ("Relevant Dividend Payment Date"), Suncorp must not, subject to certain exceptions, without the approval of a Special Resolution, until and including the next Dividend Payment Date: <ul style="list-style-type: none"> – declare, determine to pay or pay a dividend or distribution on any Ordinary Shares; or – buy back or reduce capital on any Ordinary Shares, unless the Dividend is paid in full within 3 Business Days of the Relevant Dividend Payment Date. The CPS3 Terms contain no events of default and accordingly, failure to pay a Dividend when scheduled will not constitute an event of default. 	Clauses 2.4(c), 2.7, 2.8 and 11.5(e) of the CPS3 Terms

2.2 Mandatory Conversion

Suncorp must convert any CPS3 outstanding on 17 June 2022 into Ordinary Shares, provided that certain conditions (summarised below) are met (and failing that, on the next Dividend Payment Date on which those conditions are met). Those conditions may never be satisfied and accordingly CPS3 may never Convert into Ordinary Shares.

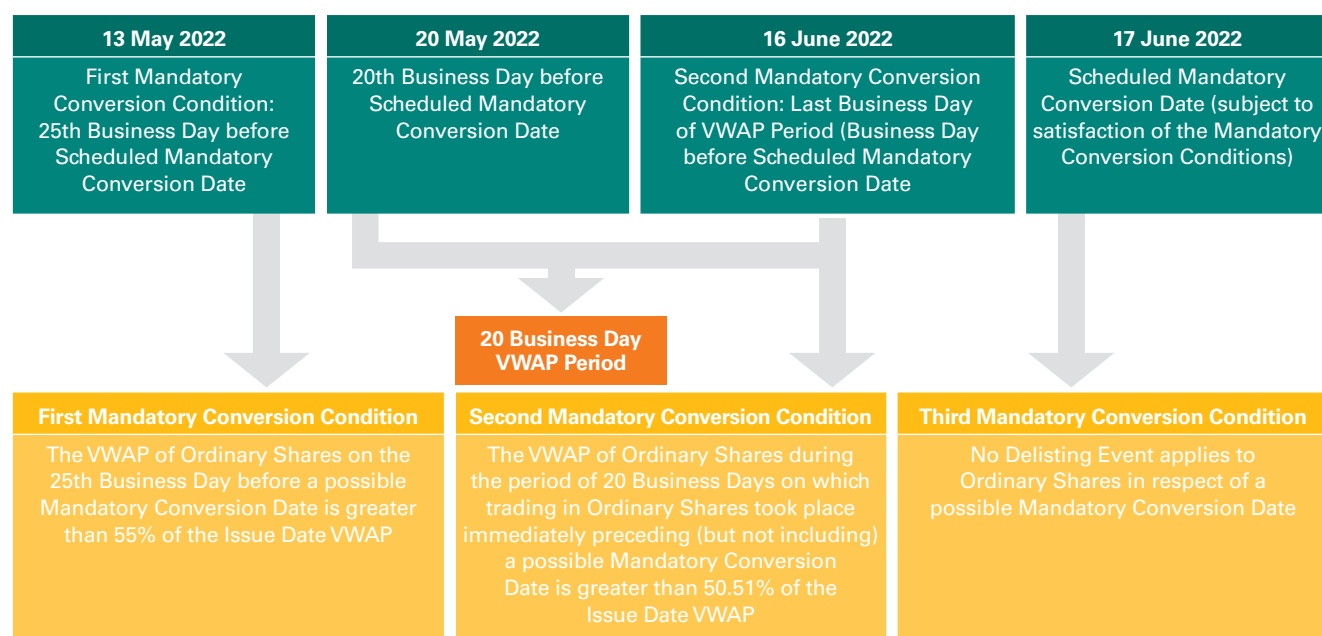
The conditions to Mandatory Conversion and the associated Conversion calculations (as set out below) are designed to ensure that Holders receive approximately \$101 worth of Ordinary Shares for each CPS3 they hold, and that the Ordinary Shares they receive following the Conversion are capable of being sold on the ASX.

2.2.1 What is Mandatory Conversion?	<ul style="list-style-type: none"> Holders will receive Ordinary Shares on Conversion of CPS3 on the Mandatory Conversion Date unless the Mandatory Conversion Conditions are not satisfied or CPS3 have otherwise been Exchanged¹. Upon Conversion on a Mandatory Conversion Date, Holders will receive approximately \$101 worth of Ordinary Shares per CPS3 based on the VWAP (the volume weighted average price of Ordinary Shares) during a period of 20 Business Days on which trading in Ordinary Shares took place before the Mandatory Conversion Date. The VWAP that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than approximately \$101 when they are issued or at any time after that. 	Clauses 3.1, 3.2, 7.1 and 19.2 of the CPS3 Terms
2.2.2 What are the consequences of Mandatory Conversion?	<ul style="list-style-type: none"> As a result of any Conversion of CPS3 to Ordinary Shares, Holders will become holders of Ordinary Shares in the capital of Suncorp, which will rank equally with existing Ordinary Shares from the date of issue. The value of any holding of Ordinary Shares may fluctuate from time to time. For Suncorp Group more broadly, the composition of its capital base will alter as a consequence of any Conversion and result in Suncorp Group's Common Equity Tier 1 Capital increasing. 	Clauses 3 and 7.1 of the CPS3 Terms
2.2.3 When is the Mandatory Conversion Date?	<ul style="list-style-type: none"> The Mandatory Conversion Date will be 17 June 2022, provided the Mandatory Conversion Conditions are satisfied on that date. If any of the Mandatory Conversion Conditions are not satisfied on that date, then the Mandatory Conversion Date will be the next Dividend Payment Date on which they are satisfied. 	Clause 3.2 of the CPS3 Terms
2.2.4 What is the purpose of the Mandatory Conversion Conditions?	<ul style="list-style-type: none"> The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to provide protection to Holders against receiving less than approximately \$101 worth of Ordinary Shares per CPS3 on Conversion (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date). The Third Mandatory Conversion Condition is intended to provide protection for Holders by making Conversion conditional on Holders receiving Ordinary Shares which are capable of being sold on ASX. 	

¹ This includes a Conversion or Write Off required by APRA following the occurrence of a Non-Viability Trigger Event.

2. About CPS3 (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
2.2.5 What are the Mandatory Conversion Conditions?	<ul style="list-style-type: none"> The Mandatory Conversion Conditions are as follows: <ul style="list-style-type: none"> First Mandatory Conversion Condition: the VWAP of Ordinary Shares on the 25th Business Day before a possible Mandatory Conversion Date¹ is greater than $(110\% \times \text{Relevant Fraction}) \times \text{Issue Date VWAP}$; Second Mandatory Conversion Condition: the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date (“VWAP Period”) is greater than $(101.01\% \times \text{Relevant Fraction}) \times \text{Issue Date VWAP}$; and Third Mandatory Conversion Condition: no Delisting Event applies to Ordinary Shares in respect of a possible Mandatory Conversion Date (broadly, a Delisting Event occurs when Suncorp is delisted, its Ordinary Shares have been suspended from trading for a certain period, or it is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting CPS3). The Relevant Fraction means: <ul style="list-style-type: none"> in the case of a Mandatory Conversion, 0.5; in the case of any other Conversion, 0.2². In the case that the Relevant Fraction is equal to 0.5, the Issue Date VWAP will be multiplied by 55% in the case of the First Mandatory Conversion Condition and 50.51% in the case of the Second Mandatory Conversion Condition. <p>The following diagram sets out the timeframes that are relevant for testing whether Conversion will occur, using the Scheduled Mandatory Conversion Date (17 June 2022) and a Relevant Fraction of 0.5. These dates are indicative only and may change.</p>	Clauses 3.3, 7.1, 14.7 and 19.2 of the CPS3 Terms



Note: In the diagram above, the 20th Business Day before the Scheduled Mandatory Conversion Date (17 June 2022) rests on the assumption that during the VWAP period, trading takes place on each of the Business Days, which may not be the case if trading in Ordinary Shares is suspended during the period leading up to the possible Mandatory Conversion Date.

1 If no trading in Ordinary Shares took place on that date, the VWAP is the VWAP on the first Business Day preceding that date on which trading in Ordinary Shares took place.
 2 Please see Sections 2.3, 2.4 and 2.5 for descriptions of other Conversions.

TOPIC	SUMMARY	FURTHER INFORMATION
<p>2.2.6 How many Ordinary Shares will a Holder receive on the Mandatory Conversion Date?</p>	<ul style="list-style-type: none"> A Holder will receive on a Mandatory Conversion Date a number of Ordinary Shares per CPS3 ("Conversion Number") calculated in accordance with the following formula: $\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <p>subject always to the Conversion Number being no greater than the Maximum Conversion Number, where:</p> <ul style="list-style-type: none"> VWAP is the volume weighted average price of Ordinary Shares during the VWAP Period (described in Section 2.2.5). <p>Illustrative example of Conversion</p> <p>As an example, in the case of the Scheduled Mandatory Conversion on 17 June 2022, assuming the Issue Date VWAP was \$12.00, and using a Relevant Fraction of 0.5, whether the Mandatory Conversion Conditions are satisfied and what is the number of shares received on Conversion would be determined as follows:</p> <p>Step 1—passing the Mandatory Conversion Conditions—worked example</p> <p>The First Mandatory Conversion Condition</p> <p>This condition requires that the VWAP on the 25th Business Day immediately preceding (but not including) 17 June 2022 (assuming there is trading in Ordinary Shares on that day) is greater than the First Test Date Percentage (being 110% x Relevant Fraction) of the Issue Date VWAP:</p> <ul style="list-style-type: none"> The First Test Date Percentage is 55% (being 110% of the Relevant Fraction (0.5)). The First Test Date Percentage of the Issue Date VWAP would therefore be \$6.60 (being 55% of \$12.00). Assume the VWAP on 13 May 2022 (being the 25th Business Day immediately preceding, but not including, 17 June 2022) is \$15.00. Since the VWAP on 13 May 2022 (\$15.00) is greater than the First Test Date Percentage of the Issue Date VWAP (\$6.60), the First Mandatory Conversion Condition is satisfied. <p>The Second Mandatory Conversion Condition</p> <p>This condition requires that the VWAP during the period of 20 Business Days in which trading in Ordinary Shares took place immediately preceding 17 June 2022 is greater than the Conversion Test Date Percentage (being 101.01% x Relevant Fraction) of the Issue Date VWAP:</p> <ul style="list-style-type: none"> The Conversion Test Date Percentage is 50.51% (being 101.01% of the Relevant Fraction (0.5)). The Conversion Test Date Percentage of the Issue Date VWAP would be \$6.06 (being 50.51% of \$12.00). Assume the VWAP during the period from 20 May 2022 to 16 June 2022 (being the 20 Business Days in which trading in Ordinary Shares took place immediately preceding 17 June 2022) is \$15.25. Since the VWAP from 20 May 2022 to 16 June 2022 (\$15.25) is greater than the Conversion Test Date Percentage of the Issue Date VWAP (\$6.06), the Second Mandatory Conversion Condition is satisfied. <p>The Third Mandatory Conversion Condition</p> <p>This condition requires that no Delisting Event applies on 17 June 2022:</p> <ul style="list-style-type: none"> Assume on 17 June 2022, Suncorp is listed on the ASX, trading in its Ordinary Shares has not been suspended during the five preceding Business Days and on that date no Inability Event subsists. In these circumstances, the Third Mandatory Conversion Condition is satisfied. 	<p>Clauses 3.2, 3.3, 7.1, and 19.2 of the CPS3 Terms</p>

2. About CPS3 (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
	<p>Step 2—calculating the number of shares received on Conversion</p> <p>On 17 June 2022, Holders would be entitled to receive in respect of each CPS3 the Conversion Number of Ordinary Shares determined as follows:</p> $\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <ul style="list-style-type: none"> Assume the VWAP from 20 May 2022 to 16 June 2022 (being the 20 Business Days on which trading in Ordinary Shares took place immediately preceding 17 June 2022) is \$15.25. The Issue Price is \$100. The Conversion Number would be 6.6236 (being \$100 divided by (99% x \$15.25)). Assuming a Holder has 100 CPS3, the total number of Ordinary Shares to which they would be entitled would be 662 (i.e. 100 x 6.6236, which number is rounded down to disregard the fraction of the Ordinary Share). <p>This example is for illustrative purposes only. The figures in it are not forward-looking statements and do not indicate, guarantee or forecast the First Test Date Percentage, the Conversion Test Date Percentage, the Issue Date VWAP or future VWAP or other price of Ordinary Shares.</p>	
2.2.7 What is the Maximum Conversion Number?	<ul style="list-style-type: none"> The Maximum Conversion Number is calculated in accordance with the following formula: $\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$ <p>– where Relevant Fraction means:</p> <p>in the case of a Mandatory Conversion, 0.5;</p> <p>in the case of any other Conversion, 0.2.</p>	Clause 7.1 of the CPS3 Terms
2.2.8 What adjustments to the Issue Date VWAP are made to account for changes to Suncorp's capital?	<ul style="list-style-type: none"> The Issue Date VWAP, and consequently the Maximum Conversion Number, will be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the CPS3 Terms (but not other transactions, including rights issues, which may affect the capital of Suncorp). However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent of the Issue Date VWAP then in effect. 	Clauses 7.4 to 7.7 of the CPS3 Terms
2.2.9 What can happen if the Mandatory Conversion Conditions are not satisfied?	<ul style="list-style-type: none"> If any of the Mandatory Conversion Conditions are not satisfied on 17 June 2022, CPS3 continue to be on issue and Conversion is deferred until the first Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied. 	Clause 3.2 of the CPS3 Terms

2.3 Optional Exchange by Suncorp

Suncorp may with APRA's prior written approval elect to Exchange CPS3 on 17 June 2020 or on the occurrence of certain events. Exchange means a CPS3 is Converted into Ordinary Shares worth approximately \$101 or Redeemed or Resold for \$100. Some methods of Exchange are not available for some events and may only be used if certain requirements are satisfied.

As with a Mandatory Conversion, there are conditions to an optional Conversion which are designed to ensure that Holders receive approximately \$101 worth of Ordinary Shares for each CPS3 they hold, and that Holders receive Ordinary Shares that are capable of being sold on ASX.

For any such Redemption, Resale or Conversion to occur, certain conditions (summarised below) need to be satisfied and APRA's prior written approval is required.

Holders should not expect that those requirements will be satisfied or that APRA will give its approval to any Exchange. Holders do not have a right to request Exchange.

TOPIC	SUMMARY	FURTHER INFORMATION
2.3.1 When may Suncorp choose to Exchange?	<ul style="list-style-type: none"> • Suncorp may choose to Exchange: <ul style="list-style-type: none"> – all or some CPS3 on the Optional Exchange Date; – all or some CPS3 after a Tax Event or a Regulatory Event; or – all CPS3 after a Potential Acquisition Event. • Exchange means: <ul style="list-style-type: none"> – Suncorp Converts CPS3 into a variable number of Ordinary Shares with a value (based on the VWAP during a period, usually 20 Business Days, before the Exchange Date) of approximately \$101¹ per CPS3; – Suncorp Redeems CPS3 for \$100 per CPS3 (other than in the case of a Potential Acquisition Event); or – Suncorp Resells CPS3 for \$100 per CPS3 (other than in the case of a Potential Acquisition Event). • Suncorp’s right to elect to Exchange is subject to APRA’s prior written approval and is restricted in circumstances described further in Sections 2.3.4, 2.3.5, 2.3.6 and 2.3.7, all below. • Holders should not expect that APRA will give its approval to any Exchange. 	Clauses 5, 7, 8, 9 and 19.2 of the CPS3 Terms
2.3.2 When is the Optional Exchange Date?	<ul style="list-style-type: none"> • The Optional Exchange Date is 17 June 2020. 	Clause 19.2 of the CPS3 Terms
2.3.3 What is a Tax Event, Regulatory Event or Potential Acquisition Event?	<ul style="list-style-type: none"> • A summary of these events is as follows: <ul style="list-style-type: none"> – Tax Event means broadly that the Directors receive advice that as a result of a change in law in Australia (which Suncorp did not expect at the time of issue of CPS3), there is a more than insubstantial risk which the Directors determine to be unacceptable that a Dividend would not be frankable or that Suncorp will be exposed to an increase in Suncorp’s costs, which is not insignificant, in relation to CPS3 being on issue; – Regulatory Event will broadly occur if: <ul style="list-style-type: none"> – Suncorp receives legal advice that, as a result of a change of law or regulation on or after the Issue Date, additional requirements would be imposed on Suncorp in relation to CPS3 which the Directors determine to be unacceptable; or – the Directors determine that Suncorp is not or will not be entitled to treat some or all CPS3 as a Relevant Preference Security, except where this is because of a limit or other restriction on that treatment which is in effect on the Issue Date or which on the Issue Date is expected by Suncorp may come into effect or which is because of the implementation of the Conglomerates Proposal; and – Potential Acquisition Event will broadly occur if: <ul style="list-style-type: none"> – a takeover bid is made to acquire Suncorp’s Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or a majority of Directors recommend acceptance of the offer (without the need that all regulatory approvals necessary for the acquisition have been obtained); or – a court orders the holding of meetings to approve a scheme of arrangement with respect to Suncorp which would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue after the scheme is implemented. 	Clause 19.2 of the CPS3 Terms

¹ If Conversion occurs as a result of an Acquisition Event or Potential Acquisition Event, the period for calculating the VWAP may be less than 20 Business Days before the Acquisition Conversion Date or the Exchange Date (as the case may be).

2. About CPS3 (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
2.3.4 What are the requirements for Conversion to be elected as the Exchange Method?	<ul style="list-style-type: none"> Suncorp may not elect to Convert CPS3 under an Exchange if, on the second Business Day before the date on which Suncorp sends a notice advising Holders that it wishes to Convert CPS3 (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) ("Non-Conversion Test Date"), an Optional Conversion Restriction applies. Further, if Suncorp has elected to Convert CPS3, Suncorp may not proceed to Convert CPS3 if, on the Exchange Date, certain further Conversion restrictions apply. 	Clauses 5.5 and 5.6 of the CPS3 Terms
2.3.5 What are the Optional Conversion Restrictions?	<ul style="list-style-type: none"> The Optional Conversion Restrictions are: <ul style="list-style-type: none"> First Optional Conversion Restriction: the VWAP on the Non-Conversion Test Date is less than or equal to 22% of the Issue Date VWAP; and Second Optional Conversion Restriction: a Delisting Event subsists on the Non-Conversion Test Date. 	Clause 5.5 of the CPS3 Terms
2.3.6 What are the further Conversion restrictions on the Exchange Date?	<ul style="list-style-type: none"> The further Conversion restrictions on the Exchange Date are that the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Exchange Date if the Exchange Date were a possible Mandatory Conversion Date. If the further Conversion restrictions on the Exchange Date apply, Suncorp will notify Holders and the Conversion will be deferred until the next Dividend Payment Date on which all the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date (unless CPS3 are otherwise Exchanged in accordance with the CPS3 Terms). 	Clause 5.6 of the CPS3 Terms
2.3.7 What are the requirements for Redemption or Resale to be elected as the Exchange Method?	<ul style="list-style-type: none"> Suncorp may only specify Redemption or Resale as the Exchange Method: <ul style="list-style-type: none"> in the case of an Exchange on 17 June 2020; and in the case of a Tax Event or Regulatory Event; and provided in all cases where Suncorp elects Redemption that APRA is satisfied that either: <ul style="list-style-type: none"> the CPS3 which are the subject of the Exchange are replaced concurrently or beforehand with a Relevant Preference Security of the same or better quality or Ordinary Shares and the replacement of the CPS3 is done under conditions that are sustainable for Suncorp's income capacity; or having regard to the projected capital position of Suncorp Group, Suncorp does not have to replace the CPS3 the subject of the Redemption. 	Clause 5.4 of the CPS3 Terms
2.3.8 What is a Resale?	<ul style="list-style-type: none"> Resale is a process by which Suncorp may appoint one or more third parties (Nominated Purchaser(s)) to purchase some or all CPS3. If Suncorp appoints more than one Nominated Purchaser, some or all CPS3 may be purchased by any one or any combination of Nominated Purchasers, as determined by Suncorp. 	Clauses 5.1 and 9 of the CPS3 Terms

TOPIC	SUMMARY	FURTHER INFORMATION
2.3.9 What will I receive if my CPS3 are Resold?	<ul style="list-style-type: none"> Each Holder will receive the Resale Price, being \$100 per CPS3. The Resale Price is equivalent to the Issue Price. 	Clauses 9 and 19.2 of the CPS3 Terms
2.3.10 When can a Resale occur?	<ul style="list-style-type: none"> A Resale can occur on the Optional Exchange Date or following a Tax Event or a Regulatory Event. 	Clause 5.4 of the CPS3 Terms
2.3.11 Are there any restrictions on the identity of Nominated Purchaser(s) that Suncorp can appoint?	<ul style="list-style-type: none"> Suncorp may not appoint a person as a Nominated Purchaser unless that person: <ul style="list-style-type: none"> has undertaken to acquire CPS3 from each Holder on the terms and conditions that Suncorp reasonably determines for the benefit of each Holder; has a long-term counterparty credit rating from one of Standard & Poor's, Moody's or Fitch of not less than investment grade; and is not a Related Entity of Suncorp. 	Clause 9.3 of the CPS3 Terms
2.3.12 What if a Nominated Purchaser does not pay the Resale Price?	<ul style="list-style-type: none"> If a Nominated Purchaser does not pay the Resale Price on the Exchange Date when the Resale Price is due, the Resale to that Nominated Purchaser will not occur and Holders will continue to hold CPS3 in accordance with the CPS3 Terms until CPS3 are otherwise Converted, Redeemed or Resold. 	Clause 9.6 of the CPS3 Terms
2.3.13 Can Holders request Exchange?	<ul style="list-style-type: none"> Holdings do not have a right to request Exchange. 	Clause 11.5(e)(i) of the CPS3 Terms

2.4 Non-Viability Conversion

CPS3 have certain loss absorption features, which may be triggered where Suncorp encounters severe financial difficulty. These features are required to be included in the Terms of CPS3 for prudential regulatory purposes.

If a "Non-Viability Trigger Event" occurs, all or some CPS3 and other Relevant Preference Securities will need to be immediately Converted into Ordinary Shares and if such Conversion is not possible, the CPS3 which should have been Converted will be Written Off. This means that certain rights attached to the CPS3 will be amended to approximate the Ordinary Share rights which the Holder would have had if the relevant CPS3 had Converted into Ordinary Shares. No conditions need to be satisfied for such a Conversion or Write Off to occur.

As a Non-Viability Conversion is likely to occur during a time of severe financial difficulty for Suncorp, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive less, or significantly less, than \$101 worth of Ordinary Shares per CPS3 and a Holder may suffer loss as a consequence. The following calculations are illustrative only and designed to demonstrate the potential number and value of Ordinary Shares that a Holder would receive on a Conversion where there is a Non-Viability Trigger Event.

2.4.1 Why does CPS3 include a Non-Viability Trigger Event?	<ul style="list-style-type: none"> A Non-Viability Trigger Event is a regulatory requirement for CPS3 to be characterised as Additional Tier 1 Capital in order for CPS3 to receive the regulatory treatment expected from APRA.
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2. About CPS3 (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
2.4.2 What is a Non-Viability Trigger Event?	<ul style="list-style-type: none"> • A Non-Viability Trigger Event means APRA has provided a written determination to Suncorp that the conversion or write off of Relevant Preference Securities is necessary as without: <ul style="list-style-type: none"> – that conversion or write off; or – a public sector injection of capital into (or equivalent capital support with respect to) Suncorp, APRA considers that Suncorp would become non-viable. • If a Non-Viability Trigger Event occurs Suncorp must convert to Ordinary Shares or write off: <ul style="list-style-type: none"> – all Relevant Preference Securities; or – an amount of the Relevant Preference Securities if APRA is satisfied that conversion or write off of that amount will be sufficient to ensure that Suncorp does not become non-viable. • If a Non-Viability Trigger Event occurs, Suncorp must immediately Convert some or all CPS3 into the Conversion Number of Ordinary Shares. • As at the date of this Prospectus there is one capital instrument of Suncorp within the definition of Relevant Preference Securities, being CPS2. Suncorp has 5.6 million CPS2 on issue, at an issue price of \$100 per CPS2. Suncorp has no obligation to maintain any Relevant Preference Securities and gives no assurance that it will do so. • The Subordinated Notes issued by Suncorp are not Relevant Preference Securities and CPS3 would be expected to be required to be Converted upon the occurrence of a Non-Viability Trigger Event before the Subordinated Notes. <p>For the meaning of Relevant Preference Security please see section 2.6.4.</p>	Clauses 4 and 7.1 of the CPS3 Terms
2.4.3 What does non-viable mean?	<ul style="list-style-type: none"> • APRA has not provided guidance as to how it would determine non-viability. • Non-viability would be expected to include serious impairment of Suncorp's financial position and insolvency. However it is possible that APRA's definition of non-viable may not necessarily be confined to solvency measures or capital ratios. • APRA may publish further guidance on the parameters used to determine non-viability, however it is possible that it will not provide any further guidance and Suncorp has no control over whether it will do so. 	Section 5.1.12
2.4.4 When does Conversion on account of a Non-Viability Trigger Event occur?	<ul style="list-style-type: none"> • If a Non-Viability Trigger Event occurs, Suncorp must on that date, immediately and irrevocably, Convert some or all of CPS3 into Ordinary Shares. • Conversion on the occurrence of a Non-Viability Trigger Event is not subject to any Mandatory Conversion Condition being satisfied. • Conversion is immediate and from the Non-Viability Conversion Date Suncorp will treat Holders as having been issued the Conversion Number of Ordinary Shares. Suncorp expects any ASX trades in CPS3 that have not settled on the date a Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although Suncorp expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which CPS3 have been Converted as a result of the occurrence of the Non-Viability Trigger Event. • Further, Suncorp must make such decisions with respect to the identity of Holders whose CPS3 will Convert at the date of Non-Viability Conversion as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of CPS3 that have not been settled or registered at that time. • Suncorp must give Holders notice as soon as practicable after a Non-Viability Trigger Event has occurred, including details of the amount of CPS3 Converted. 	Clauses 4.1, 4.2 and 4.3 of the CPS3 Terms

TOPIC	SUMMARY	FURTHER INFORMATION
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2.4.5 How many Ordinary Shares will Holders receive on the Non-Viability Conversion Date?

- The number of Ordinary Shares a Holder will receive per CPS3 on account of a Non-Viability Conversion is the Conversion Number (calculated as described below) but cannot be more than the Maximum Conversion Number. Since there are no conditions to a Non-Viability Conversion, the number of Ordinary Shares a Holder is likely to receive on account of a Non-Viability Conversion may be worth significantly less than approximately \$101 and a Holder may suffer a loss as a consequence.
- The Conversion Number in the event of a Non-Viability Conversion is calculated in accordance with the following formula, subject to the Conversion Number being no greater than the Maximum Conversion Number:

Clauses 4.2, 4.3 and 7.1 of the CPS3 Terms

$$\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$$

where:

- **VWAP** is the volume weighted average price of Ordinary Shares during the period of five Business Days on which trading in Ordinary Shares occurred before the Non-Viability Conversion Date.

The Maximum Conversion Number is calculated as:

$$\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$$

Illustrative example of Conversion

Step 1 – calculating the potential number of shares to be received on Conversion

Assume that on 21 March 2019, a Non-Viability Trigger Event occurs. Holders would be entitled to receive, in respect of each CPS3 being Converted, the Conversion Number of Ordinary Shares determined as follows:

$$\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$$

- Assume the VWAP from 14 March 2019 to 20 March 2019 (being the five Business Days on which trading in Ordinary Shares took place immediately preceding 21 March 2019) is \$1.00.
- The Issue Price is \$100.
- The Conversion Number would be 101.01 (being \$100 divided by (99% x \$1.00)).
- Assuming a Holder has 100 CPS3, the total number of Ordinary Shares to which they would be entitled would be 10,101 (i.e. 100 x 101.01, which number is rounded down to disregard the fraction of the Ordinary Share).

Step 2 – calculating the maximum number of shares to be received on conversion

The Maximum Conversion Number is determined as:

$$\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$$

On the basis of the assumptions made in Step 1 above, and an Issue Date VWAP is \$12.00 and a Relevant Fraction of 0.2, the Maximum Conversion Number would be 41.67 (being \$100 / (\$12.00 x 0.2))

2. About CPS3 (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
	<p>Step 3 – calculate the number of shares to be received</p> <p>Since the Conversion Number of 101.01 is greater than the Maximum Conversion Number of 41.67 the number of Ordinary Shares which the holder of 100 CPS3 would receive would be 4,167.</p> <p>The market value of the Ordinary Shares received (based on the VWAP assumed in this example) is \$4,167 which is considerably less than \$10,000 (which is the 100 CPS3 of \$100 each)¹.</p> <ul style="list-style-type: none"> • The Maximum Conversion Number is described in Section 2.2.7 (as that number may be adjusted as described in Section 2.2.8). • Additionally, if on the occurrence of a Non-Viability Trigger Event only an amount (rather than all) of CPS3 and other Relevant Preference Securities are required to be Converted, Suncorp must endeavour to treat Holders and holders of other Relevant Preference Securities on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels, other logistical considerations and the need to effect Conversion immediately. 	
<p>2.4.6 What happens if CPS3 cannot be Converted on the Non-Viability Conversion Date?</p>	<ul style="list-style-type: none"> • If, following a Non-Viability Trigger Event, Suncorp is prevented for any reason from Converting CPS3 (within five Business Days after the Non-Viability Conversion Date) (an “Inability Event”), those CPS3 will not be Converted but instead Written Off. • This means that Holders will effectively lose their rights to preferred dividends and preferred returns of capital. • Instead the rights attached to CPS3 in respect of dividends and return of capital on and from the sixth Business Day after the Non-Viability Conversion Date will be as follows: <ul style="list-style-type: none"> – if a winding-up of Suncorp occurs, instead of a claim for payment of \$100 out of the surplus available to shareholders in a winding-up (plus the amount of any Dividend resolved to be paid but unpaid), a Holder’s claim is for the sum which would have been paid in respect of CPS3 out of the surplus available to shareholders in a winding-up as if the CPS3 were the Conversion Number of Ordinary Shares; and – instead of the Dividends as described in Section 2.1, subject to certain conditions, if a dividend is paid on Ordinary Shares, a non-cumulative dividend is payable in respect of CPS3 in an amount determined as if CPS3 were a number of Ordinary Shares equal to the Conversion Number, <p>in each case with that Conversion Number being finally determined as if CPS3 had Converted on the Non-Viability Conversion Date (and in any case not exceeding the Maximum Conversion Number) (the “Fixed Conversion Number”).</p> • The laws under which an Inability Event may arise include laws relating to the insolvency, winding-up or other external administration of Suncorp. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of CPS3, or other reasons which prevent Conversion, may change. 	<p>Clauses 4.3(c), 7.14, 10.2 and 19.2 of the CPS3 Terms</p>

¹ The price at which Ordinary Shares may be sold may differ from the VWAP. The Ordinary Shares may not be listed or may not be able to be sold at prices representing their value based on the VWAP calculation or at all.

TOPIC	SUMMARY	FURTHER INFORMATION
2.5 Conversion on an Acquisition Event		
<p>Suncorp is also required to Convert CPS3 into Ordinary Shares where Suncorp is taken over by way of takeover bid or scheme of arrangement which meets certain requirements (which are described below).</p> <p>There are conditions to Conversion in these circumstances which are designed to ensure that Holders receive no less than approximately \$101 worth of Ordinary Shares for each CPS3 they hold, and that Holders receive Ordinary Shares that are capable of being sold on the ASX.</p> <p>These conditions may never be satisfied and accordingly CPS3 may never Convert into Ordinary Shares.</p>		
2.5.1 What is an Acquisition Event?	<ul style="list-style-type: none"> • An Acquisition Event means: <ul style="list-style-type: none"> – either: <ul style="list-style-type: none"> – a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and: – the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or – a majority of Directors recommend acceptance of the offer; or – a court approves a scheme of arrangement which when implemented will result in a person other than Suncorp having a relevant interest in more than 50% of the Ordinary Shares on issue; and – all regulatory approvals necessary for the acquisition to occur have been obtained. 	Clause 19.2 of the CPS3 Terms
2.5.2 What must Suncorp do on the occurrence of an Acquisition Event?	<ul style="list-style-type: none"> • If an Acquisition Event occurs, Suncorp must (by giving an Acquisition Conversion Notice) Convert each CPS3 into a number of Ordinary Shares with a value of approximately \$101 (based on the VWAP during a period, usually 20 Business Days, before the Acquisition Conversion Date but a lesser period if trading in Ordinary Shares in the period after the Acquisition Event and before the Acquisition Conversion Date is less than 20 Business Days), provided certain conditions are satisfied. • If certain requirements for Conversion to occur (described in section 2.5.3 below) have not been satisfied, Suncorp will not be required to give an Acquisition Conversion Notice to Holders and will not be required to Convert CPS3 at that time. However, Suncorp must Convert CPS3 on the next Dividend Payment Date in respect of which the conditions to Conversion are satisfied. 	Clauses 6.2, 6.4, 6.5, 7 and 19.2 of the CPS3 Terms
2.5.3 What are the requirements for Conversion to occur following an Acquisition Event?	<ul style="list-style-type: none"> • The requirements for an Acquisition Conversion Notice to be given are the same as the Optional Conversion Restrictions that would apply if that notice were an Exchange Notice. 	Clauses 5.5, 6.2 and 6.4 of the CPS3 Terms

2. About CPS3 (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
2.5.4 What are the further Conversion restrictions on the Acquisition Conversion Date?	<ul style="list-style-type: none"> On the occurrence of an Acquisition Event, Suncorp may not proceed to Convert CPS3 if, on the date on which Conversion is to occur ("Acquisition Conversion Date"), certain further restrictions apply. These Conversion restrictions on the Acquisition Conversion Date apply if the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Acquisition Conversion Date if the Acquisition Conversion Date were a possible Mandatory Conversion Date. 	Clause 6.5 of the CPS3 Terms
2.5.5 What happens if Conversion does not occur?	<ul style="list-style-type: none"> If Suncorp is not required to give an Acquisition Event Notice or the further Conversion restrictions prevent Conversion, Suncorp will give a new Acquisition Event Notice to provide for Conversion to occur on the next Dividend Payment Date, which is at least 25 Business Days after the date of that notice, unless the restrictions to Conversion apply. Conversion will not occur if the further Conversion restrictions apply on that date. This process will be repeated until Conversion occurs. 	Clause 6.5 of the CPS3 Terms
2.5.6 What other obligations does Suncorp have in connection with a takeover or scheme of arrangement?	<ul style="list-style-type: none"> On the occurrence of a recommended takeover or scheme of arrangement which would result in an Acquisition Event, if the Directors consider that Suncorp will not be permitted to Exchange CPS3 or the Second Mandatory Conversion Condition or Third Mandatory Conversion Condition will not be satisfied, the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to Holders or that Holders are entitled to participate in the scheme of arrangement or a similar transaction. 	Clause 13 of the CPS3 Terms
<h3>2.6 Ranking and Regulatory treatment of CPS3</h3>		
<p>CPS3 rank, as regards payments in a winding-up of Suncorp and as regards payments of dividends, higher than Ordinary Shares, equally with all Equal Ranking Instruments, but lower than all creditors of Suncorp.</p> <p>APRA has advised that CPS3 will constitute Additional Tier 1 Capital of Suncorp until the introduction of APRA's Conglomerates Proposal.</p> <p>Following the introduction of the Conglomerates Proposal, CPS3 will not constitute Additional Tier 1 or any other form of regulatory capital of Suncorp. However, Suncorp expects capital deployed to Regulated Entities to continue to contribute to Additional Tier 1 Capital of the relevant Regulated Entities of the Suncorp Group.</p>		
2.6.1 How do CPS3 rank in relation to other Suncorp instruments?	<ul style="list-style-type: none"> In a winding-up of Suncorp, CPS3 rank for payment of \$100 (plus the amount of any Dividend resolved to be paid but unpaid) ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind all creditors of Suncorp. However, any return in a winding-up may be adversely affected if a Non-Viability Trigger Event occurs because if that occurs all or some CPS3 will be required to be Converted or Written Off (see Section 2.4.6 – Non-Viability Conversion). For the payment of Dividends, CPS3 rank ahead of Ordinary Shares, equally with other securities ranking equally with CPS3, but behind all creditors of Suncorp. 	Clauses 10.1 and 10.2 of the CPS3 Terms
2.6.2 Who is APRA?	<ul style="list-style-type: none"> APRA is the prudential regulator of the Australian financial services industry. APRA oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies, and most members of the superannuation industry. APRA's mission is to establish and enforce prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions APRA supervises are met within a stable, efficient and competitive financial system. APRA's website at www.apra.gov.au includes further details of its functions and prudential standards. 	

TOPIC	SUMMARY	FURTHER INFORMATION
2.6.3 What is regulatory capital?	<ul style="list-style-type: none"> • Any business requires capital to support its income generating activities in its chosen industry. • APRA's regulatory capital prudential standards aim to ensure that regulated groups such as banks, general insurers, life insurers, regulated registrable superannuation entities and non-operating holding companies of these businesses such as Suncorp, maintain adequate capital to support the risks associated with their activities. APRA has detailed guidelines and restrictions on the types of capital instruments that are permitted to form the capital base. The types of capital deemed eligible for inclusion in the capital base are referred to as regulatory capital. • APRA classifies regulatory capital into two tiers for its supervisory purposes—referred to as Tier 1 Capital and Tier 2 Capital. • Tier 1 Capital is generally considered from a perspective of a financial institution to be a higher quality capital than Tier 2 Capital and is comprised of: <ul style="list-style-type: none"> – Common Equity Tier 1 Capital; and – Additional Tier 1 Capital. • Tier 2 Capital is comprised of capital instruments with loss-absorption characteristics required for prudential capital instruments that do not satisfy the criteria for Tier 1 Capital. • In May 2013, APRA released its Conglomerates Proposal comprising draft capital adequacy prudential standards which will apply to Suncorp as a conglomerate group (to be known as a 'Level 3 group'). It is expected that the capital standards will be based on a Common Equity Tier 1 Capital regime, which means that Eligible Capital for the purposes of those standards will be required to be in the form of common equity only, subject to any transitional arrangements which may be confirmed by APRA. Suncorp expects implementation of the new capital standards to be on 1 January 2015. 	
2.6.4 What is the regulatory treatment of CPS3?	<ul style="list-style-type: none"> • APRA has advised that: <ul style="list-style-type: none"> – CPS3 will constitute Additional Tier 1 Capital of Suncorp until the introduction of APRA's Conglomerates Proposal; – Following the introduction of the Conglomerates Proposal, CPS3 will not constitute Additional Tier 1 Capital or any other form of regulatory capital of Suncorp. However, Suncorp expects capital deployed to Regulated Entities to continue to contribute to Additional Tier 1 Capital of the relevant Regulated Entities of the Suncorp Group. • An instrument (such as CPS3) which: <ul style="list-style-type: none"> – is issued on terms which constituted Additional Tier 1 Capital as at the date of its issue; or – enables capital deployed to Regulated Entities to continue to contribute to Additional Tier 1 Capital of the relevant Regulated Entities of the Suncorp Group, <p>and which is capable of converting into Ordinary Shares in Suncorp when a Non-Viability Trigger Event occurs is referred to in this Prospectus and the CPS3 Terms as "Relevant Preference Security". CPS3 are Relevant Preference Securities and this concept is relevant to determining what happens on the occurrence of a Non-Viability Trigger Event (see section 2.4.2 above).</p> 	

2. About CPS3 (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
2.7 Other		
2.7.1 Can Suncorp issue further CPS3, or other instruments?	<ul style="list-style-type: none"> Suncorp reserves the right to issue further CPS3 or other instruments, or permit the conversion of shares to preference shares or other instruments, which rank behind, equal with or ahead of CPS3, or have different rights from CPS3, whether in respect of dividends, return of capital in a winding-up of Suncorp or otherwise. CPS3 confer no rights on a Holder to subscribe for new securities in Suncorp or to participate in any bonus issues of shares in Suncorp's capital. 	Clauses 11.1 and 11.6(b) of the CPS3 Terms
2.7.2 What voting rights do CPS3 carry?	<ul style="list-style-type: none"> Holder have no voting rights at meetings of holders of shares in Suncorp except in the following circumstances: <ul style="list-style-type: none"> on any proposal: <ul style="list-style-type: none"> to reduce Suncorp's share capital; that may affect rights attached to CPS3; to wind up Suncorp; or to dispose of the whole of the property, business and undertaking of Suncorp; or on any resolution to approve terms of a buy-back agreement; during a period in which a Dividend (or part of a Dividend) is in arrears; or during the winding-up of Suncorp. 	Clause 12 of the CPS3 Terms
2.7.3 Can Suncorp amend the CPS3 Terms?	<ul style="list-style-type: none"> Subject to complying with all applicable laws, and with APRA's prior written approval where required, Suncorp may amend the CPS3 Terms without the approval of Holders in certain circumstances. That may include amendments which may affect the rights of Holders, including changes to dates or time periods necessary or desirable to facilitate a Mandatory Conversion, Non-Viability Conversion or Exchange or if in Suncorp's opinion they are not likely to be materially prejudicial to the interests of Holders as a whole. Suncorp may also, with APRA's prior written approval where required, amend the CPS3 Terms if the amendment has been approved by a Special Resolution. APRA's prior written approval to amend the CPS3 Terms is required only where the amendment may affect the eligibility of CPS3 as a Relevant Preference Security. 	Clause 15 of the CPS3 Terms
2.7.4 What if a Holder is not resident in Australia?	<ul style="list-style-type: none"> If the Register indicates that a Holder's address is outside of Australia (or Suncorp believes that a Holder may not be a resident of Australia) (such a Holder, a Foreign Holder) and that Foreign Holder's CPS3 are to be Converted, Suncorp is entitled in certain circumstances to issue the relevant Ordinary Shares to a nominee appointed by Suncorp. A Holder may also elect not to receive Ordinary Shares on Conversion in which case those shares will be issued to a nominee appointed by Suncorp. Any such nominee: <ul style="list-style-type: none"> may not be Suncorp or a member of Suncorp Group or a Related Entity of Suncorp; and will sell those Ordinary Shares and pay a cash amount equal to the net proceeds to the relevant Holder. The issue of Ordinary Shares to that nominee satisfies Suncorp's obligations in connection with the Conversion and Suncorp does not owe any duty in relation to the price or terms on which the Ordinary Shares are sold and has no liability for any loss suffered as a result of such sale. 	Clauses 7.10, 7.11, 7.12 and 19.2 of the CPS3 Terms



This Section sets out information about Suncorp and the Suncorp Group.

**About
Suncorp**

3. About Suncorp

3.1 Introduction

Suncorp is a top 20 ASX-listed company. It is a Non-Operating Holding Company (“**NOHC**”) and the ultimate parent company of the Suncorp Group. The Suncorp Group comprises general insurance businesses across Australia and New Zealand, a regional bank in Australia, and a life insurance business across Australia and New Zealand.

This Prospectus describes the activities and the financial performance and position of the Suncorp Group.

More information about Suncorp Group and its businesses can be found at www.suncorpgroup.com.au.

3.2 Overview of the Suncorp Group

Suncorp Group is a financial services group operating in Australia and New Zealand. It operates a portfolio of general insurance, banking and life insurance brands, including AAMI, Apia, Asteron Life, GIO, Suncorp Bank, Suncorp Insurance and Vero Insurance.

The Suncorp Group currently has more than 15,000 employees across Australia and New Zealand and is headquartered in Brisbane, Queensland.

Suncorp is listed on ASX under ASX code “SUN” and has a market capitalisation of A\$16.4 billion as at 27 March 2014, ranking it among the 20 largest Australian listed companies.

Financial highlights for the half year ended 31 December 2013¹

- Group NPAT attributable to owners of Suncorp of \$548 million (1H13: \$574 million, FY13: \$491 million);
- Profit after tax from General Insurance, Bank and Life business lines of \$597 million (1H13: \$619 million, FY13: \$1,232 million)²;
- General Insurance NPAT of \$470 million (1H13: \$564 million, FY13: \$883 million);

- Reported Insurance Trading Result³ of \$537 million representing an ITR of 13.9% (1H13: 18.6%, FY13: 13.1%);
- Underlying ITR³ of 14% (1H13: 13.4%, FY13: 13.5%);
- Gross Written Premium (“**GWP**”) up 3.7% to \$4,380 million;
- Bank NPAT of \$105 million (1H13: \$4 million, FY13: \$(343) million), with net interest margin of 1.66%;
- Suncorp Life NPAT of \$22 million (1H13: \$51 million, FY13: \$60 million);
- Suncorp Life Embedded Value³ of \$2,006 million (1H13: \$2,430 million, FY13: \$2,569 million);
- Capital levels remain strong on a Common Equity Tier 1 Capital basis with the General Insurance Prescribed Capital Amount (“**PCA**”) coverage at 1.65 times, and Suncorp Bank’s Common Equity Tier 1 Capital ratio at 8.25% and over \$1.1 billion of capital held in excess of operating targets; and
- Interim dividend of 35 cents per ordinary share, fully franked, up 40% from the FY13 interim dividend.

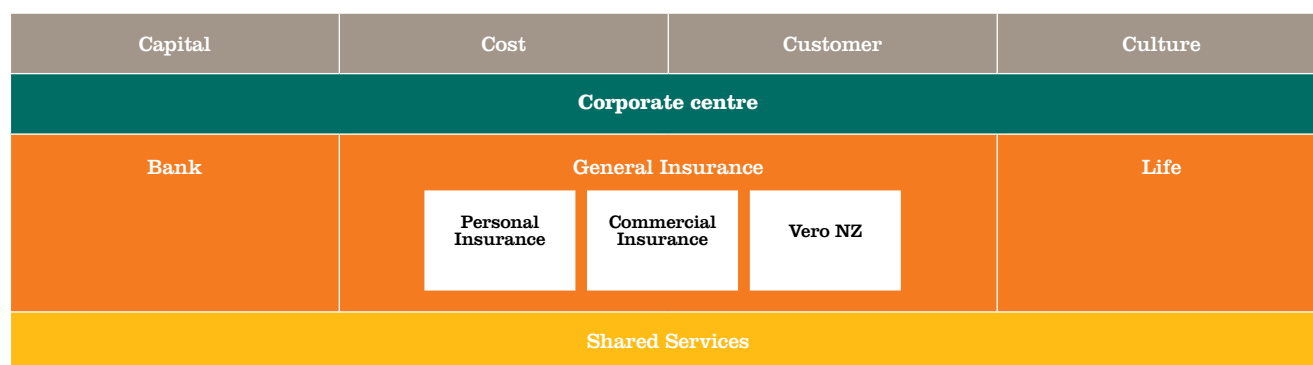
3.3 The Suncorp Group’s major brands and operating model

The Suncorp Group is comprised of five separate lines of business:

- Personal Insurance;
- Commercial Insurance;
- Vero New Zealand (Vero NZ);
- Suncorp Bank; and
- Suncorp Life.

The lines of business have access to the Suncorp Group’s shared business services division and the structure is overseen by a corporate centre.

The Suncorp Group’s operating model



Suncorp Group’s business model is that of a financial services company operating as ‘One Company. Many Brands’ in Australia and New Zealand.

- **One Company**—while the Suncorp Group’s businesses have end-to-end accountability, the Suncorp Group operates as ‘One Company’ to enhance the value of its Group strategic assets: Capital, Cost, Customer and Culture. The Suncorp Group’s businesses are supported by a corporate centre and a shared business services division.
- **Many Brands**—customers in Australia and New Zealand rely on the Suncorp Group’s portfolio of financial services brands including AA Insurance, AAMI, Apia, Asteron Life, Bingle Insurance, CIL Insurance, GIO, Guardian Advice, InsureMyRide, Just Car Insurance, Resilium, Shannons, Suncorp Bank, Suncorp Insurance, Terri Scheer and Vero Insurance.

Notes

- ¹ “1H13” defined as the half year ended 31 December 2012; “FY13” defined as the financial year ended 30 June 2013.
- ² Excludes the results of Suncorp Group’s non-core bank lending portfolio which was disposed of in June 2013.
- ³ Refer to Glossary in Appendix B for definitions.

The Suncorp Group's brands include:



3.4 Business lines

3.4.1 General Insurance

The Suncorp Group reported GWP of \$4,380 million for the half year ended 31 December 2013.

The General Insurance business consists of three business units: Personal Insurance, Commercial Insurance and Vero NZ.

Personal Insurance

- Personal Insurance is the largest part of the Suncorp Group. It manages 11 brands that make up a unique portfolio, addressing many customers and their particular needs.
- Personal Insurance provides a broad range of personal insurance products including home and contents, motor, boat, travel and caravan insurance to customers in Australia.

Commercial Insurance

- The Suncorp Group's commercial insurance products are aimed at Australian businesses, from micro sized enterprises to large corporations, through diverse distribution channels and a variety of brands.
- Products include commercial motor, property, marine, public liability, professional indemnity, management liability, workers' compensation and compulsory third party (CTP) insurance.
- Suncorp's commercial insurance business is the largest personal injury insurer in Australia.

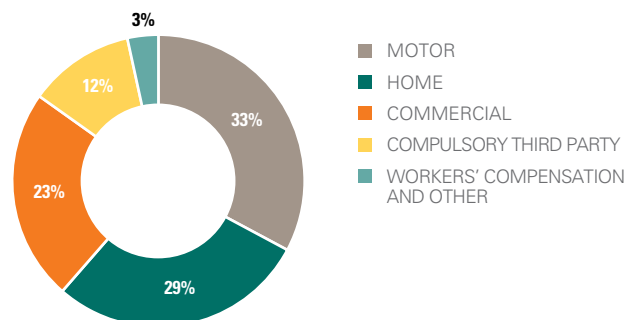
Vero NZ

- Vero NZ is the second largest general insurer in New Zealand, providing intermediated commercial and corporate property, liability, motor and marine cargo insurance products. Intermediated personal lines include home, contents, motor, warranty, and travel.
- AA Insurance, the joint venture in which Vero NZ is the majority shareholder, provides personal insurance products direct to the market.

The product mix and geographic presence of the General Insurance business is shown in the charts following.

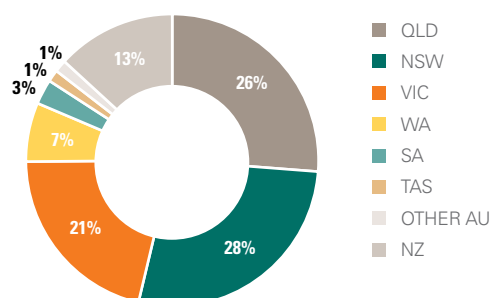
General Insurance product portfolio

% GWP by products for the half year ended 31 December 2013



General Insurance geographic presence

% GWP by geography for the half year ended 31 December 2013



3. About Suncorp (continued)

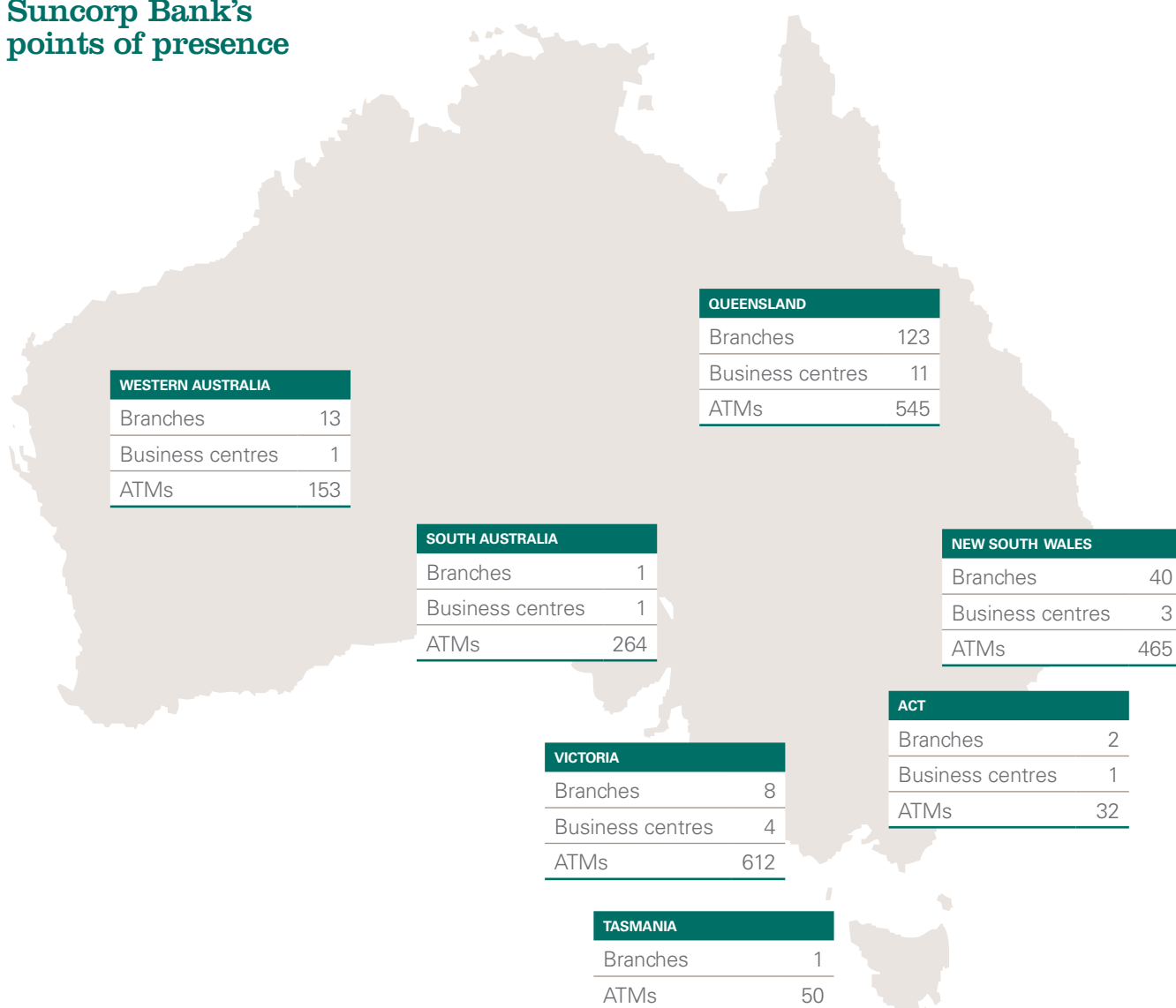
3.4.2 Suncorp Bank

Suncorp Bank is a regional bank in Australia with \$60.8 billion in assets as at 31 December 2013.

Suncorp Bank's banking business is focused on relationship-based lending and deposit gathering and provides a range of services including:

- personal banking—home and personal loans, savings and transaction accounts, margin lending, credit cards and foreign currency services;
- small to medium enterprises banking—financial solutions for owner-managed small to medium sized enterprises with borrowing requirements of up to \$1 million;
- commercial lending—financial solutions for owner-managed small to medium sized enterprises with borrowing requirements of more than \$1 million; and
- agribusiness—financial solutions and serviced relationship management for rural producers and associated businesses in rural and regional areas.

Suncorp Bank's points of presence



Branch, business centre and ATM data as at April 2013.

3.4.3 Suncorp Life

Suncorp Life is a life insurance specialist operating in Australia and New Zealand. It offers a range of life insurance and superannuation products and provides financial advice services. Suncorp Life sells its products and services through Asteron Life to a network of independent financial advisers and direct to new and existing customers through Group brands (AAMI, Apia, GIO and Suncorp) and through AA Life in New Zealand.

Suncorp Life protects more than 600,000 lives with products that include term life, trauma and income protection. It supports the financial futures of Australians with more than \$72 billion in superannuation funds under administration.

Suncorp Life had an Embedded Value of \$2,006 million as at 31 December 2013.

3.4.4 Corporate/shared business services group

The corporate/shared business services group manages Suncorp's technology, real estate, procurement and partnering portfolios and finance services.

3.5 Strategy

Suncorp Group's core purpose is '**Creating brighter futures**' for its stakeholders. Suncorp Group intends to do this through the 'One Company. Many Brands' business model.

Suncorp Group's strategy is to simplify the business and build, in accordance with its risk appetite, the value of its shared strategic assets:

- **Capital:** Leveraging the diversity and capital return of each business for the benefit of the entire Group.
- **Cost:** Achieving the full benefits of scale of an ASX 20 organisation, without diminishing the differentiation of Suncorp Group's brands in the eyes of its customers.
- **Customer:** Enhancing the value of Suncorp Group's customer connections by deepening their relationships with Suncorp Group's brands.
- **Culture:** Building the common elements of the Suncorp culture to operate as 'One Company. Many Brands'. Positioning Suncorp as 'THE' place to work in Australia and New Zealand.

Our Purpose

Creating
brighter
futures

Our Business Model

One Company
Many Brands

Our Strategy

Capital

Customer

Cost

Culture

Our Strategic Priorities 2011–2014

Simplify the business

Note: As at the date of this prospectus.

3. About Suncorp (continued)

3.6 Reinsurance program

The Suncorp Group enters into a number of reinsurance arrangements. These arrangements allow the Suncorp Group to limit its risk from particular lines of business or from specific events, such as natural catastrophes, and to increase its capacity to write new policies. Under these arrangements, other insurers and reinsurers assume a portion of the Suncorp Group's exposure to reported and unreported losses in exchange for a premium.

Suncorp Group's General Insurance business has a significant reinsurance program.

Suncorp Group has a significant share of the Queensland home insurance market and, to reduce its geographical concentration, Suncorp Group transfers 30% of this risk via a reinsurance arrangement, to a highly rated international reinsurer. This arrangement is in place until 30th June 2018.

Suncorp Group's main catastrophe program, which covers Suncorp Group's home, motor and commercial property portfolios for major events such as earthquakes, cyclones, storms, floods, and bushfires, provides cover for events up to \$5.8 billion.

The maximum event retention for a property catastrophe loss is \$250 million. Losses in excess of this are covered by reinsurance arrangements. Additional cover was purchased to reduce this retention to \$200 million for a second Australian event and to \$50 million for third and fourth events. Additional multi-year cover is in place to reduce the first event retention for New Zealand risks to NZD\$50 million and the second and third event retentions to NZD\$25 million.

Reinsurance coverage for the 2014 financial year program involves over 85% of long-tail and short-tail business being protected by highly rated reinsurers. The table below shows risk retention for the Suncorp Group:

	MAXIMUM SINGLE RISK RETENTION DEC-13 \$M	MAXIMUM EVENT RISK DEC-13 \$M
Property	10	250
General liability	10	10
Global liability	10	10
Workers' compensation	10	10
CTP	10	10
Motor	10	250
Professional indemnity	5	5
Travel & personal accident	5	5
Marine	3	3

3.7 Regulation

As a provider of general insurance, banking, life insurance and superannuation products, Suncorp Group is subject to ongoing oversight by financial services regulators in the markets in which it operates.

3.7.1 Australia

APRA

APRA regulates companies operating in the Australian financial services industry. APRA has established prudential standards for all general insurers, banks, life insurance companies and members of the superannuation industry, and as at the date of this Prospectus, is in the process of developing its Conglomerates Proposal.

3.7.2 New Zealand

Reserve Bank of New Zealand

The Reserve Bank of New Zealand ("RBNZ") is the regulator of insurance business in New Zealand under the *Insurance (Prudential Supervision) Act 2010 (IPSA)*.

IPSA sets out insurer licensing requirements in New Zealand which include disclosure of financial strength ratings and compliance with solvency, risk management and governance standards.

Suncorp Group's insurance businesses in New Zealand hold IPSA licenses.



This Section sets out:

- summary financial and capital information;
- pro forma financial information demonstrating the effect of the Offer on Suncorp; and
- pro forma capital information demonstrating the effect of the Offer on Suncorp.

Financial information

4. Financial information

4.1 Introduction

This Section provides summary actual historical financial and capital information and summary pro forma financial and capital information for the Suncorp Group. The pro forma financial and capital information has been included to illustrate the Suncorp Group's financial and capital position as at 31 December 2013, assuming CPS3 were issued on that date. It does not represent what Suncorp's or the Suncorp Group's financial and capital position actually would have been if CPS3 were issued on 31 December 2013. The adjustments do not impact the Suncorp Group's consolidated statement of comprehensive income or Suncorp's summary financial results.

The Suncorp Group summary actual financial information presented in this Section has been extracted from the Suncorp Group's audited consolidated annual financial report for the year ended 30 June 2013 and the reviewed consolidated interim financial report for the half year ended 31 December 2013. These reports are available at www.suncorpgroup.com.au.

The financial and capital information has, except as otherwise noted, been prepared in accordance with the measurement and recognition requirements, but not the disclosure requirements, of the Australian Accounting Standards and other mandatory reporting requirements in Australia as well as APRA prudential standards. The presentation currency of the summary financial and capital information is Australian dollars.

The consolidated statement of financial position is presented using a liquidity format in which the assets and liabilities are presented in order of liquidity. The assets and liabilities comprise both current (expected to be recovered or settled within 12 months of the reporting date) and non-current amounts (expected to be recovered or settled within more than 12 months of the reporting date).

Investors should note that past performance is not a reliable indicator of future performance.

4.2 Consolidated summarised financial information of the Suncorp Group

4.2.1 Consolidated statement of comprehensive income

\$ MILLION	YEAR END 30 JUNE 2012	YEAR END 30 JUNE 2013	HALF YEAR END 31 DECEMBER 2013
Revenue			
Insurance premium income	8,355	9,134	4,858
Reinsurance and other recoveries income	1,917	1,538	787
Banking interest income	4,025	3,420	1,513
Investment revenue	1,183	1,523	827
Other income	581	571	269
Total revenue	16,061	16,186	8,254
Expenses			
General Insurance claims expense	(7,122)	(6,264)	(3,283)
Life insurance claims expense and movement in policyowner liabilities	(314)	(1,142)	(869)
Outwards reinsurance premium expense	(946)	(1,203)	(448)
Interest expense	(3,146)	(2,477)	(1,056)
Fees and commissions expense	(535)	(700)	(373)
Operating expenses	(2,603)	(2,732)	(1,348)
Losses on Banking loans, advances and other receivables	(432)	(902)	(58)
Total expenses	(15,098)	(15,420)	(7,435)
Profit before income tax	963	766	819
Income tax expense	(235)	(270)	(268)
Profit for the financial period	728	496	551
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Net change in fair value of cash flow hedges	(66)	61	32
Net change in fair value of available-for-sale financial assets	(60)	–	12
Exchange differences on translation of foreign operations	10	68	88
Income tax (expense) benefit	38	(18)	(15)
	(78)	111	117
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Actuarial (losses) gains on defined benefit plans	(51)	20	–
Income tax (expense) benefit	15	(6)	–
	(36)	14	–
Total other comprehensive income (loss)	(114)	125	117
Total comprehensive income for the financial period	614	621	668
Profit for the financial period attributable to:			
Owners of Suncorp	724	491	548
Non-controlling interests	4	5	3
Profit for the financial period	728	496	551
Total comprehensive income for the financial period attributable to:			
Owners of Suncorp	610	616	665
Non-controlling interests	4	5	3
Total comprehensive income for the financial period	614	621	668

4. Financial information (continued)

4.2.2 Pro forma consolidated statement of financial position

The following table sets out the Suncorp Group's consolidated statement of financial position as at 30 June 2013 and 31 December 2013, as well as the pro forma consolidated statement of financial position as at 31 December 2013 assuming the Offer occurred on 31 December 2013.

\$ MILLION	ACTUALS AS AT 30 JUNE 2013	ACTUALS AS AT 31 DECEMBER 2013	ADJUSTMENTS	PRO FORMA AS AT 31 DECEMBER 2013	NOTES
Assets					
Cash and cash equivalents	1,394	1,064	244	1,308	1
Receivables due from other banks	1,460	790		790	
Trading securities	3,462	2,129		2,129	
Derivatives	627	425		425	
Investment securities	26,183	26,588		26,588	
Banking loans, advances and other receivables	47,999	49,074		49,074	
General Insurance assets	7,158	6,562		6,562	
Life assets	666	584		584	
Property, plant and equipment	212	228		228	
Deferred tax assets	87	20		20	
Other assets	512	476		476	
Goodwill and intangible assets	6,168	6,138		6,138	
Total assets	95,928	94,078	244	94,322	
Liabilities					
Payables due to other banks	213	186		186	
Deposits and short-term borrowings	43,547	44,192		44,192	
Derivatives	1,039	554		554	
Payables and other liabilities	2,486	1,635		1,635	
Current tax liabilities	2	111		111	
General Insurance liabilities	14,496	14,330		14,330	
Life liabilities	5,869	6,161		6,161	
Deferred tax liabilities	–	39		39	
Securitisation liabilities	4,777	4,245		4,245	
Debt issues	7,291	6,412		6,412	
Subordinated notes	1,646	1,671		1,671	
Preference shares	579	550	244	794	1
Total liabilities	81,945	80,086	244	80,330	
Net assets	13,983	13,992		13,992	
Equity					
Share capital	12,682	12,675		12,675	
Reserves	40	151		151	
Retained profits	1,245	1,154		1,154	
Total equity attributable to owners of Suncorp	13,967	13,980		13,980	
Non-controlling interests	16	12		12	
Total equity	13,983	13,992		13,992	

Notes:

1 Assumes \$250 million of CPS3 were issued on 31 December 2013, net of issue transaction costs of \$6 million. The actual issue amount may be more or less than \$250 million.

4.3 Summarised financial information of Suncorp

Suncorp is the issuing entity for CPS3. It is a NOHC and the ultimate parent company of the Suncorp Group. The following table contains information extracted from Suncorp's audited consolidated financial report for the year ended 30 June 2013. Suncorp applies the amendments to the Corporations Act that removed the requirement to prepare parent entity financial statements. The disclosures represent the specific parent entity disclosures for the year ended 30 June 2013.

Suncorp specific parent entity disclosures for the half year ended 31 December 2013 have been extracted from management information which has not been audited or reviewed.

4.3.1 Summary financial results

\$ MILLION	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2013	HALF YEAR ENDED 31 DECEMBER 2013
Results of Suncorp			
Profit for the financial period	724	1,025	418
Total comprehensive income for the financial period	724	1,025	418

4.3.2 Pro forma summary financial position

The following table sets out Suncorp's audited summary financial position as at 30 June 2013 and unaudited summary financial position as at 31 December 2013, as well as the pro forma summary financial position as at 31 December 2013, assuming the Offer occurred on 31 December 2013.

\$ MILLION	ACTUALS AS AT 30 JUNE 2013	ACTUALS AS AT 31 DECEMBER 2013	ADJUSTMENTS ¹	PRO FORMA AS AT 31 DECEMBER 2013	NOTES
Financial position of Suncorp at the end of the financial period					
Current assets	747	1,056	244	1,300	1
Total assets	16,145	16,000	244	16,244	1
Current liabilities	262	362	–	362	
Total liabilities	1,567	1,670	244	1,914	1
Net assets	14,578	14,330	–	14,330	
Total equity of Suncorp consists of:					
Share capital	12,786	12,764		12,764	
Common control reserve	987	987		987	
Retained earnings	805	579		579	
Total equity	14,578	14,330		14,330	

Notes:

1 Assumes \$250 million of CPS3 were issued on 31 December 2013, net of issue transaction costs of \$6 million. The actual issue amount may be more or less than \$250 million.

4.4 Capital management

The capital management strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite. Suncorp Group's Internal Capital Adequacy Assessment Process ("ICAAP") provides the framework to ensure that Suncorp Group as a whole, and each Regulated Entity in Suncorp Group, is independently capitalised to meet internal and external requirements. The NOHC, Suncorp, also holds capital in respect of the corporate service companies and a portion of Suncorp Group's target capital in respect of the General Insurance and Life businesses.

4. Financial information (continued)

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and tier 1 and tier 2 hybrid capital issues. Suncorp Group is subject to, and in compliance with, externally imposed capital requirements set and monitored by APRA and the Reserve Bank of New Zealand. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in economic conditions and risk characteristics of Suncorp Group's business activities. Capital targets are structured according to both the business line regulatory framework and to APRA's Conglomerates Proposal.

For regulatory purposes, capital is classified as follows:

- CET1 Capital comprising accounting equity with adjustments for intangible assets and regulatory reserves;
- Tier 1 Capital comprising CET1 Capital plus Additional Tier 1 Capital such as certain hybrid securities with 'equity-like' qualities;
- Tier 2 Capital comprising certain securities recognised as Tier 2 Capital; and
- The sum of Tier 1 Capital and Tier 2 Capital is called Total Capital.

CET1 Capital has the greatest capacity to absorb potential losses, followed by Additional Tier 1 Capital and then Tier 2 Capital.

APRA's Conglomerates Proposal is expected to come into effect from 1 January 2015, with standards covering risk management, governance and capital requirements for conglomerates. Suncorp Group has been operating under a NOHC structure since 2010, with associated NOHC conditions from APRA having much in common with the capital requirements contained in the Conglomerates Proposal. Suncorp Group is expected to be well placed to implement the requirements and does not expect material changes to capital targets as a result.

APRA has advised that following the introduction of the Conglomerates Proposal, CPS3 will not constitute Additional Tier 1 Capital or any other form of regulatory capital of Suncorp. However, Suncorp expects capital deployed to Regulated Entities to continue to contribute to Additional Tier 1 Capital of the relevant Regulated Entities of the Suncorp Group.

Where existing capital instruments have been deployed by Suncorp to Regulated Entities, Suncorp expects the deployment to continue to contribute to the Additional Tier 1 Capital and Tier 2 Capital (as applicable) of the relevant Regulated Entities, following the introduction of the Conglomerates Proposal.

Details on the capital positions across Suncorp Group as at 31 December 2013 were:

- the General Insurance business Total Capital position was 1.96 times the PCA and the CET1 Capital position was 1.65 times the PCA;
- Suncorp Bank's¹ Total Capital ratio was 13.06% and CET1 Capital ratio was 8.25%; and
- Suncorp Life's excess Total and CET1 Capital to target was \$113 million.

4.5 Pro forma capital adequacy position

The following table sets out the Suncorp Group's pro forma capital adequacy position based on the Suncorp Group's financial position as at 31 December 2013.

	GENERAL INSURANCE \$M	BANK ¹ \$M	LIFE \$M	SUNCORP CORPORATE SERVICES & CONSOLIDATION \$M	SUNCORP GROUP TOTAL \$M	PRO FORMA ADJUSTMENTS ² \$M	PRO FORMA SUNCORP GROUP TOTAL ³ \$M
CET1 Capital	3,532	2,535	517	402	6,986	(6)	6,980
Additional Tier 1 Capital	–	450	–	110	560	250	810
Tier 2 capital	643	1,027	100	–	1,770		1,770
Total capital base	4,175	4,012	617	512	9,316	244	9,560
Target capital base	3,095	3,841	504	169	7,609		7,609

Notes:

- 1 Represents the capital position of the statutory banking group, which comprises the capital of the regulated banking group together with the addition of the Banking NOHC and non-regulated banking subsidiaries.
- 2 Assumes \$250m of CPS3 were issued on 31 December 2013. Issue transaction costs of \$6m are classified as a Common Equity Tier 1 Capital deduction. The actual issue amount may be more or less than \$250m.
- 3 Assumes on issue as advised by APRA:
 - CPS3 will continue to be classified as Additional Tier 1 Capital in Suncorp, the NOHC for the Suncorp Group, prior to deployment to other Regulated Entities within the Suncorp Group;
 - Following the introduction of the Conglomerates Proposal, CPS3 will not constitute Additional Tier 1 Capital and any other form of regulatory capital of Suncorp. However, Suncorp expects capital deployed to Regulated Entities to continue to contribute to Additional Tier 1 Capital of the relevant Regulated Entities of the Suncorp Group.

The Suncorp Group's capital targets continue to be set above regulatory minimums and the total capital base is estimated to continue to exceed these targets.



This Section describes some of the risks associated with an investment in CPS3 and in Suncorp.

Investment risks

5. Investment risks

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. There is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

Before applying for CPS3, you should consider whether CPS3 are a suitable investment for you. There are risks associated with an investment in CPS3 and in Suncorp, many of which are outside the control of Suncorp and its Directors. These risks include those referred to in this Section and other matters referred to in this Prospectus.

5.1 Risks associated with investing in CPS3

5.1.1 Not deposit or policy liability

CPS3 are not:

- deposits or policy liabilities of Suncorp, or any other member of the Suncorp Group;
- protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act;
- protected policies for the purposes of the policy holder protection provisions of the Insurance Act; or
- guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.

The investment performance of CPS3 is not guaranteed by Suncorp or any other member of the Suncorp Group.

5.1.2 Market price of CPS3

The market price of CPS3 may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions, interest rates, movements in foreign exchange rates, movements in the market price of Ordinary Shares or senior or subordinated debt, Suncorp's financial performance and position and other factors that may affect that performance and position. CPS3 may trade at a market price below the Issue Price. There is no guarantee that CPS3 will remain continuously quoted on ASX.

In recent years, markets have sometimes been more volatile. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

You should carefully consider this additional volatility risk before deciding whether to make an investment in CPS3.

5.1.3 Liquidity

Although Suncorp intends to have CPS3 quoted on ASX, there is no guarantee that a liquid market will develop for CPS3. The market for CPS3 may be less liquid than the market for Ordinary Shares or comparable securities issued by Suncorp or other entities and may be volatile. The market price of CPS3 is likely to fluctuate and, if Holders wish to sell or otherwise transfer their CPS3 prior to Exchange, they may be unable to do so at a price acceptable to them, or at all, if insufficient liquidity exists in the market for CPS3.

CPS3 are expected to Convert into Ordinary Shares as described in Sections 2.2 and 2.3 of this Prospectus. Where CPS3 are Converted (or Written Off), there may be no liquid market for Ordinary Shares (or Written Off CPS3) at the time of Conversion (or Write Off) or the market for Ordinary Shares (or Written Off CPS3) may be less liquid than that for comparable securities issued by other entities at the time of Conversion or the market for Written Off CPS3 may be less liquid than the market for Ordinary Shares.

5.1.4 Fluctuation in Ordinary Share Price

Upon Conversion, other than Conversion resulting from a Non-Viability Trigger Event (see Section 5.1.12), Holders will receive approximately \$101 worth of Ordinary Shares per CPS3 (based on the VWAP during typically the 20 Business Days before the relevant conversion date and, as regards the Maximum Conversion Number, the VWAP during typically the 20 Business days before the Issue Date). The market price of Ordinary Shares may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions, interest rates, movements in foreign exchange rates, Suncorp's financial performance and position and other factors that may affect that performance and position, and may also be affected by the actual or prospective Conversion of CPS3—see Section 5.1.12.

The VWAP during the relevant period before the date of Conversion that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the date of Conversion. As a result, the value of Ordinary Shares received upon Conversion may be greater than or less than \$101 per CPS3 when they are issued or at any time after that, and could be less than the Issue Price. Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all. In relation to Conversion on account of a Non-Viability Trigger Event—see further detail in Section 5.1.12.

The Ordinary Shares held as a result of any Conversion will, following Conversion, rank equally with existing Ordinary Shares. Accordingly, the ongoing value of any Ordinary Shares received upon Conversion will depend upon the market price of Ordinary Shares after the date on which CPS3 are Converted. That market price is also subject to the factors outlined above and may also be volatile.

5.1.5 Dividends may not be paid

There is a risk that Dividends will not be paid. The CPS3 Terms do not oblige Suncorp to pay Dividends.

The payment of Dividends is subject to the Dividend Payment Tests—see Section 2.1.7. The Dividend Payment Tests require, among other things, that the Directors, at their absolute discretion, resolve to pay a Dividend. There is a risk that one or more elements of the Dividend Payment Tests will not be satisfied, and there is therefore a risk that a Dividend may not be paid in full or at all.

Further, the payment of Dividends is subject to Suncorp's prudential capital ratios being above those required from time to time by APRA after the payment.

The CPS3 Terms contain no events of default and accordingly, failure to pay a Dividend when scheduled will not constitute an event of default or a cause for early redemption of CPS3. Further, in the event that Suncorp does not pay a Dividend when scheduled, a Holder:

- has no right to apply for Suncorp to be wound up or placed in administration, or to cause a receiver or a receiver and manager to be appointed in respect of Suncorp merely on the grounds that Suncorp does not or may become unable to pay a Dividend when scheduled; and
- will have no right of set-off and no offsetting rights or claims on Suncorp under the CPS3 Terms.

Dividends are non-cumulative, and therefore if a Dividend is not paid Holders will have no recourse whatsoever to payment from Suncorp and will not receive payment of those Dividends.

However, if Suncorp does not pay a Dividend in full on a Dividend Payment Date, then the Distribution Restriction applies to Suncorp unless the Dividend is paid in full within three Business Days of that date.

In addition, Suncorp may be prevented from paying a Dividend by the requirements of the Corporations Act that, in order to pay a Dividend, Suncorp's assets must exceed its liabilities by an amount sufficient for payment of the Dividend, that payment must be fair and reasonable to Shareholders and payment of the Dividend must not materially prejudice Suncorp's ability to pay its creditors.

Suncorp may also be prevented from paying Dividends by the terms of other securities of members of Suncorp Group if a dividend or other distribution has not been paid on those securities. If such a constraint applies, Suncorp may not be able to pay Dividends on CPS3 without the approval of the holders of those other securities.

Changes in regulations applicable to Suncorp may impose additional requirements which prevent Suncorp from paying a Dividend in additional circumstances.

5.1.6 Changes in Dividend Rate

The Dividend Rate is calculated for each Dividend Period by reference to the Bank Bill Rate, which is influenced by a number of factors and varies over time. The Dividend Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate—see Sections 2.1.2 and 2.1.3.

As the Dividend Rate fluctuates, there is a risk that it may become less attractive when compared to the rates of return available on comparable securities issued by Suncorp or other entities.

5.1.7 CPS3 are perpetual and Mandatory Conversion may not occur on the Scheduled Mandatory Conversion Date or at all

CPS3 are expected to Convert into Ordinary Shares on 17 June 2022 (subject to certain conditions being satisfied). However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or where a Delisting Event applies. The Ordinary Share price may be affected by transactions affecting the share capital of Suncorp, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. The Issue Date VWAP is adjusted only for transactions by way of a reorganisation and pro rata bonus issues of Ordinary Shares as described in clauses 7.5 and 7.6 of the CPS3 Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends. The CPS3 Terms do not limit the transactions which Suncorp may undertake with respect to its share capital and any such action may affect whether Conversion will occur and the Conversion Number of Ordinary Shares and may adversely affect the position of Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, Mandatory Conversion would then occur on the next Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied unless CPS3 are otherwise Exchanged on or before that date. If Mandatory Conversion does not occur on a possible Mandatory Conversion Date and CPS3 are not otherwise Exchanged, Dividends may continue to be paid on CPS3, subject to the Dividend Payment Tests.

CPS3 are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Mandatory Conversion Conditions will never be satisfied and, if this occurs, unless CPS3 are otherwise Converted, CPS3 will never Convert.

5.1.8 Exchange is at Suncorp's option

Suncorp may (subject to APRA's prior written approval) elect to Exchange some or all CPS3 on the Optional Exchange Date or on the occurrence of a Tax Event or a Regulatory Event and may elect to Exchange by way of Conversion all (but not some) CPS3 after a Potential Acquisition Event. In addition, Suncorp must (subject to certain conditions) Convert all CPS3 on the occurrence of an Acquisition Event. Holders have no right to request or require an Exchange.

Any Exchange at Suncorp's option may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to CPS3 (such as Dividends) is unknown.

5. Investment risks (continued)

Subject to certain conditions, Suncorp also has discretion to elect which Exchange Method will apply to an Exchange. The method chosen by Suncorp may be disadvantageous to Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

For example, if APRA approves an election by Suncorp to Redeem CPS3, Holders will receive cash equal to \$100 per CPS3 rather than Ordinary Shares and accordingly, they will not benefit from any subsequent increases in the Ordinary Share price after the Exchange occurs. In addition, where Holders receive cash on Redemption, the rate of return at which they could reinvest their funds may be lower than the Dividend Rate at the time. Where Holders receive Ordinary Shares on Conversion, they will have the same rights as other holders of Ordinary Shares, which are different to the rights attaching to CPS3.

5.1.9 Conversion on an Acquisition Event

CPS3 are issued by Suncorp, which, as an ASX-listed company, may be affected by merger and acquisition activity, including the possibility of being acquired by, or merged with, another company or group of companies, potentially resulting in a change of control.

Where this corporate activity constitutes an Acquisition Event, as defined in the CPS3 Terms, Suncorp is required, subject to satisfaction of certain conditions, to Convert all CPS3 in accordance with clause 6 of the CPS3 Terms. Conversion may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to CPS3 (such as Dividends) is unknown.

5.1.10 Exchange by Suncorp is subject to certain events occurring

If Suncorp elects to Exchange CPS3 by way of Conversion, Redemption or Resale, APRA's prior written approval is required. Holders should not expect that APRA will give its approval to any Exchange.

The choice of Conversion as the Exchange Method is subject to the level of the Ordinary Share price on the second Business Day before the date on which an Exchange Notice is to be sent by Suncorp (or if trading in Ordinary Shares did not occur on that date, the Business Day prior to that date on which trading in Ordinary Shares occurred). If the VWAP on that date is less than or equal to 22% of the Issue Date VWAP, Suncorp is not permitted to choose Conversion as the Exchange Method. Also, if a Delisting Event applies, Suncorp is not permitted to choose Conversion as the Exchange Method.

The conditions to Conversion on the Exchange Date are that the Second Mandatory Conversion Condition and the Third Mandatory Conversion Condition must both be satisfied in respect of the Exchange Date as if the Exchange Date were a possible Mandatory Conversion Date.

If the requirements for Conversion on the Exchange Date are not satisfied, Suncorp will notify Holders and the Conversion will be deferred until the next Dividend Payment Date on which the requirements for Conversion would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date.

The choice of Redemption as the Exchange Method is subject to the condition that APRA is satisfied that either:

- the CPS3 the subject of the Exchange are replaced concurrently or beforehand with Relevant Preference Securities of the same or better quality or Ordinary Shares; or
- the replacement of CPS3 is done under conditions that are sustainable for Suncorp's income capacity, or having regard to the projected capital position of Suncorp Group. Suncorp does not have to replace the CPS3 the subject of the Redemption. Suncorp is not permitted to elect to Redeem or Resell CPS3 on account of an Acquisition Event or a Potential Acquisition Event.

5.1.11 Conversion conditions

The only conditions to Conversion are, in the case of Mandatory Conversion, the Mandatory Conversion Conditions and, in the case of Conversion following an Acquisition Event, the conditions expressly applicable to such Conversion under clauses 5.5 and 6.5 of the CPS3 Terms. No other conditions will affect the Conversion except as expressly provided by the CPS3 Terms.

Although one condition to Conversion is that a Delisting Event does not apply, other events and conditions may affect the ability of Holders to trade or dispose of the Ordinary Shares issued on Conversion e.g. the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time.

Further, as outlined in Section 5.1.12, Conversion following a Non-Viability Trigger Event is not subject to any conditions.

5.1.12 Conversion on account of a Non-Viability Trigger Event

Suncorp must immediately Convert CPS3 into Ordinary Shares if at any time a Non-Viability Trigger Event occurs. This could be at any time. Accordingly, any Conversion on account of a Non-Viability Trigger Event may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.

A Non-Viability Trigger Event occurs if APRA has provided a written determination to Suncorp that the conversion or write off of Relevant Preference Securities is necessary because either:

- without the conversion or write off, APRA considers that Suncorp would become non-viable; or
- without a public sector injection of capital into, or equivalent capital support with respect to, Suncorp, APRA considers that Suncorp would become non-viable.

Non-Viability Trigger Event

If less than all CPS3 and other Relevant Preference Securities are required to be Converted, Suncorp must determine which CPS3 will Convert and in doing so must endeavour to treat Holders and holders of other Relevant Preference Securities on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels, other logistical considerations and the need to effect conversions immediately. Accordingly, should a Non-Viability Trigger Event occur and some (but not all) CPS3 must be Converted, not all Holders may have their CPS3 converted into Ordinary Shares.

APRA has not provided guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of Suncorp's financial position and insolvency; however, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency or capital measures and APRA's position on these matters may change over time. As the occurrence of a Non-Viability Trigger Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that might give rise to this event.

Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of Suncorp. For instance, systemic and non-systemic macro-economic, environmental and operational factors, globally and in Australia and New Zealand may affect the viability of Suncorp.

Effect of a Non-Viability Trigger Event

If a Non-Viability Trigger Event occurs:

- Suncorp must immediately Convert all (or, if less than all CPS3 are required to be Converted, some) CPS3 on issue into the Conversion Number of Ordinary Shares for each CPS3 required to be Converted;
- Conversion is immediate and from the Non-Viability Conversion Date Suncorp will treat Holders as having been issued the Conversion Number of Ordinary Shares. Suncorp expects any ASX trades in CPS3 that have not settled on the date a Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although Suncorp expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which CPS3 have been Converted as a result of the occurrence of the Non-Viability Trigger Event;
- Alternatively, Suncorp may immediately seek a trading halt to prevent further trading in CPS3 on ASX, and if ASX permits, may refuse to register transfers of CPS3 that have not settled – this may result in disruption or failures in trading or dealings in CPS3 (which may cause a Holder to suffer loss);
- Suncorp may make such decisions with respect to the identity of Holders as at the Non-Viability Conversion Date as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of CPS3 that have not been settled or registered at that time;
- Conversion is not subject to the Mandatory Conversion Conditions or any other conditions being satisfied;

- Holders will not receive prior notice of Non-Viability Conversion or have any rights to vote in respect of any Non-Viability Conversion; and
- the Ordinary Shares issued on Non-Viability Conversion may not be quoted at the time of issue, or at all.

The number of Ordinary Shares a Holder will receive on Conversion following a Non-Viability Trigger Event is calculated in accordance with the Conversion Number formula which provides for a calculation based on a discounted five Business Day VWAP but cannot be more than the Maximum Conversion Number. Accordingly, this may result in a Holder receiving significantly less than \$101 worth of Ordinary Shares per CPS3 and suffering loss as a result. This is because:

- the number of Ordinary Shares is limited to the Maximum Conversion Number and this number of Ordinary Shares may have a value of less than \$101;
- where the number of shares is calculated by reference to the five Business Day VWAP, the VWAP during the five Business Days before the Non-Viability Conversion Date may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be listed or may not be able to be sold at prices representing their value based on the VWAP. In particular, VWAP prices will be based wholly on trading days which occurred before the Non-Viability Trigger Event; and
- as noted in Section 2.2.8, the Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares or pro rata bonus issue of Ordinary Shares. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example rights issues, returns of capital, buy-backs or special dividends. The CPS3 Terms do not limit the transactions that Suncorp may undertake with respect to its share capital and any such action may increase the risk that Holders receive only the Maximum Conversion Number and so may adversely affect the position of Holders.

Inability Event

If, following a Non-Viability Trigger Event, Suncorp is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of Suncorp) or by any other reason from Converting CPS3 (within five Business Days after the Non-Viability Conversion Date) which would otherwise be Converted (an "**Inability Event**"), CPS3 will not be Converted but instead Written Off. This means that the rights of a Holder in respect of each CPS3 in respect of dividends and returns of capital in any subsequent winding-up of Suncorp will be broadly equivalent to the rights in respect of dividends and returns of capital a holder of the Conversion Number of Ordinary Shares would have had if the Conversion had occurred. However CPS3 in these circumstances are not identical to Ordinary Shares, do not have the voting rights of Ordinary Shares and may not be able to be sold at the same price as the equivalent number of Ordinary Shares or at all.

The laws under which an Inability Event may arise include laws relating to the insolvency, winding-up or other external administration of Suncorp. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of CPS3 may change and the change may be adverse to the interests of Holders.

5. Investment risks (continued)

5.1.13 Restrictions on rights and ranking in a winding-up of Suncorp

CPS3 are issued by Suncorp under the CPS3 Terms. A Holder has no claim on Suncorp in respect of CPS3 except as provided in the CPS3 Terms. CPS3 are unsecured.

In the event of a winding-up of Suncorp, and assuming CPS3 have not been Exchanged and are not required to be Converted due to a Non-Viability Trigger Event, Holders will be entitled to claim for the Liquidation Sum. This is an amount for each CPS3 equal to \$100 in respect of its Issue Price and any Dividend resolved by the Directors to be paid but unpaid.

However, where CPS3 are required to be Converted on account of a Non-Viability Trigger Event and Suncorp is prevented by applicable law or order of any court or the action of any government authority or any other reason from Converting CPS3 (within five Business Days after the Non-Viability Conversion Date) and, accordingly, CPS3 have been Written Off (as described in Section 2.4.6 and clause 7.14 of the CPS3 Terms), the Liquidation Sum will be equal to the amount which would have been paid in respect of CPS3 out of the surplus available to shareholders in a winding-up as if CPS3 were the Conversion Number of Ordinary Shares, that Conversion Number being determined as if CPS3 had Converted on the Non-Viability Conversion Date (and in any case not exceeding the Maximum Conversion Number).

Claims in respect of CPS3 are subordinated in, and notwithstanding, a winding-up of Suncorp, so as to rank as preference shares as set out in the CPS3 Terms.

If there is a shortfall of funds on a winding-up of Suncorp to pay all amounts ranking senior to and equally with CPS3, Holders will not receive all or some of the Liquidation Sum.

Although CPS3 may pay a higher rate of dividend than comparable securities and instruments which are not subordinated, there is a significant risk that a Holder will lose all or some of their investment should Suncorp become insolvent.

5.1.14 Future issues or redemptions of securities by Suncorp

The CPS3 Terms do not in any way restrict Suncorp from issuing further securities or from incurring further indebtedness. Suncorp's obligations under CPS3 rank subordinate and junior in a winding-up to Suncorp's obligations to holders of senior ranking securities and instruments, and all creditors, including subordinated creditors (other than creditors whose claims are subordinated to or rank equally with or behind CPS3). Accordingly, Suncorp's obligations under CPS3 will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to CPS3.

Suncorp may in the future issue securities that:

- rank for dividends or payments of capital (including on the winding-up of Suncorp) equal with, behind or ahead of CPS3;
- have the same or different dividend, interest or distribution rates as those for CPS3;
- have payment tests and distribution restrictions or other covenants which affect CPS3 (including by restricting circumstances in which Dividends can be paid or CPS3 can be Redeemed); or
- have the same or different terms and conditions as CPS3.

Suncorp may incur further indebtedness and may issue further securities including further Relevant Preference Securities before, during or after the issue of CPS3.

An investment in CPS3 carries no right to participate in any future issue of securities (whether common equity, preference shares, subordinated or senior debt or otherwise) by Suncorp.

No prediction can be made as to the effect, if any, which the future issue of securities by Suncorp may have on the market price or liquidity of CPS3 or of the likelihood of Suncorp making payments on CPS3.

Similarly, the CPS3 Terms do not restrict any member of the Suncorp Group from redeeming, buying back or undertaking a reduction of capital or otherwise repaying its other securities (whether existing securities or those that may be issued in the future), other than to the extent the Distribution Restriction applies or insofar as Holders have a right to vote on the relevant matter under the CPS3 Terms (such as in respect of a buyback or reduction of capital of Suncorp). Additionally, Suncorp may Redeem CPS3 on the occurrence of a Regulatory Event.

An investment in CPS3 carries no right to be redeemed or otherwise repaid at the same time as Suncorp redeems or otherwise repays other securities (whether common equity, preference shares, subordinated or senior debt or otherwise).

5.1.15 Exposure to Suncorp Group's financial performance and position

If Suncorp Group's financial performance or position declines, or if market participants anticipate that it may decline, an investment in CPS3 could decline in value even if CPS3 have not been Converted. Accordingly, when you evaluate whether to invest in CPS3 you should carefully evaluate the investment risks associated with an investment in Suncorp—see Section 5.2.

5.1.16 Dividends may not be fully franked

Suncorp expects Dividends to be fully franked. However, there is no guarantee that Suncorp will have sufficient franking credits in the future to fully frank Dividends.

If any Dividend payment is not fully franked, then Holders will be entitled to an additional cash payment, reflecting the fact that the Dividend payment has been paid out of profits which have not been subject to tax. This payment is subject to the Dividend Payment Tests.

The value and availability of franking credits to a Holder will differ depending on the Holder's particular tax circumstances. Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder. Holders should also refer to the Australian taxation summary in Section 7 and seek professional advice in relation to their tax position.

5.1.17 The Distribution Restriction applies in limited circumstances

The Distribution Restriction restricts distributions only in respect of Ordinary Shares and not distributions in respect of securities ranking equally with CPS3 or any other class of security. Accordingly, a failure to make a scheduled payment on CPS3 may not restrict the making of payments in respect of CPS2 or instruments that may in the future rank equally with CPS3. Further the restriction in CPS3 only applies until and including the next Dividend Payment Date. The dates for distribution with respect to Ordinary Shares are determined by Suncorp in its discretion and do not bear a fixed relationship to the Dividend Payment Dates for CPS3. Accordingly, as soon as the Distribution Restriction ceases to apply (as will be the case if the next scheduled Dividend on CPS3 is paid) Suncorp will not be restricted from paying a distribution on its Ordinary Shares.

5.1.18 Changes to credit ratings

Suncorp's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings (including any long-term credit ratings or the ratings assigned to any class of its securities). Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though CPS3 will not be rated, such changes could adversely affect the market price, liquidity and performance of CPS3 or Ordinary Shares received on Conversion.

5.1.19 Regulatory classification and prudential supervision

APRA has advised that;

- CPS3 will constitute Additional Tier 1 Capital of Suncorp until the introduction of APRA's Conglomerate Proposal;
- following the introduction of the Conglomerate Proposal, CPS3 will not constitute Additional Tier 1 or any other form of regulatory capital of Suncorp. However, Suncorp expects capital deployed to Regulated Entities to continue to contribute to Additional Tier 1 Capital of the relevant Regulated Entities of the Suncorp Group.

However, in certain circumstances, if APRA subsequently determines prior to the implementation of the Conglomerates Proposal that some or all CPS3 do not qualify as Additional Tier 1 Capital of Suncorp or if following the introduction of the Conglomerates Proposal, APRA determines that it objects to Suncorp deploying capital to Regulated Entities that contributes to Tier 1 Capital of the relevant Regulated Entities of the Suncorp Group, Suncorp may decide that a Regulatory Event has occurred. Suncorp may then elect, at its option to Exchange all or some CPS3 on issue (subject to APRA's prior written approval where required). Suncorp is not permitted to decide that a Regulatory Event has occurred as a result of the changes in APRA treatment being due to Suncorp exceeding a prudential limit which was in effect on the Issue Date or which on the Issue Date is expected by Suncorp may come into effect or which is because of the implementation of the Conglomerates Proposal.

Any such Exchange at Suncorp's option may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to CPS3 (such as Dividends) is unknown.

The Exchange Method chosen by Suncorp may also be disadvantageous to Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

5.1.20 Australian tax consequences

A general outline of the tax consequences of investing in CPS3 for certain potential investors who are Australian residents for tax purposes is set out in the Australian taxation summary in Section 7. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor.

Accordingly, potential investors should seek independent advice concerning their own individual tax position.

If a change is made in Australian tax law, or an administrative pronouncement or ruling, and that change leads to a more than insubstantial risk that there would be a more than insignificant increase in Suncorp's costs in relation to CPS3 being on issue or that any Dividend would not be frankable, Suncorp is entitled to Exchange all or some CPS3 (subject to APRA's prior written approval where required)—see Section 2.3.3.

If the corporate tax rate was to change, the cash amount of Dividends and the amount of any franking credit would change.

5.1.21 Accounting standards

New or amendments to accounting standards issued by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of Suncorp in future financial periods. This may adversely affect the ability of Suncorp to pay Dividends.

5.1.22 Shareholding limits

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by people (together with their associates) of general insurer holding companies, such as Suncorp, to a 15% stake. A shareholder may apply to the Australian Treasurer to extend their ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 15% is in the national interest.

Mergers, acquisitions and divestments of Australian public companies listed on ASX (such as Suncorp) are regulated by detailed and comprehensive legislation and the rules and regulations of ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian listed companies by foreign interests are subject to review and approval by the Treasurer. In addition, Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

5. Investment risks (continued)

Holders should take care to ensure that by acquiring any CPS3 (taking into account any Ordinary Shares into which they may Convert), Holders do not breach any applicable restrictions on ownership.

5.1.23 Amendment of CPS3 Terms

Suncorp may, with APRA's prior written approval where required, amend the CPS3 Terms without the approval of Holders. These include necessary or desirable amendments to dates and time periods to facilitate any Mandatory Conversion, Non-Viability Conversion or Exchange or any change which Suncorp considers not likely to be materially prejudicial to the interests of Holders as a whole. Suncorp may also, with APRA's prior written approval where required, amend the CPS3 Terms if the amendment has been approved by a Special Resolution of Holders. Amendments under these powers are binding on all Holders despite the fact that a Holder may not agree with the amendment.

APRA's prior written approval to amend the CPS3 Terms is required only where the amendment may affect the eligibility of CPS3 as a Relevant Preference Security.

5.1.24 Holders may be subject to FATCA withholding and information reporting

It is possible that, in order to comply with FATCA, Suncorp (or if CPS3 are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the US Internal Revenue Service (IRS) or under applicable law) to request certain information from Holders or beneficial owners of CPS3, which information may be provided to the IRS, and to withhold US tax on some portion of payments made after 31 December 2016 with respect to CPS3 if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS (and are not otherwise required to comply with the FATCA regime under applicable laws or are otherwise exempt from complying with the requirement to enter into a FATCA agreement with the IRS). If Suncorp or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of CPS3, Holders and beneficial owners of CPS3 will not be entitled to receive any gross up or additional amounts to compensate them for such withholding. This description is based on guidance issued to date by the IRS, including recently issued proposed regulations. Future guidance may affect the application of FATCA to CPS3.

5.2 Risks associated with Suncorp and the Suncorp Group

Set out below are investment risks associated with Suncorp and the Suncorp Group. These are relevant to an investment in CPS3 as the value of your investment will depend on the financial performance and position of Suncorp and Suncorp Group.

5.2.1 Regulatory and compliance risk

Suncorp Group is subject to extensive laws and regulations in the jurisdictions in which it operates, including Australia and New Zealand and is licensed to operate in the various countries, states and territories in which it operates. Suncorp Group is also supervised by a number of different regulatory authorities which have broad administrative powers over its businesses. In Australia and New Zealand, the relevant regulatory authorities include APRA, RBA, RBNZ, ASIC, ASX, ACCC and AUSTRAC. In particular, Suncorp Group is subject to prudential supervision by APRA and is required, amongst other things, to meet capital requirements prescribed by APRA.

Suncorp Group is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice in the jurisdictions in which it operates, as well as meeting Suncorp Group's ethical standards.

If Suncorp Group fails to comply with applicable laws and regulations, it may be subject to fines, penalties, restrictions on its ability to do business, or loss of licence to conduct business. An example of the broad administrative power available to regulatory authorities is the power available to APRA in certain circumstances to investigate Suncorp Group's affairs and/or issue a direction to it (such as a direction to comply with a prudential requirement, to conduct an audit, to remove a director, executive officer or employee or not to undertake transactions). Any such fines, penalties, restrictions or loss of licence could adversely affect Suncorp Group's businesses, financial performance, financial condition and prospects.

Regulation is becoming increasingly more extensive and complex. As with other financial services providers, Suncorp Group continues to face increased supervision and regulation in the jurisdictions in which it operates, particularly in the areas of funding, liquidity, capital adequacy and prudential regulation. For example:

- The Australian Federal Government has announced a "root and branch" inquiry into Australia's financial system. The inquiry's terms of reference are intended to enable the inquiry to determine how Australia's financial system can be best positioned to meet Australia's evolving needs and support Australia's economic growth. The inquiry is scheduled to deliver its final report with recommendations to the Federal Government by November 2014.
- The Australian Federal Government has also announced a review of Australia's competition laws and policy by a review panel. The review panel will examine Australia's current competition laws (e.g. the *Australian Competition and Consumer Act 2010*) and the broader competition framework with the intention of increasing productivity in the markets, driving benefits to ease cost of living pressures and raising living standards for all Australians. The review panel is scheduled to report to the Federal Government in the next 12 months.

- The Australian Prudential Regulation Authority (APRA) is in the process of finalising its Conglomerates Proposal for the supervision of conglomerate groups (Level 3 framework), which includes the Suncorp Group. Suncorp expects that the Level 3 framework will take effect on 1 January 2015.
- Other State and Federal government inquiries are either underway or proposed related to the insurance industry, for example relating to the motor repair industry in New South Wales.
- Reforms to Australia's privacy and credit reporting laws have commenced in March 2014.
- The Australian Securities Exchange (ASX) Corporate Governance Council is proposing changes to the ASX Corporate Governance Council Principles and Recommendations that may increase disclosure requirements for listed companies if implemented. It is expected that the changes will start from 1 July 2014.
- The prudential framework applicable to Australian banks in relation to the implementation of the Basel III capital reforms commenced progressively from 1 January 2013. The Basel III reforms incorporate higher capital requirements and include additional capital buffers. APRA has indicated it proposes to implement the Basel III liquidity reforms in respect of: (a) the liquidity coverage ratio to address an acute stress scenario from 1 January 2015 and (b) the net stable funding ratio to encourage longer term funding resilience from 1 January 2018.
- The Basel Committee on Banking Supervision and APRA continue to consult on, refine and finalise various aspects of the Basel III reforms.
- The Payment Systems Board of the Reserve Bank of Australia is working with industry on a set of strategic objectives which includes a fast real time payment system that would allow businesses and consumers to make payments with close to immediate funds availability to the recipient on a 24/7 basis and give customers the ability to make payments in a simple manner by addressing a payment to a mobile phone number or email address rather than having to use a six digit BSB and up to nine digit account number. The intention is to have most of the objectives implemented by the end of 2016.
- The Stronger Super reforms continue to be implemented. These reforms will significantly impact superannuation in Australia with key proposals including the replacement of existing default funds by a new low cost, simple superannuation product called MySuper, and SuperStream reforms that are intended to streamline the 'back office' operations of superannuation funds.
- The Federal Government has announced it intends to change some of the Future of Financial Advice reforms known as the FOFA reforms that were, or were in the process of being, implemented by the previous Federal Government. Proposed changes include removing general advice from the ban on conflicted remuneration, removing the opt in requirement, improvements to the best interests duty safe harbour and excluding life insurance through superannuation from the ban on conflicted remuneration other than automatic default cover.
- In New Zealand, the Financial Markets Conduct Act has been passed by the New Zealand Parliament. The main aim of this Act is to reform the regulation of financial market conduct 'to promote confident and informed participation in New Zealand's financial markets'. The Act represents significant new legislation and will replace the *New Zealand Securities Act 1978*, *Securities Markets Act 1988*, *Unit Trusts Act 1960* and will amend or replace a number of other Acts. It is expected to come into force in two phases. The first phase which includes the general fair dealing obligations and changes to employee share schemes will come into effect on 1 April 2014. The second phase which includes the new disclosure requirements, registers of managed investment schemes, offers of financial products and licensing obligations and requirements will come into effect on 1 December 2014.

There are a number of other areas of potential regulatory change that could impact Suncorp Group including changes to accounting and reporting requirements, tax legislation, regulation relating to remuneration, privacy, consumer protection and competition legislation and bribery and anti-money laundering laws. In addition, further changes may occur driven by policy, prudential or political factors.

Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. Such an approach may not appropriately respond to the specific requirements of the jurisdictions in which Suncorp Group operates and, in addition, such changes may be inconsistently introduced across jurisdictions.

Changes may also occur in the oversight approach of regulators. It is possible that governments in jurisdictions in which Suncorp Group conducts business or obtains funding might revise their application of existing regulatory policies that apply to, or impact, Suncorp's business, including for reasons relating to national interest and/or systemic stability.

The nature, timing and impact of future regulatory changes are not predictable and are beyond Suncorp Group's control. Regulatory compliance and the management of regulatory change is an increasingly important part of Suncorp Group's strategic planning. Regulatory change may also impact Suncorp Group's operations by requiring it to have increased levels of liquidity and higher levels, and better quality, of capital as well as place restrictions on the businesses Suncorp Group conducts or require Suncorp Group to alter its product and service offerings. If regulatory change has any such effect, it could adversely affect one or more of Suncorp Group's businesses, restrict its flexibility, require it to incur substantial costs and impact the profitability of one or more of Suncorp Group's business lines. Any such costs or restrictions could adversely affect Suncorp Group's businesses, financial performance, financial condition and prospects.

5. Investment risks (continued)

5.2.2 Dependence on the Australian and New Zealand economies

As Suncorp Group currently conducts the majority of its business in Australia and New Zealand, its performance is influenced by the level and cyclical nature of business activity in Australia and New Zealand, which is, in turn, impacted by both domestic and international economic and political events. There can be no assurance that a weakening in the Australian and/or New Zealand economies, and/or that a weakening in the economic and business conditions of other countries, will not have an adverse effect on Suncorp Group's financial condition and on the results of its operations.

Adverse changes to the economic and business conditions in Australia, New Zealand and of other economies such as China, India, Japan, members of the European Union and the United States, could also negatively impact the Australian and New Zealand economies, Suncorp Group's customers and Suncorp Group's investments. This could result in reduced demand for Suncorp Group's products and services and/or impact Suncorp Group's investment returns, which could affect Suncorp Group's businesses, financial performance, financial condition and prospects.

5.2.3 Risk of a major systemic shock to the Australian, New Zealand or other financial systems

There is a risk that a major systemic shock, similar to that experienced during the global financial crisis and in Europe in more recent years, could occur that causes an adverse impact on the Australian and New Zealand financial systems.

As outlined above, the financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility and uncertainty as to the outlook for global economic conditions. Any such market and economic disruptions could have an adverse effect on financial institutions such as the Suncorp Group because consumer and business confidence may decrease, unemployment may rise and demand for the products and services Suncorp Group provides may decline, thereby reducing Suncorp Group's earnings. These conditions may also affect the ability of its borrowers to repay their loans, or Suncorp Group's counterparties to meet their obligations, causing it to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity and impairing Suncorp Group's access to funding and impairing its customers and counterparties and their businesses.

The nature and consequences of any such event are difficult to predict and there can be no guarantee that Suncorp Group could respond effectively to any such event. If Suncorp Group were not to respond effectively, Suncorp Group's businesses, financial performance, financial condition and prospects could be adversely affected.

5.2.4 Competitive environment

The financial services industry is highly competitive and, as a result, Suncorp Group faces intense competition in all aspects of its business. Suncorp Group's banking business competes, both domestically and internationally, with retail and commercial banks, while Suncorp Group's General Insurance and Life businesses compete with other insurance firms. This includes specialist competitors, such as aggregators and comparison websites, which may not be subject to the same capital and regulatory requirements and therefore may be able to operate at lower cost.

If Suncorp Group is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also divert business to Suncorp Group's competitors or create pressure to lower margins.

Suncorp Group is also dependent on its ability to offer products and services that match evolving customer preferences, habits and sentiment. If Suncorp Group is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences, habits and sentiment, Suncorp Group may lose customers to its competitors. This could adversely affect Suncorp Group's businesses, financial performance, financial condition and prospects. For example, the life insurance industry continues to face a number of structural challenges, particularly in adviser remuneration, product design and evolving customer needs. As a result of weaker economic conditions and cautious consumer sentiment, adverse lapse and claims experience has impacted the industry as a whole. This has been felt in terms of both short term performance as well as in longer term assumptions which underpin the economic outlook for the industry. The rapid pace of change and high degree of economic and industry uncertainty also make the setting of key assumptions extremely challenging.

The level of competition continues to increase as the trend toward consolidation in the global financial services industry is creating competitors with a broader range of products and services, increased access to capital, and greater efficiency and enhanced pricing power. As a result, Suncorp Group could lose market share or be forced to reduce prices in order to compete effectively, particularly if industry participants engage in aggressive growth strategies or severe price discounting.

5.2.5 Reputational damage

Suncorp Group's ability to attract and retain customers and investors and its prospects could be adversely affected if Suncorp Group's reputation is damaged.

There are various potential sources of reputational damage including potential conflicts of interest, pricing policies, failing to comply with legal and regulatory requirements (including without limitation, money laundering laws, trade sanctions legislation or privacy laws), ethical issues, litigation, failing to comply with information security policies, improper sales and trading practices, or personnel and supplier policies, improper conduct of companies in which it holds strategic investments, technology failures, security breaches and risk management failures. Suncorp Group's reputation could also be adversely affected by the actions of the financial services and allied industries in general or from the actions of its customers and counterparties.

Failure to appropriately address issues that could or do give rise to reputational damage could also give rise to additional legal risks, subject Suncorp Group to regulatory enforcement actions, fines and penalties and could lead to loss of business which could adversely affect Suncorp Group's financial performance, financial condition and prospects.

5.2.6 Catastrophes

Through its General Insurance businesses, Suncorp Group deals with claims arising from catastrophic events predominantly in the Australia and New Zealand regions including, but not limited to, cyclones, earthquakes, wind, hail, fires, floods, volcanic activity and bushfires, in addition to man-made disasters. Suncorp Group also provides limited cover in other geographies and considers these to be immaterial. It is not possible to predict the timing or severity of catastrophes. While Suncorp Group manages its exposure to catastrophes through the purchase of catastrophe reinsurance based on a set of model assumptions, Suncorp Group cannot be assured that such coverage will be adequate or will continue to be available at acceptable levels or at all and, if that reinsurance is inadequate, that could adversely affect Suncorp Group's businesses, financial performance, financial condition and prospects.

5.2.7 Reinsurance

Suncorp Group enters into a number of reinsurance arrangements. These arrangements allow Suncorp Group to limit its risk from particular lines of business or from specific events and to increase its capacity to write new policies. Under these arrangements, other insurers and reinsurers assume a portion of Suncorp Group's exposure to reported and unreported losses in exchange for a premium. The availability, amount and cost of reinsurance capacity depend on prevailing market conditions, and may vary significantly.

From time to time, market conditions may limit, and in some cases prevent, insurers from obtaining the types and amounts of reinsurance that they consider adequate for their business needs. Accordingly, Suncorp Group may not be able to obtain desired amounts of reinsurance at prices acceptable to it or at all. In addition, even if Suncorp Group is able to obtain such reinsurance, it may not be able to negotiate terms that it deems appropriate or acceptable or obtain such reinsurance from entities with satisfactory creditworthiness.

There are risks associated with the determination of proper levels of reinsurance protection, the cost of such reinsurance and the financial security of reinsurers. Whilst modelling is utilised to assist with determining adequate coverage there can be no assurance that Suncorp Group's current reinsurance coverage is adequate, that it matches the underlying risks assumed or that increases in reinsurance costs will be able to be fully recovered through increased premium rates.

Suncorp Group is also exposed to the risk that its reinsurers default on their obligation to pay valid claims. In addition, Suncorp Group may take a considerable period to collect on reinsurance receivables, and reinsurers may dispute its claims, even if valid. Despite reinsurance, Suncorp Group is primarily liable to policyholders, and so a failure by a reinsurer to make payment, for whatever reason, could adversely affect Suncorp Group's businesses, financial performance, financial condition and prospects.

5.2.8 Estimation of claims provisions

Suncorp Group's provisions for insurance liabilities may prove to be inadequate to cover its ultimate liability under policies written by its insurance subsidiaries. Within its General Insurance business, Suncorp Group maintains provisions for outstanding claims and unearned premiums to cover the estimated ultimate liability for claims including claims handling expenses, and within its Life business provisions for future policy benefits and maintenance expenses. Although Suncorp Group seeks to maintain outstanding claims provisions in its General Insurance subsidiaries at a probability of adequacy of approximately 90%, the estimation of claims provisions does not represent an exact calculation of liability, but rather a best estimate. These estimates are based on actuarial and statistical methodologies made on the basis of facts and circumstances known at a given time and estimates of trends into the future. Actual future events and conditions may result in the current estimates of claims costs being inadequate. Moreover, additional costs of claims, including claims inflation and costs arising from changes in the legal environment, the type or magnitude of which management cannot foresee, may emerge in the future. Insufficient provisions for insurance liabilities could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources and financial condition.

5.2.9 Credit risk associated with Suncorp Group's lending activities

Credit risk is a significant risk and arises primarily from Suncorp Group's lending, reinsurance and investment activities. The risk arises from the likelihood that some customers and counterparties will be unable to honour their obligations to Suncorp Group, including the repayment of loans and interest.

Credit risk also arises from certain derivative contracts Suncorp Group enters into and from its dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments and government bodies the financial conditions of which may be impacted to varying degrees by economic conditions in global financial markets.

Suncorp Group's banking operations hold collective and individually assessed provisions for its credit exposures. If economic conditions deteriorate, some customers and/or counterparties could experience higher levels of financial stress and Suncorp Group may experience a significant increase in defaults and write offs, and be required to increase its provisioning.

As at 31 December 2013, Suncorp Group held specific provisions to cover bad and doubtful debts. Deterioration in economic conditions, inadequate provisioning or a significant breakdown in credit disciplines, could diminish available capital and could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources and financial condition.

5. Investment risks (continued)

5.2.10 Declines in asset markets

Suncorp Group's performance is influenced by asset markets in Australia, New Zealand and other jurisdictions, including equity, property and other investment asset markets.

Declining asset prices could also impact customers and counterparties and the value of security Suncorp Group holds against loans and derivatives which may impact Suncorp Group's ability to recover amounts owing to it if customers or counterparties were to default.

In particular, the residential, commercial and rural property lending sectors are important to the businesses of Suncorp Group. Overall, the property market has been variable and in some locations there have been substantially reduced asset values. Declining property valuations in Australia or other markets where it does business could decrease the amount of new lending Suncorp Group is able to write and/or increase the losses that Suncorp Group may experience from existing loans.

For example, a significant decrease in Australian housing market demand or property valuations, or a significant slowdown in housing, commercial or strata title property markets could adversely impact Suncorp Group's home lending activities because the ability of its borrowers to repay their loans may be affected, causing Suncorp Group to incur higher credit losses, or the demand for its home lending products may decline, and this could adversely affect Suncorp Group's businesses, financial performance, capital resources, financial condition and prospects.

5.2.11 Funding and liquidity risk

Banks and other financial institutions (including the Suncorp Group) are currently subject to global credit and capital market conditions which experienced extreme volatility, disruption and decreased liquidity following the global financial crisis.

If market conditions deteriorate due to economic, financial, political or other reasons, Suncorp Group's funding costs may be adversely affected and its liquidity and its funding of lending activities may be constrained.

If Suncorp Group's current sources of funding prove to be insufficient, it may be forced to seek alternative funding. The availability of such alternative funding, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, Suncorp Group's credit ratings and credit market capacity. Even if available, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect Suncorp Group's businesses, liquidity, capital resources, financial performance and financial condition. There is no assurance that Suncorp Group will be able to obtain adequate funding at acceptable prices or at all.

5.2.12 Credit ratings

Credit ratings are opinions on Suncorp Group's creditworthiness. Suncorp Group's credit ratings affect the cost and availability of its funding from capital markets and other funding sources and they may be important to customers or counterparties when evaluating its products and services. Therefore, maintaining high quality credit ratings is important.

The credit ratings assigned to Suncorp Group and its subsidiaries by rating agencies are based on an evaluation of a number of factors, including financial strength, support from members of the Suncorp Group and structural considerations regarding the Australian financial system. A credit rating downgrade could be driven by the occurrence of one or more of the other events identified as risks in this Section or by other events including changes to the methodologies used by the rating agencies to determine ratings.

If Suncorp, or any member of the Suncorp Group, fails to maintain its current credit ratings, this could adversely affect Suncorp Group's cost of funds and related margins, competitive position and its access to capital and funding markets, which, in turn, could adversely affect Suncorp Group's businesses, financial performance, capital resources, financial condition and prospects. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether the ratings of Suncorp, or any member of the Suncorp Group, differ among agencies (split ratings) and whether any ratings changes also impact Suncorp Group's peers or the general insurance, banking or life insurance sectors.

5.2.13 Market risk

Suncorp Group is exposed to market risk as a consequence of both its investments and trading activities in financial markets and through the asset and liability management of its balance sheet. In Suncorp Group's financial markets trading business, it is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and credit prices. In Suncorp Group's asset and liability management of its balance sheet, it is exposed to losses arising from adverse movements in levels and volatility of interest rates. If Suncorp Group was to suffer substantial losses due to any market volatility, it could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources and financial condition.

5.2.14 Investment performance

Suncorp Group has a significant investment portfolio supporting liabilities arising from its General Insurance and Life businesses.

Suncorp Group's investment portfolio consists of:

- shareholder assets backing insurance liabilities e.g. General Insurance technical funds which support outstanding claims and unearned premiums and investment portfolios backing risk and annuity products for the Life business;
- other shareholder assets e.g. the General Insurance and Life shareholder funds;
- assets backing participating policies for the Life business; and
- assets backing unit-linked policies for the Life business.

The investment portfolio is managed in accordance with Suncorp Group's risk appetite, investment policy and investment approach. Suncorp Group's investment approach for other shareholder assets is to invest in a range of assets including international and Australian equities, cash and fixed income portfolios. Suncorp Group's investment approach for shareholder assets backing insurance liabilities is to mostly invest in high quality fixed income portfolios. Suncorp Group through its investment portfolios is exposed to risk and volatility in the markets, securities and other assets in which it invests. Those risks include, but are not limited to:

- asset/liability risk, i.e. the risk that the value of an investment portfolio will decrease relative to the value of the liabilities, as a result of fluctuation in investment factors including share prices, interest rates, credit spreads, counterparty default, exchange rates or commodity prices; and
- liquidity risk, including that assets cannot be sold without a significant impairment in value.

Such risks can be heightened during periods of high volatility, market disruption and periods of sustained low interest rates, such as those that occurred during the global financial crisis and could adversely affect Suncorp Group's businesses, financial performance, capital resources and financial condition.

Irrespective of the above portfolio mix and approach, Suncorp Group's investment approach might be subject to changes going forward resulting in Suncorp Group investing in different assets in the future.

5.2.15 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As a financial services organisation Suncorp Group is exposed to a variety of operational risks such as fraud and other dishonest activities, management practices, workplace safety, project and change management, compliance, business continuity and crisis management, key person risk, information and systems integrity as well as reliance on suppliers and outsourcing.

Suncorp Group relies to a significant degree on information technology systems. Most of Suncorp Group's daily operations are computer based and its information technology systems are essential to maintaining effective communication with customers and keeping pace with the competitive environment. Suncorp Group is exposed to a number of system risks, including:

- complete or partial failure of the information technology systems;
- inadequacy of internal, partner or third party information technology systems;
- capacity of the existing systems to effectively accommodate Suncorp Group's planned growth and integrate existing and future acquisitions and alliances;
- systems integration programs not being completed within the timetable or budget; and
- compromise of information or technology arising from external or internal security threats.

Suncorp Group has disaster recovery and systems development roadmaps in place to mitigate some of these risks. However, any failure in Suncorp Group's information technology systems could result in business interruption, the loss of customers, damaged reputation and weakening of its competitive position.

Operational risks, including information technology, could impact on Suncorp Group's operations or adversely affect demand for its products and services and its reputation, which could adversely affect Suncorp Group's businesses, financial performance and prospects.

5.2.16 Accounting policies

The accounting policies and methods that Suncorp Group applies are fundamental to how it records and reports its financial position and the results of its operations. Management must exercise judgement in selecting and applying many of these accounting policies and methods so that they not only comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of financial position and results of operations.

In some cases, management must select an accounting policy or method from two or more alternatives, any of which might comply with generally accepted accounting principles and be reasonable under the circumstances, yet might result in reporting materially different outcomes than would have been reported under another alternative.

5.2.17 Structural subordination

Suncorp is a holding company which owns or holds interests in a group of general insurance, banking and life insurance companies in Australia and New Zealand. In the event that a Suncorp subsidiary is wound up, the claims of Suncorp in respect of the subsidiary would be limited to the net assets (if any) of that subsidiary after all liabilities, including to policyholders and deposit holders, have been discharged or provided for.

In addition, Suncorp is reliant on the continued receipt of dividends or other funding from its subsidiaries to make payments on its securities. The ability of Suncorp's subsidiaries to pay dividends or to otherwise make funds available to Suncorp may in certain circumstances be subject to regulatory, contractual or legal restrictions.

5.2.18 Mergers, acquisitions and divestments

Suncorp Group may engage in merger, acquisition or divestment activity which facilitates Suncorp Group's strategic direction. This activity may involve entering new markets or expanding the Group's current product suite. Whilst Suncorp Group recognises that benefits may arise from merger, acquisition or divestment activities, significant risks exist in both the execution and implementation of such activities.

It is likely that Suncorp Group would raise additional debt or raise equity to finance any major merger or acquisition and this would cause Suncorp Group to face the financial risks and costs associated with additional debt or equity.

5. Investment risks (continued)

Mergers or acquisitions may require assimilation of new operations, new personnel and may cause dissipation of Suncorp Group's management resources. Changes in ownership and management may result in impairment of relationships with employees and customers of the acquired businesses. Depending on the type of transaction, it could take a substantial period of time for Suncorp Group to realise the financial benefits of the transaction, if any. During the period immediately following this type of transaction, Suncorp Group's operating results may be adversely affected.

As a target in any future merger or acquisition activity the issues identified above may also be relevant. For a discussion of the consequences of an Acquisition Event under the CPS3 Terms—see Section 5.1.10.

Where Suncorp Group decides to divest a business or asset, this may involve a loss against book value, particularly of any goodwill or other intangibles.

Suncorp Group's failure to adequately manage the risks associated with any mergers, acquisitions or divestments could adversely affect Suncorp Group's businesses, financial performance, financial condition and prospects.

5.2.19 Litigation and regulatory proceedings

Suncorp and Suncorp Group, like all entities in the banking, insurance or finance sectors, are exposed to the risk of litigation and/or regulatory proceedings brought by or on behalf of policyholders, deposit holders, reinsurers, government agencies or other potential claimants. For example, there is currently a class action underway against Australia and New Zealand Banking Group Limited relating to bank exception fees. Whilst Suncorp Bank was put on notice of a possible class action in relation to exception fees in July 2010, to date no action has been commenced. Based on information currently available, it is not anticipated that any future class action would have a material impact on Suncorp Bank. While there are no other material legal proceedings that are current or known to be threatened against Suncorp Group, there can be no assurance that significant litigation will not arise in the future and that the outcome of legal proceedings from time to time will not have an adverse effect on Suncorp Group's businesses, financial performance, financial condition or prospects.

In addition, Suncorp Group, in the ordinary course of business, is regularly involved in legal proceedings relating to insurance policies underwritten by entities within Suncorp Group or arising from its operations generally.

5.2.20 Environmental risk

Suncorp Group and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change or external event (including fire, storm, drought, flood, earthquake or pandemic) in any of these locations has the potential to disrupt business activities, impact on Suncorp Group's operations, damage property and otherwise affect the value of assets held in the affected locations and Suncorp Group's ability to recover amounts owing to it. For example, parts of Australia have recently been subject to severe drought conditions. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets, which could adversely affect Suncorp Group's businesses, financial performance, capital resources, financial condition and prospects.

5.2.21 Failure of risk management strategies

Suncorp Group has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and mitigate the risks to which it is subject, including liquidity risk, credit risk, market risk (including interest rate and foreign exchange risk) and operational risk.

However, there are inherent limitations with any risk management framework as there may exist, or develop in the future, risks that Suncorp Group has not anticipated or identified or controls that may not operate effectively.

If any of Suncorp Group's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, Suncorp Group could suffer unexpected losses and reputational damage which could adversely affect Suncorp Group's businesses, financial performance, capital resources, financial condition and prospects.



This Section provides information about the Offer, including how to apply. The key dates in relation to the Offer are outlined on page 6.

About the Offer

6. About the Offer

6.1 The Offer

The Offer is for the issue of CPS3 with an Issue Price of \$100 per CPS3 to raise approximately \$250 million with the ability to raise more or less.

All CPS3 issued will be allotted under and subject to the disclosure in this Prospectus.

6.2 Structure of the Offer

The Offer comprises:

- an Institutional Offer made to certain Institutional Investors;
- a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers; and
- a Securityholder Offer made to Eligible Securityholders.

6.3 Obtaining a Prospectus and Application Form

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available to eligible investors at www.suncorpgroup.com.au/cps3. Application Forms will not be made available until after the Exposure Period.

During the Offer Period, an electronic version of this Prospectus with an Application Form will be available through the Suncorp Group's website (www.suncorpgroup.com.au/cps3) and may be available through your Syndicate Broker. You can also request a free paper copy of this Prospectus and an Application Form by calling the CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday—8:00am to 7:30pm (Sydney time) or by registering online to receive a Prospectus at www.suncorpgroup.com.au/cps3.

Eligible Securityholders will also have access to download an electronic version of this Prospectus and a personalised Application Form through www.suncorpgroup.com.au/cps3.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applications will only be considered where Applicants have applied pursuant to an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of this Prospectus, and have provided an Application Payment (where required).

6.3.1 Electronic access to this Prospectus

The following conditions apply if this Prospectus is accessed electronically:

- you must download the entire Prospectus;
- your Application will only be considered where you have applied pursuant to an Application Form (either electronic or paper) that was attached to or accompanied by a copy of the Prospectus; and
- the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia, or if you are an Eligible Securityholder.

6.4 Applying for CPS3

6.4.1 Minimum application

For the Institutional Offer, Broker Firm Offer and Securityholder Offer, Applications must be for a minimum of 50 CPS3 (\$5,000) and after that in multiples of 10 CPS3 (\$1,000).

6.4.2 Applying under the Institutional Offer

The Institutional Offer is available to Institutional Investors (provided that such investors may not be in the United States) who are invited by the Joint Lead Managers to bid for CPS3 in the Bookbuild to be conducted on 7 April 2014.

Application and settlement procedures for Institutional Investors will be advised by the Joint Lead Managers.

6.4.3 Applying under the Broker Firm Offer

The Broker Firm Offer is available to Australian resident retail or high net worth clients of Syndicate Brokers invited to participate through the Broker Firm Offer.

If you are applying under the Broker Firm Offer, you should contact your Syndicate Broker for information about how and when to lodge your Application and accompanying Application Payment.

Generally, you will lodge your Application with your Syndicate Broker.

6.4.4 Applying under the Securityholder Offer

The Securityholder Offer is available to Eligible Securityholders. To be an Eligible Securityholder, you must:

- be a registered holder of Ordinary Shares, Floating Rate Capital Notes, CPS2 or Subordinated Notes (as applicable) at 7:00pm (Sydney time) on 24 March 2014;
- be shown on the applicable register as having an address in Australia; and
- not be in the United States or acting as a nominee for a person in the United States.

If you wish to apply for CPS3 we encourage you to apply as soon as possible after the Opening Date as the Offer may close early.

If you are an Eligible Securityholder, you may apply for CPS3 under the Securityholder Offer by either:

- applying online at www.suncorpgroup.com.au/cps3, providing your SRN and HIN, and following the instructions in relation to your Application Payment. When applying online, you will be required to pay for CPS3 using BPAY® (you will not be required to submit a personalised Application Form if applying online); or
- completing the personalised paper Application Form attached to, or accompanying, this Prospectus, or downloaded from www.suncorpgroup.com.au/cps3, providing your SRN or HIN and lodging your personalised paper Application Form and accompanying Application Payment (made by cheque or money order) with the Registry; or
- having received the personalised paper Application Form, paying for CPS3 using BPAY®.

Your BPAY® payment or completed personalised paper Application Form and Application Payment must be received by the Registry by the Closing Date and time. The Closing Date for the Securityholder Offer is expected to be 5.00pm (Sydney time) on 30 April 2014.

If you did not receive a personalised paper Application Form or would like a replacement personalised paper Application Form, you can either download your personalised Application Form from www.suncorp.com.au/cps3 or call the CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday —8:00am to 7:30pm (Sydney time).

6.5 Completing and lodging your Application

6.5.1 Delivering Application Forms

If you are a Securityholder Applicant and you are paying by cheque and/or money order you should return your completed personalised paper Application Form and Application Payment to one of the addresses below so that they are received by the Registry before the Closing Date and time, which is expected to be 5:00pm (Sydney time) on 30 April 2014.

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you an allocation for information about how and when to lodge your Application. Generally, you will lodge your Application with your Syndicate Broker.

Securityholder Applicants

Suncorp CPS3 Offer
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

or

Suncorp CPS3 Offer
C/- Link Market Services Limited
Locked Bag 3415
Brisbane QLD 4001

or

Suncorp CPS3 Offer
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

Please note that personalised paper Application Forms and Application Payments will not be accepted at any other address or office and will not be accepted at Suncorp's registered office or any other Suncorp office or at other offices or branches of the Registry.

If you are applying online or paying by BPAY® no personalised paper Application Form is required to be sent to the Registry.

6.5.2 How to pay BPAY®

If you are a Securityholder Applicant and apply online, you must complete your Application by making a BPAY® payment. If you are a Securityholder Applicant and have received the personalised paper Application Form, you can also pay for CPS3 using BPAY®.

Using the BPAY® details provided, you need to:

- access your participating BPAY® financial institution either through telephone banking or internet banking;
- select BPAY® and follow the prompts;
- enter the biller code supplied;
- enter the unique Customer Reference Number supplied for each Application;
- enter the total amount to be paid which corresponds to the number of CPS3 you wish to apply for under each Application (i.e. a minimum of \$5,000 (50 CPS3) and incremental multiples of \$1,000 (10 CPS3) after that). Note that your financial institution may apply limits on your use of BPAY®. You should enquire about the limits that apply in your own personal situation;
- select the account you wish your payment to be made from;
- schedule your payment for the same day that you complete your online Application since Applications without payment cannot be accepted; and
- record your BPAY® receipt number and date paid. Retain these details for your records.

BPAY® payments must be made from an Australian dollar account of an Australian financial institution. You will need to check with your financial institution in relation to their BPAY® closing times to ensure that your Application Payment will be received prior to the Closing Date and time. If you do not make an Application Payment, your Application will be incomplete and will not be accepted by Suncorp.

If you are a Securityholder Applicant and you complete your Application by making a BPAY® payment (if required), you do not need to complete or return the personalised paper Application Form. Simply use the biller code and customer reference number provided on your personalised paper Application Form and follow the BPAY® instructions. By completing a BPAY® payment, you acknowledge you are applying pursuant to the personalised Application Form.

Cheque and/or money order

If you are a Securityholder Applicant and you do not wish to pay by BPAY®, Application Payments (if required) must be paid by cheque and/or money order in Australian dollars drawn on an Australian branch of a financial institution. It should be made payable to 'Suncorp CPS3 Offer Account' and be crossed 'Not Negotiable'.

Your completed Application Form and Application Payment (if required) must be received by the Registry by the Closing Date and time.

6. About the Offer (continued)

6.5.3 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable on your Application. You may have to pay brokerage, but will not have to pay any stamp duty, on any later sale of your CPS3 on ASX after CPS3 have been quoted on ASX.

6.5.4 Application Payments held on trust

All Application Payments received before CPS3 are issued will be held by Suncorp on trust in an account established solely for the purposes of depositing Application Payments received. After CPS3 are issued to successful Applicants, the Application Payments held on trust will be payable to Suncorp.

6.5.5 Refunds

Applicants who are not allotted any CPS3, or are allotted fewer CPS3 than the number applied and paid for as a result of a scale back, will have all or some of their Application Payments (as applicable) refunded (without interest) as soon as practicable after the Issue Date.

In the event that the Offer does not proceed for any reason, all Applicants will have their Application Payments refunded (without interest) as soon as practicable.

Any amount of \$5 or less in aggregate will not be refunded to an Applicant, but instead paid to Suncorp Brighter Futures, a community giving program developed by Suncorp, within a reasonable time after the Offer Period. More information on Suncorp Brighter Futures is available at www.suncorpgroupbrighterfutures.com.au.

6.6 Bookbuild and allocation policy

6.6.1 Bookbuild

The Bookbuild is a process that will be conducted by the Joint Lead Managers before the Opening Date to determine the Margin and firm allocations of CPS3 to Bookbuild participants (being Syndicate Brokers and certain Institutional Investors), by agreement with Suncorp. In this process, the Bookbuild participants are invited to lodge bids for a number of CPS3. On the basis of those bids, the Joint Lead Managers and Suncorp will, by mutual agreement, determine the Margin and the firm allocations to Syndicate Brokers and to certain Institutional Investors.

Suncorp may increase the size of the Offer following the close of the Bookbuild.

6.6.2 What is the allocation policy?

Institutional Offer	<ul style="list-style-type: none">• Allocations to Institutional Investors will be agreed by the Joint Lead Managers and Suncorp following completion of the Bookbuild.
Broker Firm Offer	<ul style="list-style-type: none">• Allocations to Syndicate Brokers will be agreed by the Joint Lead Managers and Suncorp following completion of the Bookbuild.• Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.
Securityholder Offer	<ul style="list-style-type: none">• Allocations for the Securityholder Offer will be determined by Suncorp in consultation with the Joint Lead Managers after the Closing Date.• Suncorp (at its discretion and in consultation with the Joint Lead Managers) reserves the right to scale back Applications from Securityholder Applicants overall. Any scale back will be announced on ASX on the Issue Date—expected to be 8 May 2014.• Suncorp (at its discretion and in consultation with the Joint Lead Managers) and the Joint Lead Managers reserve the right to:<ul style="list-style-type: none">– allocate to any Securityholder Applicant all CPS3 for which they have applied;– reject any Application by a Securityholder Applicant; or– allocate to any Securityholder Applicant a lesser number of CPS3 than that applied for, including less than the minimum Application of CPS3, or none at all.• No assurance is given that any Securityholder Applicant will receive an allocation.

6.6.3 How will the final allocation policy be announced?

Institutional Offer	<ul style="list-style-type: none">• Allocations to Institutional Investors will be advised to those investors under the Bookbuild.
Broker Firm Offer	<ul style="list-style-type: none">• Allocations to Syndicate Brokers will be advised to those brokers under the Bookbuild.• Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through the Syndicate Broker from whom they received their allocation.• However, if you sell CPS3 before receiving a Holding Statement, you do so at your own risk, even if you confirmed your firm allocation through a Syndicate Broker.
Securityholder Offer	<ul style="list-style-type: none">• Applicants in the Securityholder Offer will be able to call the CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday—8:00am to 7:30pm (Sydney time) to confirm your allocation. It is expected that this information will be advertised in <i>The Sydney Morning Herald</i>, <i>The Age</i>, <i>The Australian</i>, <i>The Australian Financial Review</i> and <i>The Courier-Mail</i> on or about 9 May 2014.• However, if you sell CPS3 before receiving a Holding Statement, you do so at your own risk, even if you obtained details of your holding by calling the CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday—8:00am to 7:30pm (Sydney time).

6.7 Other information

6.7.1 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, CPS3, the Offer or otherwise to permit a public offering of CPS3 in any jurisdiction outside Australia.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This Prospectus and the Offer do not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither CPS3 nor the Ordinary Shares have been or will be registered under the US Securities Act or the securities laws of any state of the United States, and they may not be offered or sold in the United States. CPS3 are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the US Securities Act.

Any offer, sale or resale of CPS3 in the United States by a dealer may violate the registration requirements of the US Securities Act.

Subject to Suncorp approval, CPS3 may be offered in certain permitted jurisdictions outside Australia under the Institutional Offer where such offer is made, and accepted, in accordance with the laws of such jurisdictions.

Each person submitting an Application will be deemed to have acknowledged that they are aware of the restrictions referred to in this Section 6.7.1 and to have represented and warranted that they are able to apply for and acquire CPS3 in compliance with those restrictions.

6.7.2 Application to ASX for quotation of CPS3

Suncorp will apply to ASX for CPS3 to be quoted on ASX within seven days after the date of this Prospectus. If ASX does not grant permission for CPS3 to be quoted within three months after the date of this Prospectus, CPS3 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

6.7.3 CHES and issuer sponsored holdings

Suncorp will apply for CPS3 to participate in CHES. No certificates will be issued for CPS3. Suncorp expects that Holding Statements for issuer sponsored holders and confirmations for CHES holders are expected to be despatched to successful Applicants by 13 May 2014.

6.7.4 Deferred settlement trading and selling on market

It is expected that CPS3 will begin trading on ASX on a deferred settlement basis on 9 May 2014 under ASX code "SUNPE". Trading is expected to continue on that basis until 14 May 2014, when it is anticipated that trading of CPS3 will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before Holding Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in CPS3. If you are a successful Applicant and sell your CPS3 before receiving your Holding Statement, you do so at your own risk.

You may call the CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday—8:00am to 7:30pm (Sydney time) or your Syndicate Broker, after the Issue Date to enquire about your allocation.

6. About the Offer (continued)

6.7.5 Provision of bank account details for Dividends

Suncorp's current policy is that Holders with a registered address in Australia and New Zealand will be paid Dividends by direct credit into nominated Australian or New Zealand financial institution accounts (excluding credit card accounts) and for all other Holders, payments will be made by Australian dollar cheque.

6.7.6 Provision of TFN or ABN for Australian tax residents

If you are an Applicant who has not already quoted your TFN or ABN to Suncorp and are issued any CPS3, then you may be contacted in relation to quoting your TFN, ABN or both.

The collection and quotation of TFNs and ABNs are authorised, and their use and disclosure is strictly regulated, by tax laws and the Privacy Act. It is not an offence not to quote your TFN or ABN, however not doing so may result in tax being withheld from dividend payments. Please refer to "*Pay as you go withholding tax*" in Section 7 for additional information.

Successful Applicants who do not have an address in Australia registered with the Registry, or who direct the payment of any Dividends to an address outside of Australia, may have an amount deducted for Australian withholding tax from any Dividends paid, to the extent that the Dividend is not fully franked or declared to be conduit foreign income.

6.7.7 Discretion regarding the Offer

Suncorp reserves the right not to proceed with, and may withdraw, the Offer at any time before the issue of CPS3 to successful Applicants.

If the Offer, or any part of it, does not proceed, all relevant Application Payments will be refunded (without interest).

Suncorp and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer CPS3 than applied or bid for. This is at Suncorp's discretion, and Suncorp is under no obligation to exercise that discretion in any particular case.

Investors should also note that no cooling off rights (whether by law or otherwise) apply to an Application for CPS3. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

6.8 Enquiries

6.8.1 Securityholder Applicants

You can call the CPS3 Offer Information Line on 1300 882 012 (within Australia) or +61 1300 882 012 (outside Australia) Monday to Friday—8:00am to 7:30pm (Sydney time) if you:

- have further questions on how to apply for CPS3;
- require assistance to complete your Application;
- require additional copies of this Prospectus and Application Forms; or
- have any other questions about the Offer.

If you are unclear in relation to any matter relating to the Offer or are uncertain whether CPS3 are a suitable investment for you, you should consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

6.8.2 Broker Firm Applicants

If you have further questions about the Offer or your Broker Firm Application, call your Syndicate Broker.



This Section includes a summary of the Australian tax consequences of investing in CPS3.

If you are considering applying for CPS3, it is important that you understand the taxation consequences of investing in CPS3. You should read the Australian taxation summary from Greenwoods & Freehills in this Section, and discuss the taxation consequences with your tax adviser, financial adviser or other professional adviser, before deciding whether to invest.

Australian taxation summary

7. Australian taxation summary

Greenwoods & Freehills

The Directors
Suncorp Group Limited
Level 18
36 Wickham Place
BRISBANE QLD 4000

31 March 2014

Dear Directors

Australian tax consequences of investing in Suncorp Group Limited convertible preference shares (CPS3)

We have been instructed by Suncorp Group Limited (**Suncorp**) to prepare a tax summary for inclusion in the Prospectus dated on or about 31 March 2014 in relation to the issue of CPS3.

1

Scope

This letter provides a summary of the Australian income tax, capital gains tax (**CGT**), goods and services tax (**GST**) and stamp duty consequences for Australian tax resident CPS3 Holders (**Resident Holders**) and CPS3 Holders who are not tax residents of Australia (**Non Resident Holders**) who subscribe for CPS3 and hold them on capital account for tax purposes.

Tax considerations which may arise for Resident Holders who are in the business of share trading, are dealing in securities or otherwise hold CPS3 on revenue account, or Non Resident Holders who carry on a business at or through a permanent establishment in Australia, have not been considered in this summary.

This summary is based on the Australian tax law and administrative practice in force as at the date of this letter. It is necessarily general in nature and is not intended to be definitive tax advice to Resident Holders or Non Resident Holders. Accordingly, each Resident Holder and each Non Resident Holder should seek their own tax advice that is specific to their particular circumstances.

The representatives of Greenwoods & Freehills involved in preparing this tax summary are not licensed to provide financial product advice in relation to dealing in securities. Accordingly, Greenwoods & Freehills does not seek to recommend, promote or otherwise encourage any party to participate in the issue of CPS3. Potential investors should consider seeking advice from a suitably qualified Australian financial services licence holder before making any investment decision. Potential investors should also note that taxation is only one of the matters that may need to be considered.

Unless defined in this letter or the context indicates otherwise, all capitalised terms in this letter bear the same meaning as those contained in the Prospectus and the CPS3 Terms.

Greenwoods & Freehills has given its consent to the inclusion of this letter in the Prospectus.

Doc 510421765.2

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Liability limited by a scheme approved under Professional Standards Legislation

Greenwoods & Freehills Pty Limited ABN 60 003 146 852

2 Anticipated Class Ruling – applicable to certain Resident Holders

Suncorp has applied to the Australian Taxation Office (**ATO**) for a class ruling (**Class Ruling**) confirming certain tax consequences for Resident Holders. The Class Ruling does not become operative until it is published in the Government Gazette.

When issued, the Class Ruling will be available for download from the ATO's website (www.ato.gov.au) and from Suncorp's website (www.suncorpgroup.com.au).

It is expected that, when issued, the Class Ruling will:

- only be binding on the Commissioner of Taxation (**Commissioner**) if the Offer is carried out in the specific manner described in the Class Ruling;
- only apply to Resident Holders that are within the class of entities specified in the Class Ruling (**Applicable Resident Holders**), being Resident Holders who acquire their CPS3 by initial application under the Prospectus, and hold them on capital account for tax purposes. Accordingly, the Class Ruling will not apply to Resident Holders who hold their CPS3 as trading stock or revenue assets;
- only rule on the taxation laws as at the date the Class Ruling is issued;
- not consider the tax implications of the Exchange of CPS3 by Redemption or Resale;
- not consider the taxation treatment of Dividends received by partnerships or trustee investors; and
- not consider the tax implications for Resident Holders for whom gains and losses from CPS3 are subject to the taxation of financial arrangement rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (refer section 5 of this letter). It is noted that Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply.

You should also be aware that the Class Ruling will not mean the ATO guarantees or endorses the commercial viability of investing in CPS3.

Subject to the above qualifications or where otherwise indicated, it is expected that the Class Ruling will confirm the taxation consequences as outlined in sections 3.1 to 3.6 below.

3 Tax consequences for Applicable Resident Holders expected to be addressed in the Class Ruling

3.1 Dividends on CPS3

Dividends paid on CPS3 (together with the attached franking credits) must be included in the assessable income of an Applicable Resident Holder.

Provided an Applicable Resident Holder is a “**qualified person**” (see discussion below for further details) in relation to their CPS3, the Applicable Resident Holder will be entitled to a tax offset equal to the amount of the franking credits attached to the Dividends. To the extent that the tax offset attributable to the franking credits on a Dividend exceeds the income tax liability for an income year of an Applicable Resident Holder who is an individual or complying superannuation entity, the excess tax offset may be refunded to the Applicable Resident Holder.

If a Dividend (or a part of it) is either exempt income or non-assessable non-exempt income in the hands of an Applicable Resident Holder, then the amount of any franking credit on the Dividend is not included in the assessable income of the CPS3 Holder and the CPS3 Holder is not entitled to a tax offset. However, certain tax-exempt entities may qualify for a refund of any tax offset to which they are entitled as a result of receiving a franked Dividend.

It is anticipated that the Commissioner will not seek to apply any of the anti-avoidance provisions contained in the Australian tax law to deny the whole or any part of the imputation benefits received by Applicable Resident Holders in relation to the Dividends payable in respect of CPS3.

7. Australian taxation summary (continued)

Greenwoods & Freehills

3.2 “Gross up” and tax offset entitlement if “qualified person” rule satisfied

An Applicable Resident Holder must “gross up” a Dividend (i.e. include an amount of franking credits in their assessable income) and is entitled to the tax offset attached to a Dividend if the Applicable Resident Holder is a “qualified person” in relation to that Dividend (see further section 4.1 below).

3.3 CGT cost base and acquisition date for CPS3

The cost base (or reduced cost base) of each CPS3 acquired by an Applicable Resident Holder should include \$100 (being the Issue Price of CPS3). Although it is not expected to be addressed in the Class Ruling, the cost base (or reduced cost base) of each CPS3 should also include certain non-deductible incidental costs (e.g. broker fees, adviser fees) associated with the acquisition and disposal of CPS3. This will be relevant in determining the capital gain or capital loss resulting on a disposal of CPS3 (see discussion below for further details).

Each CPS3 will be taken to have been acquired by an Applicable Resident Holder on the date CPS3 are issued.

3.4 Conversion of CPS3

The Conversion of each CPS3 into an Ordinary Share and the allotment of additional Ordinary Shares will not result in a CGT event for CGT purposes. This will be the case irrespective of whether Conversion takes place because of Mandatory Conversion or under some other provision in the CPS3 Terms.

The value of any additional Ordinary Shares that are allocated on a Conversion of CPS3 will not be assessable as dividend income or ordinary income in the hands of Applicable Resident Holders.

It is anticipated that the Commissioner will not seek to apply any of the anti-avoidance provisions contained in the Australian tax law to treat the additional Ordinary Shares acquired on Conversion of CPS3 as an unfranked dividend in the hands of Applicable Resident Holders.

3.5 CGT cost base and acquisition date for Ordinary Shares following Conversion

Upon Conversion, the cost base (or reduced cost base) of the Ordinary Shares allocated to an Applicable Resident Holder will be determined by spreading the cost base (or reduced cost base) of the original CPS3 of an Applicable Resident Holder across all of the Ordinary Shares allocated to that holder, being the additional Ordinary Shares and each CPS3 that has been converted into an Ordinary Share.

The additional Ordinary Shares will be taken to have been acquired by an Applicable Resident Holder at the time the relevant CPS3 were acquired by the Applicable Resident Holder.

3.6 Writing Off

If a Non-Viability Trigger Event occurs and at that time an Inability Event subsists, then where Conversion has not been effected within five Business Days after the Non-Viability Conversion Date, then Suncorp must Write Off (rather than Convert) CPS3. Writing Off CPS3 involves a variation of the rights attaching to CPS3 with respect to:

- dividends; and
- returns of capital in the event Suncorp is wound up.

Writing Off CPS3 will result in CGT event H2 for CGT purposes. However, Applicable Resident Holders will not make any capital gain or capital loss as there will be no capital proceeds or incidental costs incurred because of a Writing Off of CPS3.

4 Other tax consequences for Resident Holders not expected to be addressed in the Class Ruling

The following tax consequences for Resident Holders are typically not addressed in class rulings on similar capital raisings and are not expected to be addressed in the Class Ruling.

4.1 Qualification for franking credits on Dividends – “qualified person”

As discussed in section 3.2 above, a Resident Holder is only required to “gross up” a Dividend and is only entitled to a tax offset if the Resident Holder is a “qualified person” in relation to that Dividend.

A Resident Holder is a “qualified person” if the “holding period” rule is satisfied in respect of the Dividend.

In relation to the holding period rule, where there have been no “related payments”, the “primary qualification period” applies with the consequence that a Resident Holder must have held CPS3 “at risk” for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the date on which the Resident Holder acquired CPS3 and ending on the 90th day after the date on which CPS3 became “ex dividend”.

Where there have been “related payments”, the “secondary qualification period” applies with the consequence that in respect of each Dividend a Resident Holder is required to hold CPS3 “at risk” for at least 90 days (excluding the days of acquisition and disposal) within a period beginning 90 days before and ending 90 days after the date on which CPS3 became “ex dividend” in relation to that particular Dividend.

Broadly speaking, the related payments rule would apply where a Resident Holder makes a payment which passes the benefit of a Dividend to another person.

Alternatively, a Resident Holder who is an individual is automatically taken to be a qualified person in relation to Dividends if the total amount of the tax offsets in respect of all franked distributions to which the Resident Holder would be entitled in an income year is \$5,000 or less. This is referred to as the “small shareholder rule”. However, a Resident Holder will not be a “qualified person” by virtue of the small shareholder rule if related payments have been made, or will be made, in respect of a Dividend.

In determining whether a Resident Holder has held their CPS3 “at risk” all “positions” in respect of CPS3 must be taken into account in identifying a “net position” to determine that there has been no material diminution of risk. In this regard, the Resale facility does not represent a separate “position” in relation to CPS3 with the consequence that the Resale facility will not affect a Resident Holder’s ability to satisfy the “at risk” requirement. It is anticipated that the Class Ruling will address this particular issue.

4.2 Sale of CPS3

A sale of CPS3 by a Resident Holder on ASX will give rise to a capital gain if the sale proceeds exceed the cost base of CPS3. Conversely, a capital loss will result if the reduced cost base of CPS3 exceeds the sale proceeds.

If CPS3 have been owned for at least 12 months prior to the sale (excluding the days of acquisition and disposal), a Resident Holder (other than a company) may be entitled to CGT discount treatment in respect of any gain arising on disposal of CPS3, such that a percentage of the gain is not included in assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50% for Resident Holders who are individuals and trusts and 33⅓% for Resident Holders that are complying superannuation entities.

Resident Holders who dispose of CPS3 within 12 months of acquiring them, or who dispose of CPS3 under an agreement entered into within 12 months of acquiring them, will not be entitled to CGT discount treatment. Companies are not entitled to obtain CGT discount treatment in respect of any gain arising on disposal of CPS3.

7. Australian taxation summary (continued)

Greenwoods & Freehills

4.3 Optional sale facility on Conversion

Resident Holders may elect not to take and hold their allocation of Ordinary Shares upon Conversion and instead may instruct a nominee appointed by Suncorp to sell those Ordinary Shares on their behalf. Under this arrangement, once a Resident Holder's allocation of Ordinary Shares has been sold, the nominee will pay to the Resident Holder a cash amount equal to the Proceeds (broadly, the net sale proceeds).

A capital gain for a Resident Holder will arise if the cash amount received exceeds the cost base of CPS3. Conversely, a capital loss will result if the reduced cost base of CPS3 exceeds the cash amount received.

If CPS3 have been owned for at least 12 months prior to the sale (excluding the days of acquisition and disposal), a Resident Holder (other than a company) may be entitled to CGT discount treatment in respect of any gain arising on disposal of their Ordinary Share allocation in the same manner as discussed in section 4.2 above.

Through the sale facility, Resident Holders who dispose of their Ordinary Share allocation within 12 months of acquiring their CPS3, or who dispose of their Ordinary Share allocation under an agreement entered into within 12 months of acquiring their CPS3, will not be entitled to receive CGT discount treatment.

4.4 Redemption or Resale of CPS3

Suncorp may elect to Redeem CPS3 in certain circumstances. For each CPS3 that is being Redeemed, Suncorp must pay a cash amount equal to the Redemption Price (generally, \$100 being the Issue Price). The Redemption proceeds should generally not be treated as a dividend to the extent to which they are debited against an amount standing to the credit of Suncorp's share capital account.

Suncorp may also elect to Resell CPS3 in certain circumstances. For each CPS3 sold, a cash amount equal to the Resale Price (which is equal to the Issue Price) will be paid by a Nominated Purchaser in cash.

Redemption or Resale of CPS3 will constitute a disposal of CPS3 for CGT purposes. Accordingly, a Resident Holder may make a capital gain or a capital loss on such disposal to the extent to which the Redemption or Resale proceeds paid to the Resident Holders are greater than the cost base or are less than the reduced cost base of CPS3 respectively. A Resident Holder (other than a company) may be entitled to CGT discount treatment in respect of any remaining capital gain, in the same manner as discussed in section 4.2 above.

In some cases, Suncorp can elect to Redeem CPS3 by way of buy-back. The precise income tax consequences would depend on the particulars of the buy-back at that time. However, the CGT consequences should be similar to those described above.

4.5 Pay-as-you-go withholding tax

Resident Holders may, if they choose, notify Suncorp of their tax file number (TFN), Australian Business Number (ABN), or a relevant exemption from withholding tax with respect to Dividends.

In the event that Suncorp is not so notified, tax will be automatically deducted at the highest marginal tax rate (plus the Medicare Levy) from the cash amount of the unfranked part (if any) of the Dividends. The rate of withholding for payments made on or after 1 July 2014 is 47%.

Suncorp is required to withhold and remit to the ATO such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Resident Holders will be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on the Dividends in their income tax returns.

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4.6 Goods and services tax (GST)

CPS3 Holders should not be liable for GST in respect of their investment in CPS3 or the disposal or Conversion of CPS3.

CPS3 Holders registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with the acquisition of CPS3 (e.g. adviser fees).

4.7 Stamp duty

CPS3 Holders should not be liable for stamp duty on the issue, sale, transfer or conversion of CPS3 under applicable stamp duty law in each State and Territory of Australia provided that they do not hold or acquire an interest of 50% or more in Suncorp (aggregating interests of associated persons and interests acquired under associated transactions).

5 Taxation of Financial Arrangements

Rules on the taxation of financial arrangements (**TOFA**) are contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth). The TOFA regime generally applies to "financial arrangements" (as defined) such as CPS3. However, the TOFA regime should generally not apply to individual CPS3 Holders in respect of their investment in CPS3. In addition, the TOFA regime should generally not apply to other CPS3 Holders in respect of their investment in CPS3, even if they exceed the relevant asset/turnover thresholds, unless certain specific elections under the TOFA regime are made by the relevant CPS3 Holder.

It is recommended that CPS3 Holders who have made one of the specific elections under the TOFA regime obtain tax advice pertaining to their particular circumstances regarding the application of the TOFA regime to their investment in CPS3.

6 Non Resident Holders

Below is a summary of the Australian income tax consequences for Non Resident Holders with respect to Dividends received on CPS3:

- Non Resident Holders should not be subject to dividend withholding tax in respect of fully franked Dividends that may be paid by Suncorp. A separate credit or refund for the attached franking credits is not available to Non Resident Holders; and
- in the event that all or part of a Dividend is unfranked, the payment will be made to the Non Resident Holders net of dividend withholding tax. If applicable, dividend withholding tax would be payable on the unfranked part at the rate of 30% but reduced to 15%, 10% or nil depending on their circumstances and any applicable double tax agreement that Australia may have with the Non Resident Holder's home jurisdiction. Such withholding tax may be creditable against local tax payable by the Non Resident Holder, depending upon applicable laws in the relevant jurisdiction.

7. Australian taxation summary (continued)

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Suncorp may source the unfranked portion of the Dividend from its "conduit foreign income" (CFI). Unfranked dividends, to the extent they are declared to be CFI to Non Resident Holders, will be exempt from Australian dividend withholding tax.

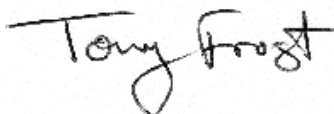
For Non Resident Holders, any capital gain or capital loss resulting from a disposal of CPS3 should generally be disregarded for CGT purposes.

* * * * *

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per:



Tony Frost

Managing Director
Greenwoods & Freehills



This Section provides information about the Board of Directors of Suncorp, the interests of people involved in the Offer and any benefits they may receive.

Key people, interests and benefits

8. Key people, interests and benefits

8.1 Board

DIRECTOR/POSITION	EXPERIENCE, QUALIFICATIONS AND EXPERTISE
Zygmunt E Switkowski Non-Executive Chairman	<ul style="list-style-type: none">• Dr Switkowski was appointed a Director of Suncorp-Metway Limited in September 2005 and a Director of Suncorp Group Limited in December 2010, and was appointed Chairman in October 2011. Dr Switkowski is Executive Chairman of NBN Co. Limited, a director of Tabcorp Holdings Limited, Oil Search Limited and Chancellor of RMIT University.• Dr Switkowski is a fellow of both the Australian Institute of Company Directors and the Australian Academy of Technical Sciences and Engineering.• Dr Switkowski is a former director of Lynas Corporation Ltd, a former chairman of the Australian Nuclear Science and Technology Organisation and Opera Australia, former Chief Executive Officer of Telstra Corporation Limited and Optus Communications Ltd, and former Chairman and Managing Director of Kodak Australasia Pty Ltd.
Patrick J R Snowball Managing Director and Group Chief Executive Officer	<ul style="list-style-type: none">• Mr Snowball was appointed Managing Director of Suncorp-Metway Limited in September 2009 and Managing Director of Suncorp Group Limited in December 2010. Mr Snowball is an experienced financial services executive with extensive knowledge of the insurance industry, having overseen businesses in the United Kingdom, Ireland, Canada, India and Asia.• Mr Snowball previously worked with the Towergate group of companies in both a deputy chairman and chairman's role. He also served as a non-executive director of Jardine Lloyd Thompson plc from 2008 to June 2009. Mr Snowball was a member of the executive team at Aviva plc, an insurance group in the United Kingdom, and its predecessor companies for 19 years, from 1988 to 2007.
Ilana R Atlas Non-Executive Director	<ul style="list-style-type: none">• Ms Atlas was appointed a Director of Suncorp-Metway Limited and Suncorp Group Limited in January 2011. Ms Atlas is a director of Coca-Cola Amatil Limited, Westfield Holdings Limited, New South Wales Treasury Corporation, Jawun Pty Ltd, the Human Rights Law Centre and Oakridge Wines Pty Ltd, Chairman of Bell Shakespeare and Pro-Chancellor of the Australian National University.• Ms Atlas is an experienced financial services and legal executive and has most recently held positions at Westpac Banking Corporation (Westpac) ranging from General Counsel and Group Secretary to her most recent position as Group Executive People. Prior to joining Westpac, Ms Atlas was a partner at Mallesons Stephen Jaques, practising as a corporate lawyer holding a number of managerial roles in the firm including Managing Partner and Executive Partner, People & Information.
William J Bartlett Non-Executive Director	<ul style="list-style-type: none">• Mr Bartlett was appointed a Director of Suncorp-Metway Limited in July 2003 and a Director of Suncorp Group Limited in December 2010. Mr Bartlett is a director of Reinsurance Group of America Inc., RGA Reinsurance Company of Australia Limited, GWA International Limited and Abacus Property Group. He is also Chairman of the Council of Governors of the Cerebral Palsy Foundation.• Mr Bartlett has 35 years' experience in accounting and was a partner of Ernst & Young in Australia for 23 years, retiring on 30 June 2003.• Mr Bartlett also has extensive experience in the actuarial, insurance and financial services sectors through membership of many industry and regulatory advisory bodies, including the Life Insurance Actuarial Standards Board (1994–2007).

DIRECTOR/POSITION	EXPERIENCE, QUALIFICATIONS AND EXPERTISE
<p>Michael A Cameron Non-Executive Director</p>	<ul style="list-style-type: none"> • Mr Cameron was appointed a Director of Suncorp Group Limited and Suncorp-Metway Limited in April 2012. Mr Cameron is the Chief Executive Officer and Managing Director of The GPT Group and has over 30 years' experience in finance and business. • Mr Cameron is a fellow of each of the Australian Institute of Chartered Accountants, CPA Australia and the Australian Institute of Company Directors. • His past experience includes roles at Barclays Bank and 10 years with Lend Lease where he held a number of senior positions including Group Chief Accountant and Chief Financial Officer for MLC Limited. Following the acquisition of MLC by the National Australia Bank Limited (NAB), Mr Cameron was appointed Chief Financial Officer, then Chief Operating Officer of the NAB Wealth Management Division. • Mr Cameron joined the Commonwealth Bank of Australia in 2002 and was appointed to the role of Group Chief Financial Officer in early 2003, then in 2006 he was appointed to the position of Group Executive of the Retail Bank Division. • Mr Cameron was Chief Financial Officer at St. George Bank Limited from mid 2007 until the sale to Westpac Banking Corporation in December 2008.
<p>Audette E Exel Non-Executive Director</p>	<ul style="list-style-type: none"> • Ms Exel was appointed a Director of Suncorp Group Limited and Suncorp-Metway Limited in June 2012. • Ms Exel is a founder of the ISIS Group and Chief Executive Officer of its Australian company, ISIS (Asia Pacific) Pty Limited. She is also the co-founder and Chair of The ISIS Foundation and is Vice Chairman of the board of Steamship Mutual Underwriting Association Trustees (Bermuda) Limited. • Before establishing ISIS, Ms Exel was Managing Director of Bermuda Commercial Bank (1993–96), Chairman of the Bermuda Stock Exchange (1995–96) and was on the board of the Bermuda Monetary Authority, Bermuda's central financial services regulator (1999–2005) and was Chair of its Investment Committee. • Prior to joining Bermuda Commercial Bank, Ms Exel practised as a lawyer specialising in international finance. She began her career with Allen, Allen and Hemsley in Sydney, Australia before joining the English firm of Linklaters & Paines, in their Hong Kong office. She is called to the Bars of New South Wales, Australia, England and Wales and Bermuda. Ms Exel won the Telstra 2012 Commonwealth Bank NSW Business Owner Award and the Telstra 2012 NSW Business Woman of the Year Award.
<p>Ewoud J Kulk Non-Executive Director</p>	<ul style="list-style-type: none"> • Mr Kulk was appointed a Director of Suncorp-Metway Limited in March 2007 and a Director of Suncorp Group Limited in December 2010. • Mr Kulk is Chairman of AA Insurance Limited (NZ), a director of the Westmead Millennium Institute, a past member of the NSW Council of the Australian Institute of Company Directors and a past president of the Insurance Council of Australia and has over 25 years' experience in the insurance industry. • Mr Kulk was a director of Promina Group Limited at the date of the merger with Suncorp-Metway Limited. Mr Kulk was Managing Director of the Australian General Insurance Group (1994—1998) and was Group Director (Asia Pacific) for Royal & Sun Alliance Insurance Group plc from March 1998 until his retirement in September 2003.

8. Key people, interests and benefits (continued)

DIRECTOR/POSITION	EXPERIENCE, QUALIFICATIONS AND EXPERTISE
<p>Douglas F McTaggart Non-Executive Director</p>	<ul style="list-style-type: none"> • Dr McTaggart was appointed a Director of Suncorp Group Limited and Suncorp-Metway Limited in April 2012. • Dr McTaggart is a director of UGL Limited, and a member of the Queensland Division Council of the Australian Institute of Company Directors. In March 2012 he was appointed to the Queensland Government Independent Commission of Audit and Chairman of the Public Service Commission. He has also served in other advisory roles to government as well as holding positions on, including chairing, various industry representative bodies. • Dr McTaggart has broad experience in financial markets and funds management, having spent 14 years in the role of Chief Executive Officer of QIC Limited, until his retirement in June 2012 and is a former Chairman of Galibier Partners Pty Ltd. • Prior to joining QIC, Dr McTaggart was the Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career as Professor of Economics and Associate Dean at Bond University.
<p>Geoffrey T Ricketts Non-Executive Director</p>	<ul style="list-style-type: none"> • Mr Ricketts was appointed a Director of Suncorp-Metway Limited in March 2007 and a Director of Suncorp Group Limited in December 2010. Mr Ricketts was a director of Promina Group Limited at the date of the merger with Suncorp-Metway Limited. • Mr Ricketts is Chairman of Todd Corporation Limited (NZ), a director of Shopping Centres Australasia Property Group Trustee NZ Limited, Heartland New Zealand Limited and Heartland Bank Limited (NZ). Mr Ricketts is also a director of the Centre of Independent Studies Limited. He is a lawyer and a consultant for Russell McVeagh, Solicitors (NZ), and was a partner in that firm from 1973 until 2000. • Mr Ricketts was formerly Chairman of Royal & Sun Alliance's New Zealand (R&SA NZ) operations, having been a non-executive director of R&SA NZ for over 10 years.

8.2 Interests and benefits

8.2.1 Directors

The Directors as at the date of this Prospectus had the following relevant interests in issued securities of Suncorp:

DIRECTORS	NUMBER OF ORDINARY SHARES	NUMBER OF OPTIONS/ RIGHTS OVER ORDINARY SHARES
Zygmunt E Switkowski	281,599	Nil
Patrick J R Snowball	475,333	1,071,148 ¹
Ilana R Atlas	19,155	Nil
William J Bartlett	26,968	Nil
Michael A Cameron	5,000	Nil
Audette E Exel	5,189	Nil
Ewoud J Kulk	23,173 ²	Nil
Douglas F McTaggart	11,432	Nil
Geoffrey T Ricketts	27,385	Nil

1 Ordinary Shares held by the trustee of the Executive Performance Share Plan. Beneficial entitlement to those 1,071,148 Ordinary Shares remains subject to satisfaction of specified performance hurdles. Further information on the performance hurdles can be found in the 30 June 2013 consolidated financial full year report.

2 This holding includes 3,000 CPS2 (ASX Code: SUNPC).

8. Key people, interests and benefits (continued)

Other than as set out in this Prospectus, no Director or proposed Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Suncorp;
- the Offer; or
- any property acquired or proposed to be acquired by Suncorp in connection with the formation or promotion of Suncorp or the Offer.

Other than as set out in this Prospectus, no amount (whether in cash, Ordinary Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any Director or proposed Director:

- to induce a person to become, or qualify as, a Director; or
- for services provided by a Director or proposed Director in connection with the formation or promotion of Suncorp or the Offer.

Directors' fees

The Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the non-executive Directors are paid an amount of remuneration determined by the Board, subject to a maximum annual aggregate amount determined by shareholders in a general meeting. The maximum annual aggregate amount has been set at \$3,500,000. Each Director (other than the Chairman) may also be paid additional remuneration for performance of additional Board Sub-Committee services and all Directors are entitled to reimbursement of reasonable out-of-pocket expenses. The remuneration of the Managing Director and Group Chief Executive Officer is fixed by the Board. The remuneration may consist of salary, bonuses or any other elements but must not be a commission on or percentage of profits or operating revenue.

Participation in the Offer

The Directors (and certain related persons) may collectively acquire up to 0.2% of CPS3 offered under the Offer without shareholder approval (subject to certain conditions)—see Section 9.7.

8.2.2 Professionals

UBS has acted as the arranger for the Offer, and each of Deutsche Bank, National Australia Bank Limited and UBS have acted as joint lead managers to the Offer, in respect of which they will receive fees from Suncorp. The estimated aggregate fees payable by Suncorp to the Joint Lead Managers are approximately \$5 million (exclusive of GST), making certain assumptions as to the allocations of CPS3 between the Broker Firm Offer, Institutional Offer and Securityholder Offer. The aggregate fees include an arranger fee payable to UBS and a joint lead manager fee split equally amongst the Joint Lead Managers.

The Joint Lead Managers on behalf of Suncorp are responsible for paying all selling fees and other commissions payable to the Syndicate Brokers.

King & Wood Mallesons has acted as Suncorp's Australian legal adviser in relation to the Offer. In respect of this work, King & Wood Mallesons will be paid approximately \$360,000 (excluding disbursements and GST) for work performed by it until the date of this Prospectus. Further amounts will be paid to King & Wood Mallesons in accordance with its agreement with Suncorp.

Greenwoods & Freehills has acted as Suncorp's Australian tax adviser in relation to the Offer and has prepared the Australian taxation summary in Section 7. In respect of this work, Greenwoods & Freehills will be paid approximately \$75,000 (excluding disbursements and GST) for work performed by it until the date of this Prospectus. Further amounts may be paid to Greenwoods & Freehills in accordance with its time-based charges.

KPMG TS has provided due diligence services on certain financial disclosures in relation to the Offer. In respect of this work, KPMG TS will be paid approximately \$45,000 (excluding disbursements and GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to KPMG TS in accordance with its time-based charges.

Except as set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- Joint Lead Manager,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Suncorp;
- the Offer; or
- any property acquired or proposed to be acquired by Suncorp in connection with the formation or promotion of Suncorp or the Offer, nor has anyone paid or agreed to pay or given or agreed to give any benefit to such persons in connection with the formation or promotion of Suncorp or the Offer.

8.3 Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$250 million, then the net proceeds of the Offer are expected to be \$244 million and the total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer) are expected to be \$6 million. All of these expenses have been, or will be, borne by Suncorp.



This Section provides information about a number of other matters not covered elsewhere in this Prospectus.

Additional information

9. Additional information

9.1 Reporting and disclosure obligations

Suncorp is admitted to the official list of ASX and is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Broadly, these obligations require Suncorp to prepare both yearly and half yearly financial statements and to report on its operations during the relevant accounting period, and to obtain an audit or review report from its auditor.

Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office.

Suncorp must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market.

Suncorp has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

9.2 Availability of documents

Suncorp will provide a copy of any of the following documents free of charge to any person upon their request during the Offer Period:

- the annual financial report for the year ended 30 June 2013 and half year financial report for the period ended 31 December 2013 lodged with ASIC by Suncorp;
- any continuous disclosure notices given by Suncorp in the period after the lodgement of the annual financial report of Suncorp for the year ended 30 June 2013 and before lodgement of this Prospectus with ASIC; and
- the Constitution.

The annual financial report for the year ended 30 June 2013, half year financial report for the period ended 31 December 2013 and copies of continuous disclosure notices lodged with ASX are available at www.asx.com.au or at www.suncorpgroup.com.au.

The Constitution is available at www.suncorpgroup.com.au.

All written requests for copies of the above documents should be addressed to Group Investor Relations of Suncorp at the address set out in the Corporate directory at the end of this Prospectus.

9.3 Rights and liabilities attaching to CPS3

The rights and liabilities attaching to CPS3 are contained in the CPS3 Terms set out in Appendix A. Rights and liabilities attaching to CPS3 may also arise under the Corporations Act, the ASX Listing Rules, the Constitution and other laws.

9.4 Rights and liabilities attaching to Ordinary Shares

Holders will receive Ordinary Shares on Conversion. The rights and liabilities attaching to the Ordinary Shares are set out in the Constitution and are also regulated by the Corporations Act, the ASX Listing Rules and the general law.

This Section 9.4 briefly summarises the key rights attaching to the Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of holders of Ordinary Shares. Investors who wish to inspect the Constitution may do so at the registered office of Suncorp during normal office hours or may obtain a copy as provided under Section 9.2.

The key rights attaching to Ordinary Shares are as follows:

- the right to vote at general meetings of Suncorp on the basis of one vote per fully paid Ordinary Share (or a fraction of a vote in proportion to the capital paid up on that Ordinary Share) on a poll;
- the right to receive dividends declared from time to time in proportion to the capital paid up on the Ordinary Shares held by each shareholder (subject to the rights of holders of shares carrying preferred rights including CPS2 and CPS3);
- the right to receive information required to be distributed under the Corporations Act and the ASX Listing Rules; and
- the right to participate in a surplus of assets on a winding-up of Suncorp in proportion to the capital paid up on the Ordinary Shares at the commencement of the winding-up (subject to the rights of holders of shares carrying preferred rights on winding-up including CPS2 and CPS3).

9.5 Summary of the Offer Management Agreement

9.5.1 Overview

Suncorp and the Joint Lead Managers signed the Offer Management Agreement on 31 March 2014. Under the Offer Management Agreement, Suncorp appointed UBS, Deutsche Bank and National Australia Bank Limited as Joint Lead Managers of the Offer. The following is a summary of the principal provisions of the Offer Management Agreement.

Under the Offer Management Agreement, the Joint Lead Managers have agreed to manage the Offer, including the Bookbuild and related allocation process for the Offer and to provide settlement support for the settlement obligations of successful Applicants under the Bookbuild.

9.5.2 Fees

The estimated aggregate fees payable by Suncorp to the Joint Lead Managers under the Offer Management Agreement are set out in Section 8.2.2. The actual amount payable will not be known until the allocation of CPS3 under the Offer. In addition, Suncorp must reimburse each Joint Lead Manager for reasonable expenses, including reasonable legal and travel costs, incurred by the Joint Lead Managers in relation to the Offer.

9.5.3 Representations, warranties and undertakings

Suncorp gives various representations, warranties and undertakings to the Joint Lead Managers, including that the documents issued or published by or on behalf of Suncorp in respect of the Offer comply with all applicable laws, including the Corporations Act and the ASX Listing Rules.

With the exception of the CPS3 issue and certain other corporate actions (including an issue of shares in the same class as existing Ordinary Shares in Suncorp), Suncorp has also agreed that it will not (and will ensure that its related bodies corporate do not), without the Joint Lead Managers' prior written consent, offer or issue any securities with Additional Tier 1 Capital status before the expiration of 90 days after the Issue Date (other than any such securities which are issued by a related body corporate to Suncorp or another related body corporate), or any securities with Tier 2 Capital status predominantly offered to Australian retail investors at any time before the expiration of 45 days after the Issue Date.

9.5.4 Indemnity

Suncorp agrees to indemnify the Joint Lead Managers, their affiliates and the officers, directors, employees, agents, advisers and representatives of the Joint Lead Managers and their affiliates against all claims, demands, damages, losses, costs, expenses, liabilities, damages or actions incurred by them in connection with the Offer (subject to limited exclusions).

9.5.5 Termination events

Each Joint Lead Manager may terminate at any time its obligations under the Offer Management Agreement on the occurrence of a number of customary termination events, including (among others):

- ASIC issues a stop order in relation to the Offer;
- ASX refuses to quote CPS3 on ASX;

- the trading of Ordinary Shares is suspended or they cease to be quoted on the ASX;
- any person withdraws their consent to be named in the Prospectus;
- Suncorp withdraws the Prospectus or the Offer;
- a supplementary prospectus is required under section 719 of the Corporations Act;
- a credit rating downgrade of Suncorp;
- a specified fall in the S&P ASX 200;
- unauthorised alterations to Suncorp's share capital or constitution; and
- a material adverse change in the position or prospects of members of Suncorp Group.

Certain of these events will only give rise to a right to terminate if the Joint Lead Manager reasonably believes that the event is likely to have a material adverse effect on the Offer or there is a reasonable possibility that the Joint Lead Manager will contravene, be involved in a contravention of, or incur a liability under the Corporations Act or any other applicable law as a result of the event. If this occurs, the Joint Lead Manager who terminates will no longer be a lead manager and will not be obliged to conduct the Bookbuild or provide settlement support for the Bookbuild.

Under the Offer Management Agreement, if one Joint Lead Manager terminates, the other Joint Lead Managers may give notice in writing to Suncorp stating whether they assume the obligations of the terminating Joint Lead Manager. In addition, if any Joint Lead Manager terminates its obligations under the Offer Management Agreement, then that Joint Lead Manager and certain of their affiliates will have no obligations to subscribe for any CPS3 as Bookbuild investors.

If all Joint Lead Managers terminate, none of them, their affiliates or any Bookbuild investors will have any obligation to subscribe for CPS3.

9.6 Consents

Except as set out below, each of the parties referred to in the following table:

- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based; and
- does not cause or authorise the issue of the Prospectus, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

9. Additional information (continued)

ROLE	CONSENTING PARTIES
Arranger	UBS AG, Australia Branch
Joint Lead Managers	Deutsche Bank National Australia Bank Limited UBS
Co-Manager	JBWere Limited
Australian legal adviser	King & Wood Mallesons
Australian tax adviser	Greenwoods & Freehills
Accounting adviser	KPMG TS
Registry	Link Market Services Limited
Auditor	KPMG

Greenwoods & Freehills has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian tax adviser and for the inclusion of statements by it, consisting of the Australian taxation summary in Section 7 in the form and context in which it appears in Section 7.

KPMG, and to the extent applicable KPMG TS, has given and has not before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as auditor and accounting adviser, respectively, and for the inclusion of statements made by it or based on statements made by it in Section 4 in the form and context in which they appear.

9.7 ASX confirmation

ASX has classified CPS3 as “equity securities” for the purposes of the ASX Listing Rules and has confirmed, in relation to the Offer, that:

- the CPS3 Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- the CPS3 Terms meet the requirements of ASX Listing Rule 6.5;
- the terms of the APRA constraints in the CPS3 Terms on the payment of Dividends do not amount to a removal of a right to a dividend for the purposes of ASX Listing Rule 6.10;
- the divestment of CPS3 from Holders, to the extent such divestment occurs as a result of Conversion or Redemption as provided in the CPS3 Terms, is appropriate and equitable for the purposes of ASX Listing Rule 6.12;
- it does not consider CPS3 to be options for ASX Listing Rule purposes;

- under ASX Listing Rule 7.1B.1(c), ASX does not object to Suncorp, for the purposes of calculating the number of CPS3 that may be issued without prior shareholder approval, notionally converting CPS3 into Ordinary Shares based on the market price of Ordinary Shares at the time of issue of CPS3 (calculated using a 20 Business Day VWAP);
- the issue of Ordinary Shares on Conversion of CPS3 would fall under ASX Listing Rule 7.2 (exception 4);
- ASX Listing Rule 10.11 has been waived to the extent necessary to permit Directors and certain related persons (being the spouses, parents, children and associates of Directors) to participate in the Offer, without shareholder approval, up to a maximum of 0.2% of the total number of CPS3 issued under the Offer collectively provided that:
 - the participation of the Directors and certain related persons in the Offer is on the same terms and conditions as applicable to other subscribers for CPS3;
 - Suncorp releases the terms of the waiver to the market when it announces the Offer; and
 - when CPS3 are issued, Suncorp announces to the market the total number of CPS3 issued to Directors and their related persons in aggregate;
- the issue of Ordinary Shares on Conversion of CPS3 would fall within ASX Listing Rule 10.12 (exception 7);
- that ASX Listing Rule 3.20.2 will not apply to the Conversion of CPS3 following a Non-Viability Trigger Event; and
- the timetable for the Offer is acceptable.

ASX has also provided in principle approval of the quotation of CPS3 and has agreed to allow CPS3 to trade on a deferred settlement basis for a short time following the issue of CPS3 (subject to certain conditions).

9.8 Acknowledgements

Each person submitting an Application Form and/or Application Payment will be deemed to have:

- agreed to the CPS3 Terms and the terms and conditions of the Offer and on Conversion of CPS3, become a member of Suncorp and to be bound by the terms of Suncorp's Constitution;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement document) accompanying the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is over 18 years of age;
- acknowledged that once Suncorp receives an Application it may not be withdrawn;
- acknowledged that Dividends may not be paid on CPS3;
- applied for the number of CPS3 at the Australian dollar amount specified in the Application Form submitted or represented by the Application Payment;
- agreed to being allocated the number of CPS3 applied for (or a lower number allocated in a way described in this Prospectus), or no CPS3 at all;
- authorised Suncorp and the Joint Lead Managers and their respective officers or agents, to do anything on the Applicant's(s') behalf necessary for CPS3 to be allocated to the Applicant(s), including to act on instructions received by the Registry upon using the contact details in the Application Form;
- acknowledged that if the amount of any cheque or money order is insufficient to pay for the number of CPS3 that the Applicant(s) has applied for, or, if there are insufficient funds held in a relevant account to cover a cheque that the Applicant(s) have drawn, then Suncorp may, in consultation with the Joint Lead Managers determine that you have applied for such lower number of CPS3 as your cleared Application Payment will pay for (in multiples of 10 CPS3) and you will be deemed to have specified that number in your Application Form. If you provide a cheque or money order for an amount that is not in multiples of 10 CPS3, Suncorp will round down the dollar amount of CPS3 that you are applying for to the next lowest multiple of 10 CPS3;

- acknowledged that the information contained in this Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that CPS3 are suitable for the Applicant(s), given the Applicant's(s') investment objectives, financial situation or particular needs;
- declared that the Applicant(s) is an Australian resident;
- acknowledged that CPS3 have not been, and will not be, registered under the US Securities Act or pursuant to the securities laws of any other jurisdiction outside Australia;
- represented and warranted that the Applicant(s) is not in the United States or other place outside Australia and is not a US Person (as defined in Regulation S of the *US Securities Act*) (and not acting for the account or benefit of a US Person), and the Applicant(s) will not offer, sell or resell CPS3 in the United States to, or for the account or benefit of, any US Person;
- represented and warranted that the laws of any other place, including the restrictions set out in Section 6.7 of this Prospectus, do not prohibit the Applicant(s) from being given the Prospectus (or any supplementary or replacement Prospectus) or making an Application or being issued with CPS3; and
- acknowledged that CPS3 are not protected accounts or deposit liabilities of Suncorp for the purposes of the Banking Act or protected policies for the purposes of the Insurance Act. Investments can be subject to investment risk, including possible delays in repayment and loss of income and principal invested. Suncorp does not in any way guarantee or stand behind the capital value or performance of CPS3.

9.9 Privacy

Suncorp uses Link Market Services Limited ("**Link**") to service your needs as a shareholder.

Link on behalf of Suncorp will collect your personal information to process your registration for shares, manage and administer your shareholding, provide facilities and services that you may request and carry out appropriate administration of your investment.

The *Corporations Act 2001* requires the collection of certain information and for that to be included in Suncorp's register of investors. This registry is public and able to be inspected by any person.

9. Additional information (continued)

If you do not provide your personal information then it may not be possible to set up or administer your security holding.

Link may disclose your personal information to agents, contractors and service providers, including printers, mailing houses, call centres and general advisors who enable it to provide its services to Suncorp.

Link's privacy policy contains information on how you can access or correct your personal information as well as how to complain about the handling of your personal information.

In relation to your personal information collected on behalf of Suncorp please contact Link via the Suncorp Investor Information Line on 1300 882 012 (within Australia), or 61 2 8767 1219 (outside Australia), Monday to Friday — 8.00am to 7.30pm (Sydney Time) or write to Suncorp care of Link Market Services Limited, Locked Bag A14, Sydney South, NSW 1235.

Link's Privacy Policy can be found at www.linkmarketservices.com.au. Link may also disclose your personal information to Suncorp and Suncorp will have access to its share register.

You can find Suncorp's Shareholder Privacy Statement and Suncorp Group Privacy Policy at www.suncorpgroup.com.au/privacy.

9.10 Statement of Directors

This Prospectus is authorised by each Director who consents, and who has not withdrawn their consent, to its lodgement with ASIC and its issue.



**Suncorp
CPS3 Terms**

A. Suncorp CPS3 Terms

1 CPS3

1.1 CPS3

CPS3 are perpetual, fully paid preference shares in the capital of Suncorp. They are issued, and may be Redeemed, Converted or Resold, by Suncorp according to these Terms.

1.2 Issue Price

The Issue Price of each CPS3 is A\$100.

2 Dividends

2.1 Dividends

Subject to these Terms, each CPS3 entitles the Holder on a Record Date to receive, on the relevant Dividend Payment Date, a dividend (**Dividend**) calculated according to the following formula:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{A\$100} \times \text{N}}{365}$$

where:

Dividend Rate (expressed as a percentage per annum) is calculated according to the following formula:

$$\text{Dividend Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{T})$$

where:

Bank Bill Rate (expressed as a percentage per annum) means, for a Dividend Period, the average mid-rate for bills of a term of 90 days which average mid-rate is displayed on Reuters page BBSW (or any page which replaces that page) on the first Business Day of the Dividend Period or, if there is a manifest error in the calculation of that average mid-rate or that average mid-rate is not displayed by 10:16am (Sydney time) on that date, the rate specified in good faith by Suncorp at or around 10:30am (Sydney time) on that date having regard, to the extent possible, to:

- the rates otherwise bid and offered for bills of a term of 90 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at or around that time on that date; or
- if bid and offer rates for bills of a term of 90 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

Margin (expressed as a percentage per annum) means the margin determined under the Bookbuild;

T (expressed as a decimal) means the Australian corporate tax rate applicable to the franking account of Suncorp at the relevant Dividend Payment Date; and

N means in respect of:

- the first Dividend Payment Date, the number of days from (and including) the Issue Date until (but not including) the first Dividend Payment Date; and
- each subsequent Dividend Payment Date, the number of days from (and including) the preceding Dividend Payment Date until (but not including) the relevant Dividend Payment Date.

2.2 Franking adjustments

If a Dividend is not franked to 100% under Part 3-6 of the Tax Act (and any provisions that revise or replace that Part), the Dividend will be calculated according to the following formula:

$$\text{Dividend} = \frac{\text{D}}{1 - \text{T} \times (1 - \text{F})}$$

where:

D means the Dividend calculated under clause 2.1;

T has the meaning given in clause 2.1; and

F means the applicable Franking Rate.

2.3 Payment of a Dividend

Each Dividend is subject to:

- the Directors, at their absolute discretion, resolving to pay the Dividend on the relevant Dividend Payment Date;
- paying the Dividend on the CPS3 on the Dividend Payment Date not resulting in the Eligible Capital of the Group not complying with APRA's then current prudential capital requirements as they are applied to the Group at the time;
- paying the Dividend not resulting in Suncorp becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and
- APRA not otherwise objecting to the Dividend being paid on the Dividend Payment Date.

2.4 Dividends are non-cumulative

Dividends are non-cumulative. If all or any part of a Dividend is not paid because of clause 2.3 or because of any other reason:

- Suncorp has no liability to pay the unpaid amount of the Dividend;
- Holders have no claim or entitlement in respect of such non-payment; and
- such non-payment does not constitute an event of default.

No interest accrues on any unpaid Dividends and Holders have no claim or entitlement in respect of interest on any unpaid Dividends.

2.5 Dividend Payment Dates

Subject to this clause 2, Dividends will be payable in arrears in respect of a CPS3 on the following dates (each a **Dividend Payment Date**):

- each 17 March, 17 June, 17 September and 17 December commencing on 17 June 2014 until (but not including) the date on which the CPS3 is Converted or Redeemed in accordance with these Terms; and
- each date on which:
 - a Conversion or Resale of that CPS3 occurs; or
 - subject to clause 8.3(a)(iii), a Redemption of the CPS3 occurs,in each case in accordance with these Terms.

If a Dividend Payment Date is a day which is not a Business Day, then the Dividend Payment Date becomes the next day which is a Business Day.

2.6 Record Dates

A Dividend is only payable on a Dividend Payment Date to those persons registered as Holders on the Record Date for that Dividend.

2.7 Restrictions in the case of non-payment

If for any reason a Dividend has not been paid in full on a Dividend Payment Date (the **Relevant Dividend Payment Date**), Suncorp must not, without the approval of a Special Resolution, until and including the next Dividend Payment Date:

- (a) declare, determine to pay or pay a dividend or distribution on any Ordinary Shares; or
- (b) buy back or reduce capital on any Ordinary Shares,

unless the Dividend is paid in full within 3 Business Days of the Relevant Dividend Payment Date.

2.8 Exclusions from restrictions in case of non-payment

The restrictions in clause 2.7 do not apply to a redemption, buy-back or reduction of capital in connection with any employment contract, benefit plan or other similar arrangement.

Nothing in these Terms prohibits Suncorp or a Controlled Entity from purchasing Suncorp Shares (or an interest therein) in connection with transactions for the account of customers of Suncorp or customers of entities that Suncorp Controls or, with the prior written approval of APRA, in connection with the distribution or trading of Suncorp Shares in the ordinary course of business. This includes (for the avoidance of doubt and without affecting the foregoing) any acquisition resulting from acting as trustee for another person where neither Suncorp nor any entity it Controls has a beneficial interest in the trust (other than a beneficial interest that arises from a security given for the purposes of a transaction entered into in the ordinary course of business).

2.9 Notification of Dividend, Dividend Rate and other items

For each Dividend Period, Suncorp must notify the Registrar and ASX (and any other securities exchange or other relevant authority on which CPS3 are quoted) of the Dividend Rate and the expected Dividend payable as soon as practicable, but in any event no later than the fourth Business Day of the Dividend Period.

3 Mandatory Conversion

3.1 Mandatory Conversion

Subject to clauses 4, 5 and 6, on the Mandatory Conversion Date Suncorp must Convert all (but not some) CPS3 on issue at that date into Ordinary Shares in accordance with clause 7 and this clause 3.

3.2 Mandatory Conversion Date

The **Mandatory Conversion Date** will be the first to occur of the following dates (each a **Relevant Date**) on which the Mandatory Conversion Conditions are satisfied:

- (a) 17 June 2022 (the **Scheduled Mandatory Conversion Date**); and
- (b) a Dividend Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**).

3.3 Mandatory Conversion Conditions

The Mandatory Conversion Conditions for each Relevant Date are:

- (a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Date (the **First Test Date**, provided that if no trading in Ordinary Shares took place on that date, the First Test Date is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Date on which trading in Ordinary Shares took place) is greater than the First Test Date Percentage of the Issue Date VWAP (the **First Mandatory Conversion Condition**);
- (b) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Relevant Date (the **Second Test Period**) is greater than the Conversion Test Date Percentage of the Issue Date VWAP (the **Second Mandatory Conversion Condition**); and
- (c) no Delisting Event applies in respect of the Relevant Date (the **Third Mandatory Conversion Condition** and together with the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition, the **Mandatory Conversion Conditions**).

In this clause 3.3:

Conversion Test Date Percentage = $101.01\% \times \text{Relevant Fraction}$
(expressed as a percentage)

First Test Date Percentage = $110\% \times \text{Relevant Fraction}$
(expressed as a percentage)

3.4 Non-Conversion Notices

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, Suncorp will give notice to Holders between the 25th and the 21st Business Day before the Relevant Date; or
 - (b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, Suncorp will give notice to Holders on or as soon as practicable after the Relevant Date,
- (each such notice a **Non-Conversion Notice**) that Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Date.

A. Suncorp CPS3 Terms (continued)

4 Non-Viability Conversion

4.1 Non-Viability Trigger Event

- (a) A **Non-Viability Trigger Event** means APRA has provided a written determination to Suncorp that the conversion to Ordinary Shares or write off of Relevant Preference Securities in accordance with their terms or by operation of law is necessary because:
- (i) without the conversion to Ordinary Shares or write off, APRA considers that Suncorp would become non-viable; or
 - (ii) without a public sector injection of capital into, or equivalent capital support with respect to, Suncorp, APRA considers that Suncorp would become non-viable.
- (b) A Non-Viability Trigger Event occurs immediately on the day on which Suncorp is notified by APRA of the event whether or not the day is a Business Day and Suncorp must perform the obligations in respect of it on that day accordingly.
- (c) If a Non-Viability Trigger Event occurs, Suncorp must convert to Ordinary Shares or write-off:
- (i) all Relevant Preference Securities; or
 - (ii) an amount of the Relevant Preference Securities if APRA is satisfied that conversion to Ordinary Shares or write-off of that amount will be sufficient to ensure that Suncorp does not become non-viable.

4.2 Non-Viability Trigger Event Conversion

- (a) If a Non-Viability Trigger Event occurs:
- (i) on that date (the **Non-Viability Conversion Date**) Suncorp must immediately determine in accordance with APRA's determination under clause 4.1:
 - (A) the amount of CPS3 that will Convert and the amount of other Relevant Preference Securities which will convert into Ordinary Shares or be written off; and
 - (B) the identity of the Holders whose CPS3 will Convert at the time that the Conversion is to take effect and in making that determination Suncorp may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of CPS3 that have not been settled or registered at that time;
 - (ii) subject only to clause 4.1(c)(ii) and despite any other provision in these Terms, on the Non-Viability Conversion Date the relevant amount of CPS3 will Convert and the relevant amount of other Relevant Preference Securities will convert or be written off, in each case immediately and irrevocably; and
 - (iii) Suncorp must give notice of the Non-Viability Trigger Event (a **Non-Viability Trigger Event Notice**) to Holders as soon as practicable which states the Non-Viability Conversion Date, the amount of CPS3 Converted and the relevant amount of Relevant Preference Securities converted or written off;

- (b) If, in accordance with clause 4.1(c)(ii), Suncorp is required to convert only an amount of Relevant Preference Securities, Suncorp must endeavour to treat Holders and holders of other Relevant Preference Securities on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations and the need to effect the conversions immediately.
- (c) None of the following shall prevent, impede or delay the Conversion of CPS3 as required by clause 4.2:
 - (i) any failure to or delay in the conversion into Ordinary Shares or write-off of other Relevant Preference Securities;
 - (ii) any failure or delay in giving a Non-Viability Trigger Event Notice;
 - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion; or
 - (iv) any requirement to treat Holders and holders of other Relevant Preference Securities as required by clause 4.2(b).
- (d) From the Non-Viability Conversion Date, Suncorp shall treat the Holder in respect of its CPS3 as the holder of the Conversion Number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion.

4.3 Priority of Conversion obligations

- (a) Conversion on account of the occurrence of a Non-Viability Trigger Event is not subject to the matters described in clause 3.3 as Mandatory Conversion Conditions.
- (b) A Conversion required on account of a Non-Viability Trigger Event takes place on the date, and in the manner, required by clause 4.2, notwithstanding anything in clauses 3.1, 5 or 6.
- (c) If on the Non-Viability Conversion Date an Inability Event subsists, then to the extent such event prevents Suncorp from Converting CPS3 within five Business Days of that date:
 - (i) Conversion on account of the Non-Viability Trigger Event will not occur; and
 - (ii) clause 7.14 shall apply.

5 Optional Exchange by Suncorp

5.1 Optional Exchange by Suncorp

Suncorp may with APRA's prior written approval by notice to Holders (an **Exchange Notice**) elect to Exchange:

- (a) all or some CPS3 on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event;
- (b) all (but not some only) CPS3 on an Exchange Date following the occurrence of a Potential Acquisition Event; or
- (c) all or some CPS3 on the Optional Exchange Date.

An Exchange Notice under this clause 5:

- (i) cannot be given in the period of 20 Business Days preceding (and not including) a Relevant Date where the First Mandatory Conversion Condition has been met in respect of that Relevant Date; and
- (ii) once given is irrevocable.

5.2 Contents of Exchange Notice

An Exchange Notice must specify:

- (a) where clause 5.1(a) or clause 5.1(b) applies, the details of the Tax Event, Regulatory Event or Potential Acquisition Event to which the Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Exchange Date**), which:
 - (i) in the case of a Potential Acquisition Event, is the Business Day prior to the date reasonably determined by Suncorp to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as Suncorp may reasonably determine having regard to the timing for implementation of the bid or scheme concerned or such later date as APRA may require;
 - (ii) in the case of a Tax Event or a Regulatory Event, is the last Business Day of the month following the month in which the Exchange Notice was given by Suncorp unless Suncorp determines an earlier Exchange Date having regard to the best interests of Holders as a whole and the relevant event; or
 - (iii) in the case of clause 5.1(c), is the Optional Exchange Date, which must fall:
 - (A) no earlier than:
 - (aa) 25 Business Days, where the Exchange Method elected is Conversion; or
 - (ab) 15 Business Days, where the Exchange Method is Redemption or Resale; and
 - (B) in any case no later than 50 Business Days, after the date on which the Exchange Notice is given;
- (c) the Exchange Method in accordance with clause 5.3;
- (d) if less than all CPS3 are subject to Exchange, the proportion of the CPS3 that are to be Exchanged;
- (e) if the Exchange Notice provides that any CPS3 are to be Redeemed:
 - (i) the Redemption Price; and
 - (ii) whether the Redemption Price is payable by way of redemption, buy-back or reduction of capital (or a combination of these methods);
- (f) if the Exchange Notice provides that any CPS3 are to be Resold, the identity of the Nominated Purchaser or Nominated Purchasers for that Resale; and
- (g) whether any Dividend or any amount under clause 8.3(a) (iii) will be paid in respect of the CPS3 to be Exchanged on the Exchange Date.

5.3 Exchange Method

- (a) If Suncorp elects to Exchange CPS3 in accordance with clause 5.1, it must, subject to clauses 5.3(b), 5.4 and 5.5 and subject to APRA's prior written approval, elect which of the following it intends to do in respect of CPS3 (the **Exchange Method**):
 - (i) Convert CPS3 into Ordinary Shares in accordance with clause 7;
 - (ii) Redeem CPS3 in accordance with clause 8; or
 - (iii) Resell CPS3 in accordance with clause 9.

Holders should not expect that APRA's approval will be given for any Exchange of CPS3 under these Terms.
- (b) Subject to clauses 5.4 and 5.5, in the election under clause 5.3(a), Suncorp may specify which of Conversion, Redemption and Resale applies to a particular CPS3. Without limitation to the foregoing:
 - (i) Suncorp may select any one or more of Conversion, Redemption or Resale to apply to the CPS3 held by a Holder; and
 - (ii) Suncorp may select a different combination of Conversion, Redemption and Resale in respect of CPS3 held by different Holders,but otherwise Suncorp must endeavour to treat Holders, in the case of an Exchange of only some CPS3, on an approximately proportionate basis (although it may discriminate to take account of the effect on marketable parcels and other logistical considerations).

5.4 Restrictions on election by Suncorp of Redemption or Resale as Exchange Method

Suncorp may only elect Redemption or Resale as the Exchange Method in respect of an Exchange under this clause 5:

- (a) on the Optional Exchange Date; and
- (b) in the case of a Tax Event or Regulatory Event, and provided in all cases where Suncorp elects Redemption that APRA is satisfied that either:
 - (i) CPS3 the subject of the Exchange are replaced concurrently or beforehand with a Relevant Preference Security of the same or better quality or Ordinary Shares and the replacement of the instrument is done under conditions that are sustainable for Suncorp's income capacity; or
 - (ii) having regard to the projected capital position of the Group, that Suncorp does not have to replace the CPS3 the subject of the Redemption.

A. Suncorp CPS3 Terms (continued)

5.5 Restrictions on election by Suncorp of Conversion as Exchange Method

Suncorp may not elect Conversion as the Exchange Method in respect of an Exchange under this clause 5 if:

- (a) on the second Business Day before the date on which an Exchange Notice is to be sent by Suncorp (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the **Non-Conversion Test Date**) the VWAP on that date is less than or equal to the First Test Date Percentage of the Issue Date VWAP (the **First Optional Conversion Restriction**); or
- (b) a Delisting Event applies in respect of the Non-Conversion Test Date (the **Second Optional Conversion Restriction** and together with the First Optional Conversion Restriction, the **Optional Conversion Restrictions**).

5.6 Conditions to Conversion occurring once elected by Suncorp

If Suncorp has given an Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Exchange Date were a Relevant Date for the purposes of clause 3, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Terms:

- (a) the Exchange Date will be deferred until the first Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a Relevant Date for the purposes of clause 3 (the **Deferred Conversion Date**);
- (b) Suncorp must Convert the CPS3 on the Deferred Conversion Date (unless the CPS3 are Exchanged earlier in accordance with these Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the CPS3 will continue as if the Exchange Notice had not been given.

Suncorp will notify Holders on or as soon as practicable after an Exchange Date in respect of which this clause 5.6 applies that Conversion did not occur on that Exchange Date (a **Deferred Conversion Notice**).

6 Conversion on Acquisition Event

6.1 Notice of Acquisition Event

Suncorp must notify Holders of the occurrence of an Acquisition Event as soon as practicable after becoming aware of that event (an **Acquisition Event Notice**).

6.2 Conversion on occurrence of Acquisition Event

If an Acquisition Event occurs, Suncorp must Convert all (but not some only) CPS3 on the Acquisition Conversion Date by notice to Holders (an **Acquisition Conversion Notice**) in accordance with this clause 6 and clause 7.

6.3 Contents of Acquisition Conversion Notice

An Acquisition Conversion Notice must specify:

- (a) the details of the Acquisition Event to which the Acquisition Conversion Notice relates;
- (b) the date on which Conversion is to occur (the **Acquisition Conversion Date**), which must be:
 - (i) the Business Day prior to the date reasonably determined by Suncorp to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as Suncorp may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
 - (ii) such later date as APRA may require; and
- (c) whether any Dividend will be paid in respect of the CPS3 on the Acquisition Conversion Date.

6.4 Where Acquisition Conversion Notice not required

Notwithstanding any provision of clause 6.2 or clause 6.3, Suncorp is not required to give an Acquisition Conversion Notice if either or both of the Optional Conversion Restrictions would apply if the Acquisition Conversion Notice were an Exchange Notice under clause 5 and in this case the provisions of clause 6.5 will apply.

6.5 Deferred Conversion on Acquisition Event

If clause 6.4 applies or Suncorp has given an Acquisition Conversion Notice but, if the Acquisition Conversion Date were a Relevant Date for the purposes of clause 3.2, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then notwithstanding any other provision of these Terms (but without limitation to the operation of clause 4.3):

- (a) the Acquisition Conversion Notice, if given, is taken to be revoked and Conversion will not occur on the Acquisition Conversion Date specified in the Acquisition Conversion Notice;
- (b) Suncorp will notify Holders as soon as practicable that Conversion will not (or, as the case may be, did not) occur (a **Deferred Acquisition Conversion Notice**); and
- (c) Suncorp must, unless clause 6.4 then applies, give an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) on or before the 25th Business Day prior to the immediately succeeding Dividend Payment Date which is at least 25 Business Days after the date on which the Deferred Acquisition Conversion Notice was given.

The Acquisition Conversion Notice given in accordance with paragraph (c) above must comply with the requirements in clause 6.3.

If this clause 6.5 applies but:

- (i) clause 6.4 applies in respect of the Dividend Payment Date referred to in paragraph (c) such that no Acquisition Conversion Notice (or, as the case may be, no new Acquisition Conversion Notice) is given under this clause 6.5; or
- (ii) an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) is given under this clause 6.5 but, if the Acquisition Conversion Date specified in the Acquisition Conversion Notice were a Relevant Date for the purposes of clause 3.2, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date,

then this clause 6.5 will be reapplied in respect of each subsequent Dividend Payment Date until a Conversion occurs.

7 Conversion mechanics

7.1 Conversion

If Suncorp elects to Convert CPS3 (with APRA's prior written approval) or must Convert CPS3 in accordance with these Terms, then, subject to this clause 7, the following provisions shall apply:

- (a) each CPS3 that is being Converted will Convert into one Ordinary Share on the Mandatory Conversion Date, the Non-Viability Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be); and
- (b) each Holder will be allotted, for no consideration, an additional number of Ordinary Shares for each CPS3 that is being Converted on the Mandatory Conversion Date, the Non-Viability Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be) equal to **one less than** the Conversion Number, where the Conversion Number is a number calculated according to the following formula (subject always to the Conversion Number being no more than the Maximum Conversion Number):

$$\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$$

where:

VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period;

Maximum Conversion Number means a number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}$$

Relevant Fraction means:

- (i) in the case of a Mandatory Conversion, 0.5;
- (ii) in the case of any other Conversion, 0.2.

- (c) if the total number of additional Ordinary Shares to be allotted and issued in respect of a Holder's aggregate holding of CPS3 upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded;
- (d) a CPS3, upon Conversion, confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5.00pm Sydney time on the Mandatory Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be) or, in the case of a Conversion on the Non-Viability Conversion Date, the time at which such Conversion occurs on that date. At that time:
 - (i) all other rights conferred or restrictions imposed on that CPS3 under these Terms will no longer have effect (except for rights relating to a Dividend which has been determined to be payable but has not been paid on or before the Mandatory Conversion Date, the Non-Viability Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be), which rights will continue); and
 - (ii) the Ordinary Share resulting from the Conversion will rank equally with all other Ordinary Shares.

Conversion does not constitute a redemption, buy-back, cancellation or termination of CPS3 or an issue, allotment or creation of a new Ordinary Share (other than under clause 7.1(b)).

7.2 Adjustments to VWAP

For the purposes of calculating the VWAP in these Terms:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and CPS3 will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (the **Cum Value**) equal to:
 - (i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;
 - (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 7.2(a) (i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
 - (iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors; and

A. Suncorp CPS3 Terms (continued)

(b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and CPS3 will Convert into Ordinary Shares in respect of which the relevant dividend or other distribution or entitlement would be payable, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

7.3 Adjustments to VWAP for divisions and similar transactions

(a) Where during the relevant VWAP Period there is a change in the number of Ordinary Shares on issue as a result of a Reorganisation, in calculating the VWAP for that VWAP Period the VWAP on each Business Day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reorganisation basis shall be adjusted by the following formula:

$$\frac{A}{B}$$

where:

A means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Ordinary Shares immediately after the Reorganisation.

(b) Any adjustment made by Suncorp in accordance with clause 7.3(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly. Any such adjustment must be promptly notified to all Holders.

7.4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to the VWAP will be made in accordance with clauses 7.2 and 7.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made by Suncorp in accordance with clauses 7.5 to 7.7 (inclusive); and
- (b) if so made, will correspondingly:
 - (i) affect the application of the Mandatory Conversion Conditions and the Optional Conversion Restrictions; and
 - (ii) cause an adjustment to the Maximum Conversion Number.

7.5 Adjustments to Issue Date VWAP for bonus issues

(a) Subject to clause 7.5(b), if at any time after the Issue Date Suncorp makes a *pro rata* bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted in accordance with the following formula:

$$V = V_o \times \frac{RD}{RD + RN}$$

where:

V means the Issue Date VWAP applying immediately after the application of this formula;

V_o means the Issue Date VWAP applying immediately prior to the application of this formula;

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue; and

RN means the number of Ordinary Shares issued pursuant to the bonus issue.

- (b) Clause 7.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purposes of clause 7.5(a), an issue will be regarded as a *pro rata* bonus issue notwithstanding that Suncorp does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing Suncorp is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 7.5 for any offer of Ordinary Shares not covered by clause 7.5(a), including a rights issue or other essentially *pro rata* issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 7.5(a) shall not in any way restrict Suncorp from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence of the Holders.

7.6 Adjustment to Issue Date VWAP for divisions and similar transactions

- (a) If at any time after the Issue Date there is a change in the number of Ordinary Shares on issue as a result of a Reorganisation, Suncorp shall adjust the Issue Date VWAP by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reorganisation by the following formula:

$$\frac{A}{B}$$

where:

A means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Ordinary Shares immediately after the Reorganisation.

- (b) Any adjustment made by Suncorp in accordance with clause 7.6(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly.
- (c) Each Holder acknowledges that Suncorp may consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action constituting a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence.

7.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 7.5 and 7.6, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

7.8 Announcement of adjustments

Suncorp will notify Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this clause 7 within 10 Business Days of Suncorp determining the adjustment.

7.9 Ordinary Shares

Each Ordinary Share issued or arising upon Conversion ranks *pari passu* with all other fully paid Ordinary Shares.

7.10 Foreign Holders

Where CPS3 held by a Foreign Holder are to be Converted, unless Suncorp is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder (but as to which Suncorp is not bound to enquire), either unconditionally or after compliance with conditions which Suncorp in its absolute discretion regards as acceptable and not unduly onerous, the number of Ordinary Shares which the Foreign Holder is obliged to accept will be issued to a nominee appointed by Suncorp (which must not be a member of the Group or Related Entity of Suncorp) who will sell that number of Ordinary Shares and pay a cash amount equal to the Proceeds to the Foreign Holder accordingly.

7.11 Conversion where the Holder does not wish to receive Ordinary Shares

If Suncorp has elected or is required to Convert CPS3 and the Holder has notified Suncorp that it does not wish to receive Ordinary Shares as a result of Conversion, which notice may be given by the Holder at any time on or after the Issue Date and no less than 15 Business Days prior to the date scheduled for Conversion then, on the date for Conversion, the number of Ordinary Shares which that Holder is obliged to accept will be issued to a nominee appointed by Suncorp (which must not be a member of the Group or Related Entity of Suncorp) who will sell that number of Ordinary Shares and pay a cash amount equal to the Proceeds to the relevant Holder.

7.12 No duty on sale

For the purposes of clauses 7.10 and 7.11:

- (a) the issue of Ordinary Shares to the nominee satisfies the obligation of Suncorp to issue additional Ordinary Shares in connection with the Conversion and on and from the issue of those Ordinary Shares, the rights of a Holder the subject of, as applicable, clause 7.10 or 7.11 in respect of those Ordinary Shares are limited to its rights in respect of the Proceeds as provided in, as applicable, clause 7.10 or 7.11; and
- (b) Suncorp does not owe any obligations or duties to the Holders in relation to the price for which, or other terms on which, Ordinary Shares are sold and has no liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares.

7.13 Listing Ordinary Shares issued on Conversion

Suncorp shall use all reasonable endeavours to list the Ordinary Shares issued upon Conversion of CPS3 on ASX.

7.14 Write Off

Where on the Non-Viability Conversion Date an Inability Event subsists and Conversion has not been effected within five Business Days after the Non-Viability Conversion Date, to the extent such event prevents Suncorp from Converting CPS3 of a Holder which, but for clause 4.3(c) and this clause 7.14, would be Converted, those CPS3 will be Written Off.

In this clause 7.14 "**Written Off**" means that, in respect of a CPS3 and a Non-Viability Conversion Date:

- (a) the CPS3 will not be Converted in respect of the Non-Viability Trigger Event and will not be Converted, Redeemed or Resold under these Terms on any subsequent date;

A. Suncorp CPS3 Terms (continued)

(b) on and from the sixth Business Day after the Non-Viability Conversion Date:

- (i) in a winding-up of Suncorp, the Liquidation Sum is the sum which would have been paid in respect of CPS3 out of the surplus available to shareholders in a winding-up as if the CPS3 were the Conversion Number of Ordinary Shares; and
- (ii) subject to clauses 2.3, 2.4, 14.8 and 14.9 and to the requirements of APRA applicable to the payment of dividends on Ordinary Shares, a non-cumulative dividend is payable in respect of the CPS3 if and when a dividend is paid on Ordinary Shares, in an amount determined as if the CPS3 were a number of Ordinary Shares equal to the Conversion Number,

in each case with that Conversion Number (the **Fixed Conversion Number**) being finally determined as if the CPS3 had Converted on the Non-Viability Conversion Date (and subject always to such number not exceeding the Maximum Conversion Number); and

(c) on and from the sixth Business Day after the Non-Viability Conversion Date clauses 2.1, 2.2, 2.5, 2.7, 3, 4 (other than clause 4.3(c)), 5, 6, 7 (other than this clause 7.14 and any provisions in clause 7 required to give effect to this clause 7.14) and 8 will no longer apply in respect of that CPS3.

8 Redemption mechanics

8.1 Redemption mechanics to apply to Redemption

If, subject to APRA's prior written approval and compliance with the conditions in clause 5.4, Suncorp elects to Redeem CPS3 in accordance with these Terms, the provisions of this clause 8 apply to that Redemption.

Holders should not expect that APRA's approval will be given for any Redemption of CPS3 under these Terms.

8.2 Redemption

CPS3 will be Redeemed by payment on the Exchange Date of the Issue Price plus any amount payable under clause 8.3(a) (iii) (together, the **Redemption Price**) by way of redemption, buy-back, reduction of capital or any combination thereof to the Holder.

8.3 Effect of Redemption on Holders

On the Exchange Date the only right Holders will have in respect of CPS3 will be to obtain the Redemption Price payable in accordance with these Terms and upon payment of the Redemption Price, all other rights conferred, or restrictions imposed, by CPS3 will no longer have effect.

For the purposes of this clause 8:

- (a) where the Redemption involves a buy-back of CPS3:
 - (i) the Exchange Notice constitutes a buy-back offer for the Redemption Price payable on the relevant Exchange Date;
 - (ii) the Holder must accept the buy-back offer for their CPS3 and will be deemed to have accepted that buy-back offer for CPS3 held by that Holder to which the Exchange Notice relates on the date the Exchange Notice or is given and will be deemed to have sold those CPS3 to Suncorp free of all Encumbrances on the Exchange Date;

- (iii) no Dividend is payable on CPS3 on the Exchange Date, but the Directors may, in their absolute discretion, determine that the consideration payable for each CPS3 that is bought back will include an amount (in addition to the Issue Price) equal to a Dividend calculated in accordance with clause 2 for the Dividend Period ending on (but not including) the Exchange Date;
 - (iv) the buy-back agreement will be taken to include Suncorp's undertaking in clause 2.7 (as qualified by clause 2.8); and
 - (v) for the purposes of calculating the Redemption Price, any suspension of the right to receive a Dividend arising from the buy-back agreement under applicable law shall be disregarded; and
- (b) if the Redemption involves either or both a reduction of capital with respect to CPS3 and a cancellation of CPS3 and under applicable law Holders are entitled to vote on a resolution to approve that reduction of capital or that cancellation, each Holder agrees to vote in favour of that or those resolutions.

9 Resale mechanics

9.1 Resale mechanics

If Suncorp elects to Resell CPS3 in accordance with these Terms, the provisions of this clause 9 apply to that Resale.

9.2 Appointment of Nominated Purchaser

Suncorp must appoint one or more Nominated Purchasers for the Resale on such terms as may be agreed between Suncorp and the Nominated Purchasers. If Suncorp appoints more than one Nominated Purchaser in respect of a Resale, all or any of the CPS3 held by a Holder which are being Resold may be purchased by any one or any combination of the Nominated Purchasers, as determined by Suncorp for the Resale Price.

The obligation of a Nominated Purchaser to pay the Resale Price on the Exchange Date may be subject to such conditions as Suncorp may reasonably determine.

9.3 Identity of Nominated Purchasers

Suncorp may not appoint a person as a Nominated Purchaser unless that person:

- (a) has undertaken on such terms and subject to such conditions as Suncorp reasonably determines for the benefit of each Holder to acquire each CPS3 from each Holder for the Resale Price on the Exchange Date;
- (b) has a long term counterparty credit rating from one of Standard & Poor's, Moody's or Fitch of not less than investment grade; and
- (c) is not a Related Entity of Suncorp.

9.4 Irrevocable offer to sell CPS3

Each Holder on the Exchange Date is taken irrevocably to offer to sell CPS3 the subject of a Resale to the Nominated Purchaser or Nominated Purchasers on the Exchange Date for the Resale Price.

9.5 Effect of Resale

On the Exchange Date subject to payment by the Nominated Purchaser of the Resale Price to the Holders, all right, title and interest in such CPS3 (excluding the right to any Dividend payable on that date) will be transferred to the Nominated Purchaser free from Encumbrances.

9.6 Effect of failure by Nominated Purchaser or Nominated Purchasers to pay

If a Nominated Purchaser does not pay the Resale Price to the Holders on the Exchange Date (a **Defaulting Nominated Purchaser**) (whether as a result of a condition to purchase not being satisfied or otherwise):

- (a) the Exchange Notice as it relates to the Defaulting Nominated Purchaser will be void;
- (b) CPS3 will not be transferred to the Defaulting Nominated Purchaser on the Exchange Date; and
- (c) Holders will continue to hold the CPS3 referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Terms.

10 Ranking of the CPS3

10.1 Ranking of Dividends

The CPS3 rank in respect of payment of Dividends:

- (a) in priority to Ordinary Shares;
- (b) equally among themselves and with all Equal Ranking Instruments; and
- (c) behind:
 - (i) any securities or instruments that rank in priority to the CPS3; and
 - (ii) all Suncorp's debts and liabilities to its creditors, both unsubordinated and subordinated, other than indebtedness that by its terms ranks equally with or behind the CPS3.

10.2 Ranking in a winding-up

- (a) In a winding-up of Suncorp, a CPS3 confers upon the Holder the right to payment in cash of the Liquidation Sum out of the surplus (if any) available for distribution to shareholders, but no further or other right to participate in the assets of Suncorp on a return of capital in the winding-up.
- (b) The CPS3 will rank for payment of the Liquidation Sum in a winding-up of Suncorp:
 - (i) in priority to Ordinary Shares;
 - (ii) equally among themselves and with all Equal Ranking Instruments; and
 - (iii) behind:
 - (A) any securities or instruments that rank in priority to the CPS3; and
 - (B) all Suncorp's debts and liabilities to its creditors, both unsubordinated and subordinated, other than indebtedness that by its terms ranks equally with or behind the CPS3 in a winding-up.
- (c) The **Liquidation Sum** is an amount out of surplus assets of Suncorp equal to \$100 plus the amount of any Dividend resolved to be paid but unpaid.

10.3 Shortfall on winding-up

If, upon a winding-up of Suncorp, there are insufficient funds to pay in full the Liquidation Sum in respect of the CPS3 and the amounts payable in respect of any other Equal Ranking Instruments, Holders and the holders of any such other Equally Ranking Instruments will share in any distribution of assets of Suncorp in proportion to the amounts to which they are entitled respectively.

10.4 No participation in surplus assets

CPS3 do not confer on their Holders any further right to participate in the surplus assets of Suncorp on a winding-up beyond payment of the Liquidation Sum.

11 General rights

11.1 Further issues not to vary class rights

Each of the following is expressly permitted and authorised by these Terms and does not affect, or constitute a modification or variation of, the rights or privileges attaching to the CPS3 then on issue:

- (a) the allotment or issue of preference shares (including further CPS3), or the conversion of existing shares into preference shares, ranking equally with or in priority to, or having different rights from, the CPS3 then on issue for participation in profits or assets of Suncorp, and whether entitled to cumulative or non-cumulative dividends;
- (b) a redemption, buy-back or return or distribution of capital in respect of any share capital other than a CPS3, whether ranking behind, equally with, or in priority to, the CPS3; and
- (c) the Conversion or Write Off of CPS3.

11.2 No set-off or offsetting rights

A Holder:

- (a) may not exercise any right of set-off against Suncorp in respect of any claim by Suncorp against that Holder; and
- (b) will have no offsetting rights or claims on Suncorp if Suncorp does not pay a Dividend when scheduled under these Terms.

Suncorp may not exercise any right of set-off against a Holder in respect of any claim by that Holder against Suncorp.

11.3 No security

CPS3 are unsecured.

11.4 Power of attorney

- (a) Each Holder appoints each of Suncorp, its officers and any External Administrator of Suncorp (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms including, but not limited to, accepting any buy-back offer, effecting any Conversion, Redemption or Resale, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale.

A. Suncorp CPS3 Terms (continued)

(b) The power of attorney given in this clause 11.4 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

11.5 Holder acknowledgments

Each Holder irrevocably:

- (a) upon Conversion of CPS3 in accordance with clause 4 and clause 7, consents to becoming a member of Suncorp and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion;
- (b) acknowledges and agrees that it is obliged to accept Ordinary Shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of CPS3 including:
 - (i) any change in the financial position of Suncorp since the Issue Date;
 - (ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or
 - (iii) any breach by Suncorp of any obligation in connection with CPS3;
- (c) acknowledges and agrees that:
 - (i) where clause 4.2 applies:
 - (A) there are no other conditions to a Non-Viability Conversion occurring as and when provided in clauses 4.1 to 4.3 (inclusive);
 - (B) Conversion must occur immediately on the Non-Viability Conversion Date and that Conversion or Write-Off may result in disruption or failures in trading or dealings in CPS3;
 - (C) it will not have any rights to vote in respect of any Non-Viability Conversion; and
 - (D) the Ordinary Shares issued on Non-Viability Conversion may not be quoted at the time of issue, or at all;
 - (ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;
 - (iii) the only conditions to a Conversion on account of an Exchange under clause 5 or a Conversion under clause 6 are the conditions expressly applicable to such Conversion as provided in clauses 5 and 6 of these Terms and no other conditions or events will affect Conversion; and
 - (iv) clause 7.14 is a fundamental term and where clause 7.14 applies, no other conditions or events will affect the operation of that clause and it will not have any rights to vote in respect of any Write Off;
- (d) agrees to provide to Suncorp any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to CPS3 on the occurrence of the Conversion; and

(e) acknowledges and agrees that:

- (i) a Holder has no right to request a Conversion, Redemption or Resale of any CPS3 or to determine the Exchange Method;
- (ii) a Holder has no right to apply for Suncorp to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of Suncorp merely on the grounds that Suncorp does not or is or may become unable to pay a Dividend when scheduled in respect of CPS3;
- (iii) these Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Dividend on a scheduled Dividend Payment Date will not constitute an event of default; and
- (iv) it has no remedy on account of a failure by Suncorp to issue Ordinary Shares to a Holder or a nominee in accordance with these Terms other than (and subject always to clause 7.14) to seek specific performance of the obligation to issue Ordinary Shares.

11.6 No other rights

CPS3 confer no rights on a Holder:

- (a) to participate in the profits or property of Suncorp, except as set out in these Terms; or
- (b) to subscribe for new securities in Suncorp or to participate in any bonus issues of shares in Suncorp's capital.

11.7 Transfers and transmission

The Constitution contains provisions relating to:

- (a) the transfer of shares; and
- (b) the transmission of shares in certain circumstances (including without limitation on the death of a shareholder), and the relevant provisions apply with all necessary modifications to a transfer of CPS3.

12 Voting rights and meetings

12.1 Voting rights

Holders will not be entitled to vote at any general meeting of Suncorp except in the following circumstances:

- (a) on any resolution:
 - (i) to reduce the share capital of Suncorp;
 - (ii) that may affect the rights attached to CPS3;
 - (iii) to wind up Suncorp; or
 - (iv) for the disposal of the whole of the property, business and undertaking of Suncorp;
- (b) on any resolution to approve the terms of a buy-back agreement;
- (c) on any resolution during a period in which a Dividend or part of a Dividend is in arrears; or
- (d) during the winding-up of Suncorp.

Each Holder who has a right to vote on a resolution is entitled to the number of votes specified in Article 22.1 of the Constitution (or any provision or provisions that revise or replace that Article).

12.2 Notices and reports

Each Holder is entitled to receive notice of any general meeting of Suncorp and a copy of every circular and like document sent out by Suncorp to holders of Ordinary Shares and to attend and speak at general meetings of Suncorp.

13 Takeovers and schemes of arrangement

If:

- (a) a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the Directors; or
- (b) the Directors recommend a scheme of arrangement in respect of the Ordinary Shares of Suncorp which will result in a person other than Suncorp having a relevant interest in more than 50% of the Ordinary Shares,

in each case which would result in an Acquisition Event then, if the Directors consider that:

- (c) Suncorp will not be permitted to elect to Exchange the CPS3 in accordance with clause 5 or to Convert the CPS3 in accordance with clause 6; or
- (d) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition will not be satisfied in respect of the Acquisition Conversion Date in accordance with clause 6,

the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to Holders or that they are entitled to participate in the scheme of arrangement or a similar transaction.

14 Payments and other matters

14.1 Manner of payment

Monies payable by Suncorp to a Holder in respect of a CPS3 will be paid in dollars in any manner Suncorp decides from time to time, including:

- (a) by any method of direct credit determined by Suncorp to the Holder or Holders shown on the Register or to such person or place acceptable to Suncorp as directed by them; or
- (b) by cheque sent by prepaid post on the scheduled payment date, at the risk of the registered Holder, to the Holder (or to the first named joint holder of the CPS3) at its address appearing in the Register.

Cheques sent on the scheduled payment date to the nominated address of a Holder will be taken to have been received by the Holder on that date and no further amount will be payable by Suncorp in respect of the CPS3 as a result of the Holder not receiving payment on that date.

14.2 Holders entitled to payment

Monies payable by Suncorp in respect of a CPS3 shall be paid:

- (a) in the case of a payment of a Dividend, to the Holder appearing in the Register at the close of business on the Record Date; and
- (b) in the case of a payment of the Redemption Price, to the Holder appearing in the Register at 10:00am Sydney time on the Exchange Date,

in each case unless otherwise required by the ASX Listing Rules.

14.3 Unpresented cheques

Cheques issued by Suncorp that are not presented within six months of being issued or such lesser period as determined by Suncorp may be cancelled. Where a cheque which is cancelled was drawn in favour of a Holder, the moneys are to be held by Suncorp for the Holder in a non-interest bearing deposit in a bank selected by Suncorp or paid by Suncorp according to the legislation relating to unclaimed moneys.

14.4 Unsuccessful attempts to pay – other

Subject to applicable law and the ASX Listing Rules, where Suncorp:

- (a) decides that an amount is to be paid to a Holder by a method of direct credit and the Holder has not given a direction as to where amounts are to be paid by that method;
- (b) attempts to pay an amount to a Holder by direct credit, electronic transfer of funds or any other means and the transfer is unsuccessful; or
- (c) has made reasonable efforts to locate a Holder but is unable to do so;

then in each case, the amount is to be held by Suncorp for the Holder in a non-interest bearing deposit with a bank selected by Suncorp until the Holder or any legal personal representative of the Holder claims the amount or the amount is paid by Suncorp according to the legislation relating to unclaimed moneys.

14.5 Payment to joint Holders

A payment to any one of joint Holders will discharge Suncorp's liability in respect of the payment.

14.6 Time limit for claims

A claim against Suncorp for payment according to these Terms is void, to the fullest extent permitted by applicable law, unless made within five years of the date for payment.

14.7 Calculations and rounding of payments

Unless otherwise specified in these Terms:

- (a) all calculations of amounts payable in respect of a CPS3 will be rounded to four decimal places; and
- (b) for the purposes of making payment to a Holder in respect of the Holder's aggregate holding of CPS3, any fraction of a cent will be disregarded.

14.8 Deductions

- (a) Suncorp may deduct from any amount payable in respect of CPS3 the amount of any withholding or other tax, duty or levy required by law or by any administrative practice or procedure of any authority to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by Suncorp to the relevant revenue authority and the balance of the amount payable has been paid to the relevant Holder, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by Suncorp.
- (b) Suncorp shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring any penalty under the applicable law and shall, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority after it is received by Suncorp.

A. Suncorp CPS3 Terms (continued)

14.9 FATCA

Without limiting clause 14.8, Suncorp may withhold or make deductions from payments or from the issue of Ordinary Shares to a Holder or (where clause 7.10 or clause 7.11 apply) the nominee where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of CPS3 may be subject to FATCA, and may deal with such payment, and any Ordinary Shares in accordance with FATCA. If any withholding or deduction arises under or in connection with FATCA, Suncorp will not be required to pay any further amounts or issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder (or, where applicable, the nominee) or a beneficial owner of CPS3 for or in respect of any such withholding or deduction. A dealing with such payment and any Ordinary Shares in accordance with FATCA satisfies Suncorp's obligations to that Holder to the extent of the amount of that payment or issue of Ordinary Shares.

15 Amendment of these Terms

15.1 Amendments without consent

Subject to complying with all applicable laws and subject to APRA's prior written approval where required in accordance with clause 15.4, Suncorp may amend these Terms without the approval of Holders:

- (a) if Suncorp is of the opinion that the amendment:
 - (i) is of a formal, technical or minor nature;
 - (ii) is made to cure any ambiguity or correct any manifest error;
 - (iii) is necessary or expedient for the purposes of enabling CPS3 to be:
 - (A) listed, or to retain quotation, on any securities exchange (including, without limitation, in connection with any change in the principal securities exchange on which Ordinary Shares are listed);
 - (B) lodged in a clearing system or to remain lodged in a clearing system; or
 - (C) offered for subscription or for sale under the laws for the time being in force in any place;
- (b) is necessary to comply with:
 - (i) the provisions of any statute or the requirements of any statutory authority; or
 - (ii) the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which Suncorp may propose to seek a listing of CPS3;
- (c) is made in accordance with Suncorp's adjustment rights in clause 7;
- (d) amends any date or time period stated, required or permitted in connection with any Mandatory Conversion, Non-Viability Conversion or Exchange in a manner necessary or desirable to facilitate the Mandatory Conversion, Non-Viability Conversion or Exchange (including without limitation where in connection with a Redemption the proceeds of Redemption are to be reinvested in a new security to be issued by Suncorp or a Related Entity); or

- (e) in Suncorp's opinion, is not likely (taken as a whole and in conjunction with all other amendments or actions, if any, to be made at or about the time of that amendment) to be materially prejudicial to the interests of Holders as a whole.

15.2 Amendments with consent

Without limiting clause 15.1, Suncorp may, with APRA's prior written approval where required in accordance with clause 15.4, amend these Terms if the amendment has been approved by a Special Resolution.

15.3 Notification of Amendment to APRA

Suncorp will promptly notify APRA of any amendments made in accordance with this clause 15.

15.4 Requirement for APRA approval

A requirement in this clause 15 for an amendment to be made with APRA's prior written approval applies only where the amendment may affect the eligibility of CPS3 as a Relevant Preference Security.

15.5 Meaning of amend and amendment

In this clause 15, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

16 Notices

16.1 Notices to Holders

A notice or other communication is properly given by Suncorp to a Holder if it is:

- (a) in writing signed on behalf of Suncorp (by original or printed signature);
- (b) addressed to the person to whom it is to be given; and
- (c) either:
 - (i) delivered personally;
 - (ii) sent by pre-paid mail to that person's address;
 - (iii) sent by fax to the fax number (if any) nominated by that person; or
 - (iv) sent by electronic message to the electronic address (if any) nominated by that person.

16.2 Delivery of certain notices

Notwithstanding clause 16.1, a Non-Conversion Notice, a Deferred Conversion Notice, a Deferred Acquisition Conversion Notice, an Exchange Notice, an Acquisition Event Notice, an Acquisition Conversion Notice, a Non-Viability Trigger Event Notice, an Adjustment Notice and a Suncorp Details Notice may each be given to Holders by Suncorp publishing the notice on its website and announcing the publication of the notice to ASX.

16.3 When notices to Holders take effect

Notices or other communications from Suncorp to Holders take effect on the day the notice or communication was delivered, sent or published on Suncorp's website (as applicable under clauses 16.1 and 16.2).

16.4 Non-receipt of notice by a Holder

The non-receipt of a notice or other communication by a Holder or an accidental omission to give notice to a Holder will not invalidate the giving of that notice either in respect of that Holder or generally.

16.5 Notices to Suncorp

A notice or other communication given to Suncorp in connection with CPS3 must be:

- (a) in legible writing or typing and in English;
- (b) addressed as shown below:

Attention: Company Secretary

Address: Level 28
266 George Street
Brisbane QLD 4000
Australia

or

Email: investor.relations@suncorp.com.au

or to such other address or email address as Suncorp notifies to Holders as its address or email address (as the case may be) for notices or other communications in respect of these Terms from time to time (a **Suncorp Details Notice**);

- (c) (except as regards a communication sent by email) signed by the person making the communication or by a person duly authorised by that person; and
- (d) delivered or posted by prepaid post or sent by email to the email address in each case in accordance with clause 16.5(b).

16.6 When notices to take effect

Notices or other communications from Holders to Suncorp take effect from the time they are received or taken to be received unless a later time is specified in them.

16.7 Deemed receipt of notices

A letter or email is taken to be received by Suncorp:

- (a) in the case of a posted letter, on the third day (or the seventh day, if posted to or from a place outside Australia) after posting; and
- (b) in the case of an email, when the sender receives an automated message confirming delivery.

Despite paragraphs (a) and (b), if a letter or email is received after 5:00pm in the place of receipt or on a day which is not a Business Day, it is taken to be received at 9:00am on the next Business Day.

17 Quotation on ASX

Suncorp must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of CPS3 on ASX.

18 Governing law and jurisdiction

18.1 Governing law

These Terms are governed by the laws in force in Queensland.

18.2 Jurisdiction

Suncorp and each Holder submits to the non-exclusive jurisdiction of the courts of Queensland for the purposes of any legal proceedings arising out of these Terms.

19 Interpretation and definitions

19.1 Interpretation

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution then, to the maximum extent permitted by law, the provisions of these Terms will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of Suncorp under these Terms as are not, by the Corporations Act or by the Constitution, required to be exercised by Suncorp in a general meeting.
- (c) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms.
- (d) If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (e) Subject to clause 19.1(a), definitions and interpretation under the Constitution will also apply to these Terms unless the contrary intention is expressed.
- (f) The terms "takeover bid", "relevant interest", "scheme of arrangement", "buy-back" and "on-market buy-back" when used in Terms have the meaning given in the Corporations Act.
- (g) Headings and boldings are for convenience only and do not affect the interpretation of these Terms.
- (h) The singular includes the plural and vice versa.
- (i) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (j) Other than:
 - (i) in relation to a Non-Viability Trigger Event and a Conversion or Write-Off, in each case on account of a Non-Viability Trigger Event; and
 - (ii) where a contrary intention is expressed, if an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (k) A reference to dollars, AUD, A\$, \$ or cents is a reference to the lawful currency of Australia.
- (l) Any reference to any requirements of APRA or any other prudential regulatory requirements in these Terms will apply or be operative with respect to Suncorp only if Suncorp is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of a holding company, which is subject to regulation and supervision by APRA at the relevant time.
- (m) Any requirement for APRA's consent or approval in any provision of these Terms will apply only if APRA requires that such consent or approval be given at the relevant time.
- (n) A reference to any term defined by APRA (including, without limitation, "Additional Tier 1 Capital") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.

A. Suncorp CPS3 Terms (continued)

- (o) A reference to a term defined by the ASX Listing Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.
- (p) If the principal securities exchange on which Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be).
- (q) Calculations, elections and determinations made by Suncorp under these Terms are binding on Holders in the absence of manifest error.
- (r) Where under these Terms, APRA approval is required, for any act to be done or not done, that term does not imply that APRA approval has been given as at the Issue Date.

19.2 Definitions for Terms

Acquisition Conversion Date has the meaning given in clause 6.3.

Acquisition Conversion Notice has the meaning given in clause 6.2.

Acquisition Event means:

- (a) either:
- (i) a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and:
 - (A) the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - (B) the Directors issue a statement that at least a majority of Suncorp's directors who are eligible to do so recommend acceptance of the offer (which may be stated to be in the absence of a higher offer); or
 - (ii) a court approves a scheme of arrangement which, when implemented, will result in a person other than Suncorp having a relevant interest in more than 50% of Ordinary Shares; and
- (b) all regulatory approvals necessary for the acquisition to occur have been obtained.

Acquisition Event Notice has the meaning given in clause 6.1.

Additional Tier 1 Capital means additional tier 1 capital as defined by APRA from time to time.

Adjustment Notice has the meaning given in clause 7.8.

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of Suncorp or the Group.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires, or any successor.

ASX Listing Rules means the listing rules of ASX as amended, varied or waived (whether in respect of Suncorp or generally) from time to time.

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of Suncorp or generally) from time to time.

Attorney has the meaning given in clause 11.4.

Bank Bill Rate has the meaning given in clause 2.1.

Bookbuild means the process conducted prior to the opening of the Offer whereby certain investors lodged bids for CPS3 and, on the basis of those bids, Suncorp and the joint lead managers to the Offer determined the Margin.

Business Day means a business day as defined in the ASX Listing Rules.

CHES means the Clearing House Electronic Sub-register System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Conglomerates Proposal means the proposal for the definition of eligible capital held by a conglomerate group contained in the discussion paper issued by APRA dated 9 May 2013 (as supplemented by any further publications by APRA as at the Issue Date) and any prudential standards applicable to the Group implementing that proposal (including any made after the Issue Date to the extent that they reflect the proposal as at the Issue Date).

Constitution means the constitution of Suncorp as amended from time to time.

Control has the meaning given in the Corporations Act.

Controlled Entity means, in respect of Suncorp, an entity Suncorp Controls.

Conversion means, in relation to a CPS3, subject to amendment in accordance with clause 15.1(d), the conversion of the CPS3 into an Ordinary Share and the issue of additional Ordinary Shares in respect of that CPS3 in accordance with clause 7, and **Convert**, **Converted** and **Converting** have corresponding meanings.

Conversion Number has the meaning given in clause 7.1.

Conversion Test Date Percentage has the meaning given in clause 3.3.

Corporations Act means the *Corporations Act 2001 (Cth)*.

CPS2 means the \$560,000,000 convertible preference shares issued on or about 6 November 2012 by Suncorp pursuant to a prospectus dated 3 October 2012.

CPS3 has the meaning given in clause 1.1.

Cum Value has the meaning given in clause 7.2.

Defaulting Nominated Purchaser has the meaning given in clause 9.6.

Deferred Acquisition Conversion Notice has the meaning given in clause 6.5.

Deferred Conversion Date has the meaning given in clause 5.6.

Deferred Conversion Notice has the meaning given in clause 5.6.

Delisting Event means, in respect of a date, that:

- (a) Suncorp has ceased to be listed or Ordinary Shares have ceased to be quoted on ASX on or before that date (and where the cessation occurred before that date, Suncorp or the Ordinary Shares continue not to be listed or quoted (as applicable) on that date);
- (b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
 - (i) at least five consecutive Business Days prior to that date; and
 - (ii) that date; or
- (c) an Inability Event subsists.

Directors means some or all of the directors of Suncorp acting as a board.

Dividend has the meaning given in clause 2.

Dividend Payment Date has the meaning given in clause 2.5.

Dividend Period means in respect of:

- (a) the first Dividend Period, the period from (and including) the Issue Date until (but not including) the first Dividend Payment Date after the Issue Date; and
- (b) each subsequent Dividend Period, the period from (and including) the preceding Dividend Payment Date until (but not including) the next Dividend Payment Date.

Dividend Rate has the meaning given in clause 2.1.

Eligible Capital means the "Level 3 Group Eligible Capital" as defined in Suncorp's authority to be a non-operating holding company of a general insurer dated 30 November 2010 (as it may be amended) or any successor requirement as designated by APRA.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the *Personal Property Securities Act 2009 (Cth)*) and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

Equal Ranking Instruments means:

- (a) in respect of Dividends, any preference share or other instrument issued by Suncorp which ranks equally with CPS3 in respect of payment of dividends; and
- (b) in respect of winding-up, any preference share or other instrument issued by Suncorp which ranks equally with CPS3 for a return of capital in the winding-up of Suncorp, including in each case CPS2.

Exchange means:

- (a) Conversion in accordance with and subject to clause 7;
- (b) Redemption in accordance with and subject to clause 8;
- (c) Resale in accordance with clause 9; or
- (d) a combination of two or more of Conversion, Redemption or Resale in accordance with clause 5.3(b),

and **Exchanged** has a corresponding meaning.

Exchange Date has the meaning given in clause 5.2(b).

Exchange Method has the meaning given in clause 5.3.

Exchange Notice has the meaning given in clause 5.1.

External Administrator means, in respect of a person:

- (a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or
- (b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertakings of that person,

or in either case any similar official.

FATCA means the *Foreign Account Tax Compliance Act* provisions, sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions).

First Mandatory Conversion Condition has the meaning given in clause 3.3.

First Optional Conversion Restriction has the meaning given in clause 5.5.

First Test Date has the meaning given in clause 3.3.

First Test Date Percentage has the meaning given in clause 3.3.

Fixed Conversion Number has the meaning in clause 7.14(b).

Foreign Holder means a Holder whose address in the Register is a place outside Australia or who Suncorp otherwise believes may not be a resident of Australia.

Franking Rate (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of Suncorp at the relevant Dividend Payment Date.

Group means Suncorp and each of its Subsidiaries.

Holder means a person whose name is registered in the Register as the holder of a CPS3.

Inability Event means Suncorp is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of Suncorp) or any other reason from Converting the CPS3.

Issue Date means the date on which the issue and allotment of CPS3 to successful applicants is completed, in accordance with these Terms.

Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which CPS3 were issued, as adjusted in accordance with clauses 7.4 to 7.7 (inclusive).

Issue Price has the meaning given in clause 1.2.

Liquidation Sum has the meaning given in clause 10.2 (as it may be affected by clause 7.14).

A. Suncorp CPS3 Terms (continued)

Mandatory Conversion means the mandatory conversion of CPS3 to Ordinary Shares on the Mandatory Conversion Date in accordance with clause 3.

Mandatory Conversion Conditions has the meaning given in clause 3.3.

Mandatory Conversion Date has the meaning given in clause 3.2.

Margin has the meaning given in clause 2.1.

Maximum Conversion Number has the meaning given in clause 7.1.

Nominated Purchasers means, subject to clause 9.3, one or more third parties selected by Suncorp in its absolute discretion.

Non-Conversion Notice has the meaning given in clause 3.4.

Non-Conversion Test Date has the meaning given in clause 5.5.

Non-Viability Conversion means the Conversion of CPS3 to Ordinary Shares on the Non-Viability Conversion Date in accordance with clause 4.2.

Non-Viability Conversion Date has the meaning given in clause 4.2.

Non-Viability Trigger Event has the meaning given in clause 4.1.

Non-Viability Trigger Event Notice has the meaning given in clause 4.2.

Offer means the invitation under the Prospectus made by Suncorp for persons to subscribe for CPS3.

Optional Conversion Restrictions has the meaning given in clause 5.5.

Optional Exchange Date means 17 June 2020.

Ordinary Share means a fully paid ordinary share in the capital of Suncorp.

Potential Acquisition Event means:

- (a) an event within paragraph (a) of the definition of Acquisition Event occurs (without the need that all regulatory approvals necessary for the acquisition to occur have been obtained); or
- (b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act and the scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented.

Proceeds means the net proceeds of a sale of Ordinary Shares attributable to the Holder actually received by the nominee calculated after deduction of any applicable brokerage, stamp duty and other taxes and charges, including the nominee's reasonable out of pocket costs, expenses and charges properly incurred by it or on its behalf in connection with such sale from the sale price of the Ordinary Shares.

Prospectus means the prospectus for the Offer including these Terms.

Record Date means, for a Dividend:

- (a) the date which is 10 Business Days before the Dividend Payment Date for that Dividend (or, in the case of the first Dividend Payment Date, if the Issue Date is less than 10 Business Days before the first Dividend Payment Date, the Issue Date); or
- (b) such other date as may be required by ASX.

Redeem means, in relation to a CPS3, subject to amendment in accordance with clause 15.1(d), redeem, buy back (other than an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS3 in accordance with clause 8 and **Redeemed** and **Redemption** have corresponding meanings.

Redemption Price has the meaning given in clause 8.2.

Register means the register of CPS3 maintained by or on behalf of Suncorp and including any subregister established and maintained in CHESS.

Registrar means Link Market Services Limited or any other person appointed by Suncorp to maintain the Register and perform any payment and other duties as specified in that agreement.

Regulated Entity means an authorised general insurer under the *Insurance Act 1973 (Cth)*, an authorised deposit-taking institution under the *Banking Act 1959 (Cth)*, a registered life insurance company under the *Life Insurance Act 1995 (Cth)* or other prudentially regulated entity.

Regulatory Event means:

- (a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a prospective change) in any law or regulation or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date (and which Suncorp does not expect, as at the Issue Date, may come into effect), additional requirements would be imposed on Suncorp in relation to or in connection with CPS3 which the Directors determine, in their absolute discretion, to be unacceptable; or
- (b) the determination by the Directors that Suncorp is not or will not be entitled to treat some or all CPS3 as a Relevant Preference Security, (including where APRA has notified Suncorp in writing that it objects to the Group using or having used the proceeds of the CPS3 to fund Additional Tier 1 Capital of a Regulated Entity within the Group) except where the reason Suncorp is not or will not be entitled to treat some or all CPS3 as a Relevant Preference Security is because of:
 - (i) a prudential limit or other restriction which is in effect on the Issue Date or which on the Issue Date is expected by Suncorp may come into effect; or
 - (ii) the implementation of the Conglomerates Proposal.

Related Entity has the meaning given by APRA from time to time.

Relevant Date has the meaning given in clause 3.2.

Relevant Dividend Payment Date has the meaning given in clause 2.7.

Relevant Fraction has the meaning given in clause 7.1.

Relevant Preference Security means a subordinated instrument (other than an Ordinary Share) issued by Suncorp or another member of the Group with no fixed maturity date which:

- (a) in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off where APRA makes a determination as referred to in clause 4.1; and
- (b) either:
 - (i) constitutes Additional Tier 1 Capital of the Group as at the date of its issue; or
 - (ii) APRA has confirmed in writing to Suncorp that, as at the date of issue of the instrument, it does not object to the Group using the proceeds of the issue of that instrument to fund Additional Tier 1 Capital of a Regulated Entity within the Group,

and includes CPS3.

Reorganisation means, in relation to Suncorp, a division, consolidation or reclassification of Suncorp's share capital not involving any cash payment or other distribution to or by holders of Ordinary Shares.

Resale means, in relation to a CPS3, subject to amendment in accordance with clause 15.1(d), the taking effect of the rights specified in clause 9 in relation to that CPS3, and **Resold** and **Resell** have corresponding meanings.

Resale Price means, for a CPS3, a cash amount equal to its Issue Price.

Scheduled Mandatory Conversion Date has the meaning given in clause 3.2.

Second Mandatory Conversion Condition has the meaning given in clause 3.3.

Second Optional Conversion Restriction has the meaning given in clause 5.5.

Second Test Period has the meaning given in clause 3.3.

Special Resolution means a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution.

Subsequent Mandatory Conversion Date has the meaning given in clause 3.2.

Subsidiary has the meaning given in the Corporations Act.

Suncorp Shares means Ordinary Shares or any other shares in the capital of Suncorp.

Suncorp means Suncorp Group Limited (ABN 66 145 290 124).

Suncorp Details Notice has the meaning given in clause 16.5.

Tax Act means:

- (a) the *Income Tax Assessment Act 1936 (Cth)* or the *Income Tax Assessment Act 1997 (Cth)* as the case may be and a reference to any section of the *Income Tax Assessment Act 1936 (Cth)* includes a reference to that section as rewritten in the *Income Tax Assessment Act 1997 (Cth)*; and
- (b) any other Act setting the rate of income tax payable and any regulation promulgated under it.

Tax Event means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or
- (c) any amendment to, clarification of, or change in an Administrative Action that provides for a position that differs from the current generally accepted position,

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which pronouncement or decision is announced, on or after the Issue Date and which is not expected by Suncorp on the Issue Date, there is more than an insubstantial risk which the Directors determine (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) at their absolute discretion to be unacceptable that:

- (i) any Dividend would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act; or
- (ii) Suncorp would be exposed to more than a *de minimis* increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other charges) in relation to CPS3.

Terms means these terms of issue of CPS3.

Third Mandatory Conversion Condition has the meaning given in clause 3.3.

A. Suncorp CPS3 Terms (continued)

VWAP means, subject to any adjustments under clause 7, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means:

- (a) in the case of a Conversion resulting from a Potential Acquisition Event or an Acquisition Event, the lesser of:
 - (i) 20 Business Days on which trading in Ordinary Shares takes place; and
 - (ii) the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Potential Acquisition Event or Acquisition Event (as the case may be);

in each case immediately preceding (but not including) the Business Day before the Exchange Date or Acquisition Conversion Date in respect of that event (as the case may be);

- (b) in the case of a Conversion resulting from a Non-Viability Trigger Event, the period of five Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Non-Viability Conversion Date;
- (c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Terms; or
- (d) otherwise, the period for which VWAP is to be calculated in accordance with these Terms.

Written Off has the meaning given in clause 7.14 and **Write Off** has a corresponding meaning.



This Appendix provides a glossary of key terms and abbreviations used throughout this Prospectus and the attached, or accompanying, Application Forms. There is also a list of further defined terms in clause 19.2 of the CPS3 Terms immediately prior to this Glossary on page 102.

Glossary

B. Glossary

TERM	MEANING
ABN	Australian Business Number.
ACCC	Australian Competition and Consumer Commission.
Acquisition Conversion Date	Has the meaning given in clause 6.3 of the CPS3 Terms.
Acquisition Event	Has the meaning given in clause 19.2 of the CPS3 Terms.
Acquisition Event Notice	Has the meaning given in clause 6.1 of the CPS3 Terms.
Additional Tier 1 Capital	Additional tier 1 capital as defined by APRA from time to time.
AFSL	Australian Financial Services Licence.
Applicant	A person who submits an Application.
Application	A valid application for a specified number of CPS3 made pursuant to either: <ul style="list-style-type: none"> the applicable Application Form; or in respect of the Institutional Offer, a duly completed confirmation letter or by such other procedure advised by the Joint Lead Managers.
Application Form	Each of the application forms attached to, or accompanying, this Prospectus upon which an Application may be made, being: <ul style="list-style-type: none"> the personalised Application Form provided to Eligible Securityholders for Applications under the Securityholder Offer; the orange Application Form in the back of this Prospectus to be used by Broker Firm Applicants under the Broker Firm Offer; and the electronic Application Form provided for online Applications under the Securityholder Offer.
Application Payment	The monies payable on each Application, calculated as the number of CPS3 applied for multiplied by the Issue Price.
APRA	Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for the prudential regulation of Suncorp.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691), or the securities market operated by it, as the context requires, or any successor.
ASX Listing Rules	The listing rules of ASX, as amended, varied or waived (whether in respect of Suncorp or generally) from time to time.
AUSTRAC	The Australian Transaction Reports and Analysis Centre.
Bank Bill Rate	Has the meaning described in Section 2.1.3. For the full definition—see clause 2.1 of the CPS3 Terms.
Banking Act	<i>Banking Act 1959</i> (Cth).
Basel III	The APRA prudential standards and reporting standards which came into effect on 1 January 2013 and which give effect to the capital reforms of the Basel Committee on Banking Supervision applicable to Australian deposit-taking institutions.
BBSW	Has the meaning described in Section 2.1.3.
Board or Board of Directors	The board of directors of Suncorp.
Bookbuild	The process described in Section 6.6.1 to determine the Margin.
Broker Firm Applicant	An Australian resident retail or high net worth client of a Syndicate Broker invited to participate through the Broker Firm Offer.

TERM	MEANING
Broker Firm Offer	The offer of CPS3 under this Prospectus to retail and high net worth clients of Syndicate Brokers, resident in Australia who have received a firm allocation from their Syndicate Broker.
Business Day	A business day as defined in the ASX Listing Rules.
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).
Closing Date	The last date by which Applications must be lodged for the Offer, expected to be: <ul style="list-style-type: none"> • 5:00pm (Sydney time) on 30 April 2014 for the Securityholder Offer (unless varied); and • 10:00am (Sydney time) on 6 May 2014 for the Broker Firm Offer (unless varied).
Co-Manager	JBWere Limited (ABN 21 006 797 897).
Common Equity Tier 1 Capital or CET1 Capital	Common equity tier 1 capital as defined by APRA from time to time.
Conglomerates Proposal	Has the meaning given in clause 19.2 of the CPS3 Terms.
Constitution	The constitution of Suncorp, as amended from time to time.
Conversion	The conversion of CPS3 into Ordinary Shares in accordance with clause 7 of the CPS3 Terms. Convert, Converting and Converted have corresponding meanings. For a full definition, see clause 19.2 of the CPS3 Terms.
Conversion Number	Has the meaning given in clause 7.1 of the CPS3 Terms.
Conversion Test Date Percentage	Has the meaning given in clause 3.3 of the CPS3 Terms.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CPS2	The convertible preference shares issued by Suncorp in 2012 under a prospectus dated 3 October 2012 (which replaced a prospectus dated 25 September 2012).
CPS3	Convertible preference shares, being fully paid preference shares issued by Suncorp which are to be issued under this Prospectus.
CPS3 Terms	Terms and conditions of CPS3 as set out in Appendix A, as amended from time to time.
Delisting Event	Has the meaning described in Section 2.2.5. For the full definition – see clause 19.2 of the CPS3 Terms.
Deutsche Bank	Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162, AFSL 238153).
Directors	Some or all of the directors of Suncorp acting as a board or the individuals who are the directors of Suncorp (as the context requires).
Distribution Restriction	The restriction is discussed in Section 2.1.8. For the full definition—see clause 2.7 of the CPS3 Terms.
Dividend	Has the meaning given in clause 2 of the CPS3 Terms.
Dividend Payment Date	In respect of a CPS3, 17 June 2014, and after that each 17 March, 17 June, 17 September, and 17 December until the date that the CPS3 is Redeemed or Converted. For the full definition—see clause 2.5 of the CPS3 Terms.

B. Glossary (continued)

TERM	MEANING
Dividend Payment Tests	<p>In relation to Dividends, each Dividend is subject to:</p> <ul style="list-style-type: none"> • the Directors, at their absolute discretion, resolving to pay the Dividend on the relevant Dividend Payment Date; • the payment of the Dividend on the Dividend Payment Date not resulting in the Eligible Capital of Suncorp Group not complying with APRA's then current prudential capital requirements, as they are applied to Suncorp Group at that time; • the payment not resulting in Suncorp becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and • APRA not otherwise objecting to the payment of the Dividend on the Dividend Payment Date. <p>See clause 2.3 of the CPS3 Terms.</p>
Dividend Period	<p>A period from (and including) the Issue Date until (but not including) the first Dividend Payment Date, or from a subsequent Dividend Payment Date until (but not including) the following Dividend Payment Date.</p> <p>For the full definition—see clause 19.2 of the CPS3 Terms.</p>
Dividend Rate	<p>The dividend rate on CPS3 calculated using the formula described in Section 2.1.2.</p> <p>For the full definition—see clause 2.1 of the CPS3 Terms.</p>
Eligible Capital	<p>The "Level 3 Group Eligible Capital" as defined in Suncorp's authority to be a non-operating holding company of a general insurer dated 30 November 2010 (as it may be amended) or any successor requirement as designated by APRA.</p>
Eligible Securityholder	<p>A Securityholder who is:</p> <ul style="list-style-type: none"> • a registered holder of Suncorp Ordinary Shares, Floating Rate Capital Notes, Subordinated Notes or CPS2 (as applicable) at 7.00pm (Sydney time) on 24 March 2014; • shown on the applicable register as having an address in Australia; and • not in the United States, or acting as a nominee for a person in the United States.
Embedded Value	<p>Equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder, that are expected to arise from in-force business, together with the value of franking credits.</p>
Equal Ranking Instruments	<p>Means:</p> <ul style="list-style-type: none"> • in respect of Dividends, any preference share or other instrument issued by Suncorp which ranks equally with CPS3 in respect of payment of dividends; and • in respect of winding-up, any preference share or other instrument issued by Suncorp which ranks equally with CPS3 for a return of capital in the winding-up of Suncorp, <p>including in each case the CPS2.</p>
Exchange	<p>Means:</p> <ul style="list-style-type: none"> • Conversion in accordance with, and subject to, clause 7 of the CPS3 Terms; • Redemption in accordance with, and subject to, clause 8 of the CPS3 Terms; or • Resale in accordance with, and subject to, clause 9 of the CPS3 Terms; or • a combination of two or more of Conversion, Redemption or Resale in accordance with clause 5.3(b) of the CPS3 Terms, <p>and Exchanged has a corresponding meaning.</p>
Exchange Date	<p>The date on which Exchange is to occur.</p> <p>For the full definition—see clause 5.2(b) of the CPS3 Terms.</p>
Exchange Method	<p>The means by which Exchange is effected.</p> <p>For the full definition—see clause 5.3 of the CPS3 Terms.</p>
Exchange Notice	<p>A notice issued by Suncorp to a Holder under clause 5.1 of the CPS3 Terms.</p>

TERM	MEANING
Executive Performance Share Plan	The Suncorp Executive Performance Share Plan (2002), being a share plan established by the Board in December 2002 and amended on 7 January 2011 and 18 November 2011.
Expiry Date	The date which is 13 months after 31 March 2014.
Exposure Period	The seven day period after the date this Prospectus was lodged with ASIC during which the Corporations Act prohibits the processing of Applications.
FATCA	The Foreign Account Tax Compliance Act provisions, sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements entered into, or non-US laws enacted with respect to those provisions).
First Mandatory Conversion Condition	Has the meaning described in Section 2.2.5. For the full definition—see clause 3.3 of the CPS3 Terms.
First Test Date Percentage	Has the meaning described in Section 2.2.6. For the full definition—see clause 3.3 of the CPS3 Terms.
Financial Claims Scheme	The scheme established under Division 2AA of Part II of the Banking Act.
Fixed Conversion Number	Has the meaning described in Section 2.4.6. For the full definition—see clause 7.14(b) of the CPS3 Terms.
Floating Rate Capital Notes	The floating rate capital notes issued by SML in 1998 under a prospectus dated 26 October 1998.
Foreign Holder	Has the meaning given in Section 2.7.4 For a full definition—see clause 19.2 of the CPS3 Terms.
General Insurance	The Suncorp Group's general insurance and associated businesses, as described more fully in Section 3.4.1.
Greenwoods & Freehills	Greenwoods & Freehills Pty Limited (ABN 60 003 146 852).
Gross Written Premium or GWP	The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.
GST	Has the meaning given by section 195-1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
HIN	Holder Identification Number for Ordinary Shares or CPS3 (when issued) held on the CHESS subregister.
Holder	A person whose name is registered in the Register as a holder of a CPS3.
Holding Statement	A statement issued to Holders by the Registry which sets out details of CPS3 issued to them under the Offer.
ICAAP	Suncorp Group's Internal Capital Adequacy Assessment Process.
Inability Event	Where Suncorp is prevented by applicable law, or order of any court, or action of any government authority (including regarding the insolvency, winding-up or other external administration of Suncorp) or by any other reason from Converting CPS3. Inability Event is discussed in Sections 2.4.6 and 5.1.12.
Institutional Investor	An investor to whom offers or invitations in respect of CPS3 can be made without the need for a lodged prospectus (or other formality, other than a formality which Suncorp is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act, and who has been invited by the Joint Lead Managers to bid for CPS3 in the Bookbuild, provided that such investor may not be in the United States.

B. Glossary (continued)

TERM	MEANING
Institutional Offer	The invitation by the Joint Lead Managers to Institutional Investors to bid for CPS3 in the Bookbuild.
Insurance Act	<i>Insurance Act 1973</i> (Cth).
Insurance Trading Result	Net incurred claims less operating expenses plus investment income on assets backing technical reserves.
Issue Date	The date on which the issue and allotment of CPS3 to successful Applicants is completed in accordance with the CPS3 Terms, expected to be 8 May 2014.
Issue Price	The issue price for CPS3 under this Prospectus, being \$100 per CPS3. For the full definition—see clause 1.2 of the CPS3 Terms.
ITR	The Insurance Trading Result expressed as a percentage of net earned premium.
Joint Lead Managers	Deutsche Bank, National Australia Bank Limited and UBS.
KPMGTS	KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 215, AFSL 246901).
LAGIC	The APRA prudential standards and reporting arrangements applicable to life insurers and general insurers in Australia which came into effect on 1 January 2013.
Liquidation Sum	In respect of each CPS3 held, the sum of: <ul style="list-style-type: none"> • the Issue Price; and • the amount of any Dividend resolved to be paid but unpaid. For the full definition—see clause 10.2 of the CPS3 Terms.
Mandatory Conversion	The mandatory conversion of CPS3 to Ordinary Shares on the Mandatory Conversion Date in accordance with clause 3 of the CPS3 Terms.
Mandatory Conversion Conditions	Has the meaning given in Section 2.2.5. For the full definition—see clause 3.3 of the CPS3 Terms.
Mandatory Conversion Date	The earlier of 17 June 2022 and the next Dividend Payment Date after that date on which the Mandatory Conversion Conditions are satisfied. For the full definition—see clause 3.2 of the CPS3 Terms.
Margin	The margin to be determined under the Bookbuild. For the full definition—see clause 2.1 of the CPS3 Terms.
Maximum Conversion Number	The maximum number of Ordinary Shares a Holder can receive following a Non-Viability Trigger Event. For the full definition—see clause 7.1 of the CPS3 Terms.
National Australia Bank Limited	National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686).
NOHC	Non-Operating Holding Company.
Nominated Purchaser	Has the meaning given in clause 19.2 of the CPS3 Terms.
Non-Viability Conversion	Has the meaning given in clause 19.2 of the CPS3 Terms.
Non-Viability Conversion Date	Has the meaning given in clause 2.4.2 of the CPS3 Terms.
Non-Viability Trigger Event	Non-Viability Trigger Event is discussed in Sections 2.4.2 and 5.1.12. For the full definition—see clause 4.1 of the CPS3 Terms.
NPAT	Net profit after tax.

TERM	MEANING
Offer	The offer by Suncorp of CPS3 under this Prospectus to raise \$250 million with the ability to raise more or less, and incorporates the Securityholder Offer, Institutional Offer and Broker Firm Offer.
Offer Management Agreement	The offer management agreement entered into between Suncorp and the Joint Lead Managers, as described in Section 9.5.
Offer Period	The period from the Opening Date to the Closing Date.
Opening Date	The day the Offer opens, being 8 April 2014, unless varied.
Optional Conversion Restrictions	Has the meaning given in Section 2.3. For the full definition—see clause 5.5 of the CPS3 Terms.
Optional Exchange Date	17 June 2020.
Ordinary Share	A fully paid ordinary share in the capital of Suncorp.
PCA	Prescribed capital amount as defined by APRA from time to time.
Potential Acquisition Event	Has the meaning described in Section 2.3.3. For the full definition—see clause 19.2 of the CPS3 Terms.
Privacy Act	<i>Privacy Act 1988</i> (Cth).
Prospectus	This document (including the electronic form of this document), and any supplementary or replacement prospectus in relation to this document, including the CPS3 Terms.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Redeem	In relation to a CPS3, subject to amendment in accordance with clause 15.1(d) of the CPS3 Terms, to redeem, buy back (other than by an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS3 in accordance with clause 8 of the CPS3 Terms. Redeemed and Redemption have corresponding meanings.
Register	In the context of Ordinary Shares, the register maintained by the Registry on Suncorp's behalf and including any subregisters established and maintained in CHESS. In the context of CPS3, see clause 19.2 of the CPS3 Terms.
Registry	In the context of Ordinary Shares, Link Market Services Limited (ABN 54 083 214 537) or any other registry that Suncorp appoints to maintain the Register for Ordinary Shares. In the context of CPS3, see the definition of "Registrar" in clause 19.2 of the CPS3 Terms.
Regulated Entity	An authorised general insurer under the Insurance Act, an authorised deposit-taking institution under the Banking Act, a registered life insurance company under the <i>Life Insurance Act 1995</i> (Cth), or other prudentially regulated entity.
Regulatory Event	Broadly will occur if: <ul style="list-style-type: none"> • Suncorp receives legal advice that, as a result of a change of law or regulation on or after the Issue Date, additional requirements would be imposed on Suncorp in relation to CPS3 which the Directors determine to be unacceptable; or • the Directors determine that Suncorp is not or will not be entitled to treat some or all CPS3 as a Relevant Preference Security, except where this is because of a limit or other restriction on that treatment which is in effect on the Issue Date, or which on the Issue Date is expected by Suncorp may come into effect or which is because of the implementation of the Conglomerates Proposal. For the full definition—see clause 19.2 of the CPS3 Terms.
Relevant Fraction	Relevant Fraction is discussed in Section 2.2.5. For the full definition—see clause 19.2 of the CPS3 Terms.

B. Glossary (continued)

TERM	MEANING
Relevant Preference Security	<p>A subordinated instrument (other than an Ordinary Share) issued by Suncorp or another member of Suncorp Group with no fixed maturity date which:</p> <ul style="list-style-type: none"> • in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off where APRA makes a determination as referred to in clause 4.1 of the CPS3 Terms; and • either: <ul style="list-style-type: none"> – constitutes Additional Tier 1 Capital of Suncorp Group as at the date of its issue; or – APRA has confirmed in writing to Suncorp that, as at the date of issue of the instrument, it does not object to Suncorp Group using the proceeds of the issue of that instrument to fund Additional Tier 1 Capital of a Regulated Entity within Suncorp Group, <p>and includes CPS3.</p>
Resale	<p>Resale is discussed in Section 2.3.8.</p> <p>For the full definition—see clause 19.2 of the CPS3 Terms.</p> <p>Resold and Resell have corresponding meanings.</p>
Resale Price	For a CPS3, a cash amount equal to its Issue Price.
Scheduled Mandatory Conversion Date	17 June 2022.
Second Mandatory Conversion Condition	<p>The Second Mandatory Conversion Condition is discussed in Section 2.2.5.</p> <p>For the full definition—see clause 3.3 of the CPS3 Terms.</p>
Securityholder	A holder of an Ordinary Share, Floating Rate Capital Note, CPS2 or Subordinated Note as the context requires.
Securityholder Applicant	An Eligible Securityholder who applies under the Securityholder Offer.
Securityholder Offer	The offer to Eligible Securityholders to apply for CPS3 under this Prospectus.
Shareholder	A holder of any share in the capital of Suncorp, including any preference share or Ordinary Share from time to time.
SML	Suncorp-Metway Limited (ABN 66 010 831 722).
Special Resolution	A resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution
SRN	Securityholder Reference Number for Ordinary Shares or CPS3 (when issued) held on the issuer sponsored subregister.
Subordinated Notes	The subordinated notes issued by Suncorp in 2013 under a prospectus dated 18 April 2013 (which replaced a prospectus dated 10 April 2013).
Suncorp	Suncorp Group Limited (ABN 66 145 290 124).
Suncorp Bank or Bank	The Suncorp Group's banking and associated businesses conducted by SML, as described in Section 3.4.2.
Suncorp Group	The statutory consolidated group comprising Suncorp and its subsidiaries. The Suncorp Group and its activities are described in Section 3.
Suncorp Life or Life	The Suncorp Group's life insurance, superannuation and associated businesses, as described in Section 3.4.3.
Syndicate Broker	Any of the Joint Lead Managers and any senior co-manager, co-managers and brokers appointed by the Joint Lead Managers with the approval of Suncorp.

TERM	MEANING
Tax Event	Broadly, occurs when the Directors receive advice that, as a result of a change in Australian tax law (including any announced prospective change), on or after the Issue Date (and which Suncorp did not expect on the Issue Date), there is a more than insubstantial risk that a Dividend would not be frankable or that Suncorp would be exposed to an insignificant increase in its costs in relation to CPS3 being on issue. For the full definition—see clause 19.2 of the CPS3 Terms.
TFN	Tax File Number.
Third Mandatory Conversion Condition	The Third Mandatory Conversion Condition is discussed in Section 2.2.5. For the full definition—see clause 3.3 of the CPS3 Terms.
Tier 1 Capital	Tier 1 capital as defined by APRA from time to time.
Tier 2 Capital	Tier 2 capital as defined by APRA from time to time.
Total Capital	Total capital as defined by APRA from time to time.
Treasury Shares	Ordinary shares of Suncorp that are acquired by subsidiaries including share-based remuneration trusts and controlled unit trusts. They are deducted from consolidated equity at the amount of the consideration paid. No gain or loss on treasury shares is recognised.
UBS	UBS AG, Australia Branch (ABN 47 088 129 613, AFSL 231087).
Underlying ITR	ITR adjusted for reserve releases above or below long run expectations, natural hazards above or below long run allowances, investment income mismatch and other adjustments.
US Securities Act	<i>US Securities Act of 1933.</i>
winding-up	Winding-up broadly involves the winding-up of a company's affairs by way of realising its assets, paying off its creditors and distributing surplus assets (if any) to its members, and can occur in several ways under the Corporations Act, including in circumstances of insolvency.
Written Off or Write Off	Has the meaning described in Section 2.4.6. For the full definition—see clause 19.2 of the CPS3 Terms.
VWAP	Has the meaning described in Section 2.2. For the full definition—see clause 19.2 of the CPS3 Terms.

Corporate directory

Issuer

Suncorp Group Limited

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Arranger

UBS AG, Australia Branch

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Sydney NSW 2000

Australian legal adviser

King & Wood Mallesons

Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Joint Lead Managers

Deutsche Bank AG, Sydney Branch

Level 16
Cnr Hunter and Phillip Streets
Sydney NSW 2000

National Australia Bank Limited

Level 25
255 George Street
Sydney NSW 2000

UBS AG, Australia Branch

Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Co-Manager

JBWere Limited

Level 16
101 Collins Street
Melbourne VIC 3000

Australian tax adviser

Greenwoods & Freehills Pty Limited

ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Auditor

KPMG

Level 16, Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

Registry

Link Market Services Limited

Level 15
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Brisbane QLD 4000

How to contact us

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Monday to Friday—8:00am to 7:30pm (Sydney time)

Website:

www.suncorpgroup.com.au/cps3

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