

ASX announcement

27 September 2016

AAI Limited prices A\$330 million of wholesale, floating rate subordinated notes

Suncorp Group Limited (Suncorp) today announced that its wholly-owned subsidiary, AAI Limited (AAI), has successfully priced an issue of A\$330 million (aggregate principal amount) floating rate subordinated notes (Subordinated Notes) in an offering to institutional and wholesale investors.

AAI operates Suncorp's Australian General Insurance businesses and the Subordinated Notes qualify as Tier 2 Capital under the Australian Prudential Regulation Authority (APRA) capital adequacy framework for general insurers.

Suncorp Chief Financial Officer (CFO) Steve Johnston said the Group was well capitalised and had access to a broad range of funding sources, supported by a diversified business model.

"We are very pleased with the positive investor response received for this new AAI subordinated notes issue," Mr Johnston said.

"The bookbuild was multiple times oversubscribed and attracted bids from a variety of high quality institutional and sophisticated investors, a number of which are new investors in AAI.

The strong support demonstrates that investors recognise AAI's market position and robust outlook. The subordinated notes issue will result in AAI's capital sitting at the top end of its target operating range and well above minimum regulatory requirements."

The Subordinated Notes are anticipated to be issued on or about 6 October 2016, and include the following terms:

- an optional redemption date of 6 October 2022 and a maturity date of 6 October 2042;
- quarterly, cumulative, deferrable interest payments at a floating rate equal to the three month bank bill swap rate (BBSW) plus a margin of 3.20% per annum;
- AAI has the option to redeem the Subordinated Notes on the optional redemption date and for certain tax and regulatory events (in each case subject to APRA's prior written approval);
- holders have the option to convert their Subordinated Notes into ordinary shares in Suncorp (Ordinary Shares) on each interest payment date on or following 6 October 2024, subject to certain conditions;
- if APRA determines that a non-viability event has occurred in relation to AAI or Suncorp Insurance Holdings Limited, all (or in some circumstances, some) of the Subordinated Notes will be immediately converted into Ordinary Shares (or, if conversion cannot be effected for any reason within five business days, written off); and
- conversion will be based on a volume-weighted average price (VWAP) of Ordinary Shares over a certain period prior to the relevant date for conversion, less a discount of 1%, subject to minimum conversion price equal to 50% (in the case of conversion at the option of the holders) or 20% (in the case of conversion due to a non-viability event) of the VWAP over a period prior to the issue date (subject to adjustments for certain corporate actions of SUN after the issue date).

The issue proceeds are intended to be used for general corporate purposes and will form part of AAI's shareholders' funds investment portfolio. No shareholder approval is needed for the issue.

This announcement does not constitute an offer of any securities for issue or sale in any jurisdiction and is not prepared for or to be relied for the purposes of any investment decision. Prospective investors should refer to the information memorandum issued by AAI for information relating to the issue. The information memorandum is not available to and Subordinated Notes may not be issued or sold to 'retail clients' as defined in section 761G of the Corporations Act.

This announcement does not constitute an offer to sell or solicitation of an offer to buy, any securities in the United States. The securities referenced herein have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable U.S. state securities laws.

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For more information contact:

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| Media: | Nadia Farha | 0408 535 993 |
| Analysts/Investors: | Andrew Dempster | 0497 799 960 |