



# Suncorp Group Limited

## *Capital Notes 2 Prospectus*

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Prospectus for the issue of Capital Notes 2 to raise \$250 million with the ability to raise more or less

**Issuer**  
Suncorp Group Limited

**Arranger**  
UBS

**Joint Lead Managers**  
ANZ Securities  
Morgans  
National Australia Bank  
UBS  
Westpac Institutional Bank

**Co-Managers**  
Crestone Wealth Management  
JBWere



**Suncorp Group Limited**  
ABN 66 145 290 124



## Important notices

### About this Prospectus

This Prospectus relates to the offer by Suncorp Group Limited (ABN 66 145 290 124) (**Suncorp**) of Capital Notes 2 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 23 October 2017 pursuant to section 713(1) of the Corporations Act (as modified by ASIC Corporations (Offers of Convertibles) Instruments 2016/83). This Prospectus expires on the date which is 13 months after 23 October 2017 (**Expiry Date**) and no Capital Notes 2 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 Capital Notes 2 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 Capital Notes 2 at \$100 per Capital Note 2 to raise \$250 million with the ability to raise more or less.

Capital Notes 2 are issued by Suncorp, an ASX-listed company incorporated in Australia. Suncorp is the ultimate parent company of a group of insurance, banking and wealth 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.

Capital Notes 2 are unsecured notes for the purposes of section 283BH of the Corporations Act.

Capital Notes 2 are issued by Suncorp under the Trust Deed and Holders have no direct right to claim against Suncorp except as provided in the Trust Deed (which includes the Terms).

**Capital Notes 2 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**

Capital Notes 2 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 policyholder protection provisions of the Insurance Act;
- guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction; or
- secured over any of Suncorp's or any member of the Suncorp Group's assets.

The investment performance of Capital Notes 2 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 Capital Notes 2 is detailed in Section 5.

### Exposure Period

The Corporations Act prohibits Suncorp from processing Applications to subscribe for Capital Notes 2 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 during the Exposure Period.

## How to obtain a Prospectus and Application Form

Persons in Australia may, during the Offer Period, obtain a paper copy of this Prospectus (free of charge) by telephoning the Suncorp Capital Notes 2 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 downloading a copy of the Prospectus at [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg).

This Prospectus is also available to Australian investors in electronic form at [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg). 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.

Applications for Capital Notes 2 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.

## Providing personal information

You will be asked to provide personal information to Suncorp via its agent Registry if you apply for Capital Notes 2. See Section 9.13 for details of how your personal information is handled.

## 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 Capital Notes 2 or the Offer or to otherwise permit a public offering of Capital Notes 2 outside Australia.

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither Capital Notes 2 nor Ordinary Shares have been, or will be, registered under the U.S. 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. Capital Notes 2 are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the U.S. Securities Act.

See Section 7.7.1 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 also 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 Capital Notes 2 to be quoted on ASX. Capital Notes 2 are expected to trade under ASX code 'SUNPG'.

## Website

The Suncorp Group maintains a website at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au). Information contained in, or otherwise accessible, through this or a related website is not 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.

Capital Notes 2 are complex and involve more risks than a simple debt or ordinary equity security. Capital Notes 2 are not suitable for all investors and contain features which may make the Terms difficult to understand. Suncorp strongly recommends that you seek professional guidance from a licensed adviser, which takes into account your particular investment objectives and circumstances, before you make an investment decision.

## Diagrams

The diagrams used in this Prospectus are illustrative only. They may not necessarily be shown to scale. The diagrams are based on information which is current as at the date shown.

## Enquiries

If you are considering applying for Capital Notes 2 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 telephone the Suncorp Capital Notes 2 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).

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# Chairman's letter

23 October 2017

Dear Investors,

On behalf of the Directors, I am pleased to present you with an opportunity to invest in Capital Notes 2.

The Suncorp Group is a top 20 ASX-listed financial services group which delivers insurance and banking and wealth products and services across Australia and New Zealand. We operate a portfolio of brands including Suncorp, AAMI, GIO, Apia and Shannons.

Suncorp intends to raise \$250 million through the offer of Capital Notes 2 with the ability to raise more or less. The Offer comprises an Institutional Offer, a Broker Firm Offer, a Reinvestment Offer and a Securityholder Offer (should it proceed).

If you currently hold Suncorp convertible preference shares issued in 2012 (**CPS2**), you may be eligible to reinvest your CPS2 in Capital Notes 2. You can apply to reinvest your CPS2 through your Syndicate Broker (under the Broker Firm Offer) or directly by applying online or submitting a paper Application under the Reinvestment Offer. The alternatives available to Eligible CPS2 Holders are outlined in Section 6. Eligible CPS2 Holders who apply to reinvest through a Syndicate Broker will receive their allocation from their Syndicate Broker.

Suncorp currently has an option to convert, redeem or resell the CPS2 on 18 December 2017 and will consider converting, redeeming or reselling the outstanding CPS2 that are not reinvested in Capital Notes 2 on that date, subject to various factors (including satisfactory completion of the Offer and market conditions closer to 18 December 2017).

Capital Notes 2 are being issued as part of Suncorp's ongoing funding and capital management strategy. Suncorp is issuing Capital Notes 2 to raise Eligible Additional Tier 1 Capital, the proceeds of which it expects to use to fund the capital needs of one or more Regulated Entities within the Suncorp Group and for general corporate and funding purposes, including the partial refinancing of CPS2 through the Reinvestment Offer.

Capital Notes 2 are perpetual, convertible, subordinated, unsecured notes to be issued by Suncorp. Capital Notes 2 are scheduled to pay discretionary quarterly Distributions which are expected to be fully franked. Suncorp will apply for Capital Notes 2 to be quoted on ASX.

At Suncorp's option, Capital Notes 2 may be Converted, Redeemed or Resold (**Exchanged**) on 17 June 2024 or earlier in certain circumstances, subject to the Australian Prudential Regulation Authority's (**APRA**) prior written approval<sup>1</sup>. If still outstanding, Capital Notes 2 will mandatorily Convert into Ordinary Shares of Suncorp on 17 June 2026 (subject to certain conditions being satisfied). If those conditions are not satisfied on that date, mandatory Conversion will be deferred until a later date, when those conditions are re-tested. The key features of Capital Notes 2 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. Capital Notes 2 are complex and involve more risks than a simple debt or ordinary equity security. They are not suitable for all investors and contain features which may make the Terms difficult to understand. You should also seek professional guidance from a licensed adviser, which takes into account your particular investment objectives and circumstances, before deciding whether to apply for Capital Notes 2.

If, after reading this Prospectus, you have any questions about the Offer or how to apply for Capital Notes 2 under the Reinvestment Offer or Securityholder Offer (should it proceed), please telephone the Suncorp Capital Notes 2 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 any questions in relation to the Broker Firm Offer, please call your Syndicate Broker.

The key dates for the Offer are summarised on page 8. 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 AO**

Chairman

<sup>1</sup> You should not assume that APRA's approval will be given for any Exchange of Capital Notes 2 if requested.

# Guidance for investors

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|--|---|
| <b>1. Read this Prospectus in full</b>                                 | <ul style="list-style-type: none"><li>– If you are considering applying for Capital Notes 2 under the Offer, this Prospectus is important and should be read in its entirety.</li><li>– You should have particular regard to the:<ul style="list-style-type: none"><li>– 'Important notices' at the front of this Prospectus;</li><li>– 'Investment overview' in Section 1 and 'About Capital Notes 2' in Section 2;</li><li>– 'Investment risks' in Section 5; and</li><li>– Capital Notes 2 Terms in Appendix A.</li></ul></li><li>– In considering whether to apply for Capital Notes 2, it is important that you consider all risks and other information regarding an investment in Capital Notes 2 in light of your particular investment objectives and circumstances.</li></ul> |
| <b>2. Speak to your licensed adviser</b>                               | <ul style="list-style-type: none"><li>– Capital Notes 2 are complex and involve more risks than a simple debt or ordinary equity security. Capital Notes 2 are not suitable for all investors and contain features which may make the Terms difficult to understand.</li><li>– Suncorp strongly recommends that you seek professional guidance from a licensed adviser, which takes into account your particular investment objectives and circumstances, before you make an investment decision.</li><li>– ASIC has published guidance on how to choose a licensed financial adviser on its MoneySmart website. You can read this guidance by searching for the term 'choosing a financial adviser' at <a href="http://www.moneysmart.gov.au">www.moneysmart.gov.au</a>.</li></ul>     |
| <b>3. Consider ASIC guidance for retail investors</b>                  | <ul style="list-style-type: none"><li>– ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of Capital Notes 2. You can find this guidance by searching 'hybrid securities' at <a href="http://www.moneysmart.gov.au">www.moneysmart.gov.au</a>.</li><li>– 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.</li></ul>   |
| <b>4. Obtain further information about Suncorp and Capital Notes 2</b> | <ul style="list-style-type: none"><li>– Suncorp is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Suncorp must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about Suncorp that a reasonable person would expect to have a material effect on the price or value of its securities, including Capital Notes 2.</li><li>– Copies of documents lodged with ASIC, which are publicly available, can be obtained from ASIC's website <a href="http://www.asic.gov.au">www.asic.gov.au</a> (a fee may apply) and Suncorp's ASX announcements may be viewed at <a href="http://www.asx.com.au">www.asx.com.au</a>.</li></ul>   |
| <b>5. Enquiries</b>  | <ul style="list-style-type: none"><li>– If you have any questions in relation to the Offer or an Application, please see <a href="http://www.suncorpgroup.com.au/sunpg">www.suncorpgroup.com.au/sunpg</a> or telephone the Suncorp Capital Notes 2 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).</li></ul>   |
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## Key dates

<b>Key dates for the Offer</b>	<b>Date</b>
Record date for determining Eligible Securityholders	19 October 2017
Lodgement of this Prospectus with ASIC	23 October 2017
Bookbuild to determine the Margin	30 October 2017
Announcement of the Margin	30 October 2017
Lodgement of the replacement Prospectus with ASIC	31 October 2017
Opening Date for Broker Firm Offer and the Securityholder Offer (should it proceed)	31 October 2017
Closing Date for the Securityholder Offer (should it proceed)	5:00pm Sydney time on 17 November 2017
Closing Date for the Broker Firm Offer (excluding applications in respect of the Reinvestment Offer)	10:00am Sydney time on 23 November 2017
Issue Date	24 November 2017
Capital Notes 2 commence trading on ASX (deferred settlement basis)	27 November 2017
Date the Holding Statements are despatched by	29 November 2017
Capital Notes 2 commence trading on ASX (normal settlement basis)	30 November 2017

<b>Key dates for Capital Notes 2</b>	<b>Date</b>
First quarterly Distribution Payment Date	19 March 2018
Optional Exchange Date	17 June 2024
Scheduled Mandatory Conversion Date	17 June 2026

<b>Key dates for CPS2 Holders</b>	<b>Date</b>
Record date for determining Eligible CPS2 Holders for the Reinvestment Offer	7:00pm Sydney time on 19 October 2017
Opening Date for the Reinvestment Offer	31 October 2017
Closing Date for the Reinvestment Offer	5:00pm Sydney time on 17 November 2017
Closing Date for the Broker Firm Offer (applications in respect of the Reinvestment Offer)	5:00pm Sydney time on 17 November 2017
Reinvestment CPS2 Repayment Date and, subject to the payment tests in the CPS2 Terms, payment date for Pro Rata Dividend in respect of the Reinvestment CPS2	24 November 2017
Optional exchange date for remaining CPS2	18 December 2017

### Dates may change

These dates are indicative only and may change without notice.

Suncorp and the Joint Lead Managers may, at their discretion, 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 Capital Notes 2 are issued.



# 1. Investment overview

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This Section provides a summary of the key features and risks of investing in Capital Notes 2. Detailed information about these matters is provided in this Prospectus and it is important that you read this Prospectus in full before deciding whether to apply for Capital Notes 2.



## 1.1 Key features of the Offer

Topic	Summary	Further information
What is the Offer?	<ul style="list-style-type: none"> <li>– The Offer is for the issue of Capital Notes 2 to raise approximately \$250 million with the ability to raise more or less.</li> <li>– The final size of the Offer will depend on the volume of Applications received and accepted under the Securityholder Offer (should it proceed) and the Reinvestment Offer with Suncorp reserving the right to scale back Applications or increase the final size of the Offer if there is excess demand.</li> </ul>	Section 7.1
Who is the issuer?	<ul style="list-style-type: none"> <li>– The issuer is Suncorp Group Limited.</li> </ul>	Section 3
What are Capital Notes 2?	<ul style="list-style-type: none"> <li>– Capital Notes 2 are: <ul style="list-style-type: none"> <li>– <b>fully paid</b>—at \$100 Issue Price per Capital Note 2;</li> <li>– <b>subordinated</b>—although Capital Notes 2 have priority over Ordinary Shares and rank equally with Equal Ranking Instruments, they are subordinated to the claims of Senior Ranking Creditors in a winding-up of Suncorp;</li> <li>– <b>perpetual</b>—Capital Notes 2 do not have any fixed maturity date and you may not receive your capital back or receive any Ordinary Shares;</li> <li>– <b>Redeemable and Resalable</b>—in certain circumstances, Suncorp may Redeem Capital Notes 2 by paying an amount equal to their Issue Price or may require Holders to Resell their Capital Notes 2 to a third party in exchange for a cash amount equal to their Issue Price (but there are significant restrictions on Redemption or Resale of Capital Notes 2);</li> <li>– <b>convertible</b>—in certain circumstances, Capital Notes 2 will Convert into Ordinary Shares;</li> <li>– <b>unguaranteed and unsecured</b>—Capital Notes 2 are not guaranteed or secured, are not policy liabilities or deposit liabilities of Suncorp or any member of Suncorp Group, and are not protected policies under the Insurance Act or protected accounts under the Banking Act;</li> <li>– <b>exposed to Non-Viability Trigger Events</b>—if APRA determines that a Non-Viability Trigger Event has occurred, Capital Notes 2 will be subject to Conversion into Ordinary Shares or Write-Off, which would likely result in Holders suffering a material loss; and</li> <li>– <b>quoted</b>—Suncorp will apply, within seven days after the date of this Prospectus, to ASX for Capital Notes 2 to be quoted on ASX and Capital Notes 2 are expected to trade under ASX code 'SUNPG'.</li> </ul> </li> <li>– The Terms are complex and include features to comply with the regulatory capital requirements which APRA applies to these types of securities and to qualify for rating agency equity credit. Suncorp's ability to pay a Distribution or to Exchange Capital Notes 2 are, in each case, subject to a number of restrictions, including, in the case of a payment of a Distribution, APRA not objecting to the Distribution payment and, in the case of Optional Exchange, APRA giving its prior written approval to the Exchange. Holders should not assume that APRA's approval will be given, if requested.</li> </ul>	Section 2
What is the Issue Price?	<ul style="list-style-type: none"> <li>– \$100 per Capital Note 2. This is the price you need to pay to apply for each Capital Note 2 under the Prospectus.</li> </ul>	

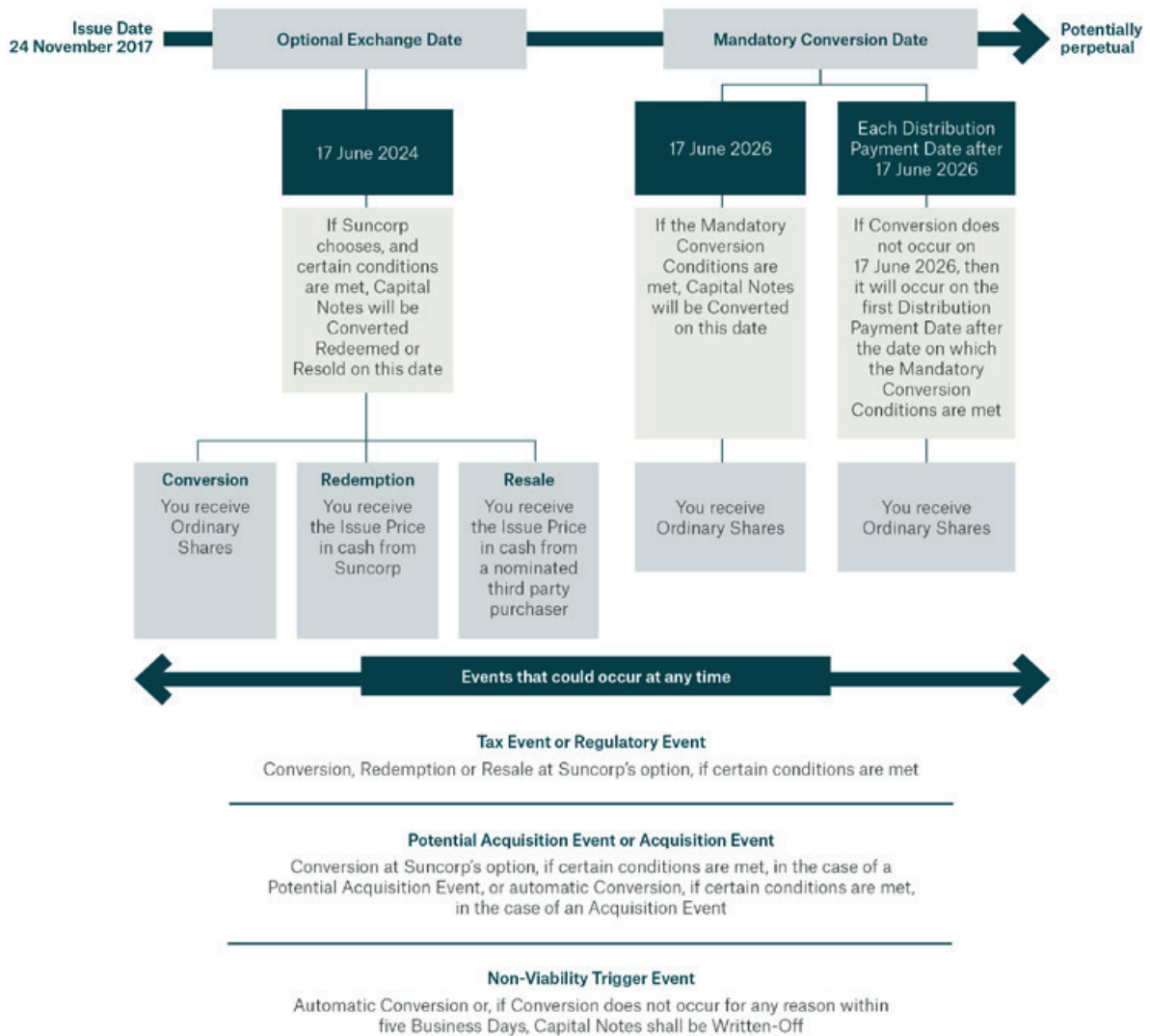
Topic	Summary	Further information
Why is Suncorp issuing Capital Notes 2?	<ul style="list-style-type: none"> <li>– Capital Notes 2 are being issued as part of Suncorp's ongoing funding and capital management strategy. Suncorp is issuing Capital Notes 2 to raise Eligible Additional Tier 1 Capital, the proceeds of which it expects to use to fund the capital needs of one or more Regulated Entities within the Suncorp Group and for general corporate and funding purposes, including the partial refinance of CPS2 through the Reinvestment Offer.</li> <li>– Suncorp currently has an option to convert, redeem or resell the CPS2 on 18 December 2017 and will consider converting, redeeming or reselling the outstanding CPS2 that are not reinvested in Capital Notes 2 on that date, subject to various factors (including satisfactory completion of the Offer and market conditions closer to 18 December 2017).</li> </ul>	Sections 2.6 and 4.5
What Distributions are payable?	<ul style="list-style-type: none"> <li>– Capital Notes 2 are scheduled to pay quarterly floating rate cash Distribution payments in arrears, so long as Capital Notes 2 remain on issue (subject to no Payment Condition existing).</li> <li>– The Distribution Rate is calculated in accordance with the following formula: <ul style="list-style-type: none"> <li>Distribution Rate = (<b>Bank Bill Rate + Margin</b>) x (1 – <b>Tax Rate</b>)</li> </ul> <p>where:</p> <ul style="list-style-type: none"> <li>– <b>Bank Bill Rate</b> is the 3-month Bank Bill Rate (described in Section 2.1.3) on the first Business Day of the relevant Distribution Period;</li> <li>– <b>Margin</b> is expected to be in the range of 3.65% - 3.85%, to be determined under the Bookbuild; and</li> <li>– <b>Tax Rate</b> is the Australian corporate tax rate applicable to the franking account of Suncorp as at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30% (but that rate may change).</li> </ul> </li> </ul>	Section 2.1
Will Distributions be franked?	<ul style="list-style-type: none"> <li>– Distributions paid on Capital Notes 2 are expected to be fully franked.</li> <li>– If Distributions are fully franked, the cash amount received by Holders on each Distribution Payment Date is based on the Distribution Rate calculated using the formula above. If a Distribution is not fully franked, it will be adjusted to reflect the applicable Franking Rate.</li> <li>– The ability of Holders to use franking credits will depend on their individual tax position. Holders should also be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution.</li> <li>– Holders should refer to the Australian taxation summary in Section 8 and each Holder should obtain professional advice in relation to their tax position.</li> </ul>	Section 2.1.5
Will Distributions be paid?	<ul style="list-style-type: none"> <li>– Payments of Distributions are at the absolute discretion of Suncorp, which means Suncorp does not have to pay them. Distributions are also only payable subject to no Payment Condition existing.</li> <li>– Distributions are non-cumulative which means that Holders will not have any claim or right to compensation if Suncorp does not pay a Distribution. Failure to pay a Distribution when scheduled will not constitute an event of default.</li> <li>– If a Distribution is not paid in full on a Distribution Payment Date, subject to certain exceptions, Suncorp cannot pay or declare or determine to pay any Ordinary Share Dividend, or undertake any Buy-Back or Capital Reduction, until and including the next Distribution Payment Date (unless the Distribution is paid in full within three Business Days of the Distribution Payment Date).</li> </ul>	Sections 2.1.7 and 2.1.8
Do Capital Notes 2 have a maturity date?	<ul style="list-style-type: none"> <li>– Capital Notes 2 do not have any fixed maturity date. While Capital Notes 2 are scheduled to Convert into Ordinary Shares on 17 June 2026, that Conversion is subject to conditions which may never be met. As a result, Capital Notes 2 could remain on issue indefinitely and Holders have no right to request or require an Exchange.</li> </ul>	Section 5.1.7

Topic	Summary	Further information
Will Capital Notes 2 be Redeemed?	<ul style="list-style-type: none"> <li>– As described in Section 2.3, if certain conditions are met (including APRA's prior written approval), Suncorp will have a right, but not an obligation, to Redeem Capital Notes 2:               <ul style="list-style-type: none"> <li>– on the Optional Exchange Date, being 17 June 2024; or</li> <li>– on the occurrence of a Tax Event or Regulatory Event.</li> </ul> </li> </ul>	Section 2.3
Will Capital Notes 2 Convert into Ordinary Shares?	<ul style="list-style-type: none"> <li>– Subject to certain conditions being satisfied, Capital Notes 2 may be Converted into Ordinary Shares in the following circumstances:               <ul style="list-style-type: none"> <li>– Mandatory Conversion (see Section 2.2);</li> <li>– Optional Conversion on the Optional Exchange Date (being 17 June 2024) or following a Tax Event, a Regulatory Event or a Potential Acquisition Event (see Section 2.3);</li> <li>– Conversion following a Non-Viability Trigger Event (this Conversion is not subject to any conditions) (see Section 2.4); or</li> <li>– Conversion following an Acquisition Event (see Section 2.5).</li> </ul> </li> <li>– In each case, a Capital Note 2 will Convert into a number of Ordinary Shares worth approximately \$101 based on the Volume Weighted Average Price (<b>VWAP</b>) at the time of Conversion<sup>1</sup>, except in the case of Conversion following a Non-Viability Trigger Event where Holders are likely to receive a number of Ordinary Shares worth significantly less than \$100 per Capital Note 2.</li> </ul>	Sections 2.2 to 2.5
In which circumstances may Capital Notes 2 be Written-Off?	<ul style="list-style-type: none"> <li>– Where Suncorp is required to Convert some or all Capital Notes 2 to Ordinary Shares following a Non-Viability Trigger Event but Conversion does not occur, for any reason, within five Business Days of APRA's Non-Viability Determination, then those Capital Notes 2 will be Written-Off. If this occurs, all rights in relation to those Capital Notes 2 (including in respect of Distributions and return of capital) will be immediately and irrevocably terminated and Holders will lose all of the value of those Capital Notes 2 without compensation.</li> </ul>	Section 2.4
What is the regulatory treatment of Capital Notes 2?	<ul style="list-style-type: none"> <li>– APRA has advised that Capital Notes 2 are eligible for inclusion as Eligible Additional Tier 1 Capital.</li> </ul>	Section 2.6

<sup>1</sup> The number of Ordinary Shares a Holder will receive on Conversion is calculated based on the VWAP during the VWAP Period. The share price on and after the date of Conversion may be higher or lower than this price.

## 1.2 Summary of events that may affect Capital Notes 2

The diagram below summarises certain events that may occur while Capital Notes 2 are on issue and what Holders may receive if those events occur. If none of these events occurs, Capital Notes 2 could remain on issue indefinitely and the Issue Price will not be repaid.



The table below provides further summary details about events that may affect what Holders may receive in relation to Capital Notes 2 under the Terms.

<b>Event</b>	<b>When?<sup>1</sup></b>	<b>Is APRA approval required?<sup>2</sup></b>	<b>Do conditions apply?</b>	<b>What value will a Holder receive?<sup>3</sup></b>	<b>In what form will that value be provided to a Holder?</b>	<b>Further information</b>
Optional Redemption or Resale	On 17 June 2024 or following a Tax Event or Regulatory Event	Yes	Yes	\$100 per Capital Note 2	Cash	Section 2.3
Optional Conversion	On 17 June 2024 or following a Tax Event, Regulatory Event or Potential Acquisition Event	Yes	Yes	Approximately \$101 per Capital Note 2	Variable number of Ordinary Shares	Section 2.3
Mandatory Conversion on specified dates	On 17 June 2026	No	Yes	Approximately \$101 per Capital Note 2	Variable number of Ordinary Shares	Section 2.2
Conversion upon Acquisition Event	On the Acquisition Conversion Date	No	Yes	Approximately \$101 per Capital Note 2	Variable number of Ordinary Shares	Section 2.5
Conversion or Write-Off following a Non-Viability Trigger Event	Immediately on a Non-Viability Trigger Event occurring	No (although APRA will determine that a Non-Viability Trigger Event has occurred)	No	Between \$101 (and likely to be significantly less) and \$0 per Capital Note 2	Variable number (capped at the Maximum Conversion Number) of Ordinary Shares or, if Conversion does not occur Capital Notes 2 will be Written-Off <sup>4</sup>	Section 2.4

1 In the case of Conversion, except for Conversion on account of a Non-Viability Trigger Event, if the relevant conversion conditions are not met, Conversion is deferred to the following Distribution Payment Date on which the relevant conversion conditions are satisfied.

2 Holders should not assume that APRA's approval will be given, if requested.

3 In the case of Conversion, the value stated is the value a Holder will receive on Conversion based on the share price during a specified period prior to Conversion called the VWAP Period. The VWAP period is usually a period of 20 Business Days on which trading in Ordinary Shares took place on ASX except in the case of a Non-Viability Trigger Event, where it is five Business Days, and in the case of an Acquisition Event or Potential Acquisition Event, where it may be less than 20 Business Days. The share price on and after the date of Conversion may be higher or lower than this price. Conversion as a result of a Non-Viability Trigger Event is not subject to any conditions and since the Conversion Number may not exceed the Maximum Conversion Number the value received is likely to be substantially less than \$101 per Capital Note 2.


4 If a Capital Note 2 is Written-Off, all rights (including to Distributions) in respect of that Capital Note 2 are terminated and the Holder will not get back their capital.

### 1.3 Ranking of Capital Notes 2 in a winding-up of Suncorp

In a winding-up of Suncorp, Capital Notes 2 rank ahead of Ordinary Shares, equally among themselves and other Equal Ranking Instruments (including CPS2, CPS3 and Capital Notes 1) and behind all Senior Ranking Creditors, as shown in the table below.

The ranking of Holders in a winding-up will be adversely affected if a Non-Viability Trigger Event occurs. If, following a Non-Viability Trigger Event, Capital Notes 2 are Converted into Ordinary Shares, Holders will have a claim as holders of Ordinary Shares. If, following a Non-Viability Trigger Event, Capital Notes 2 are Written-Off, those Capital Notes 2 will never be Exchanged, all rights in relation to those Capital Notes 2 will be terminated and Holders will not have their capital repaid.

The table below illustrates how Capital Notes 2 would rank upon a winding-up of Suncorp if they are on issue at the time (and have not been required to be Converted). In the table, a 'higher ranking' claim is one which will be paid out of Suncorp's available assets in a winding-up before claims with a lower ranking. It may be that lower ranking securityholders, including Holders, will be paid only part or none of the amounts owing to them (in the case of Holders, the claim for the Issue Price), as there may be insufficient assets remaining to make such payments after higher ranking claims have been paid.

	Type	Illustrative examples
Higher ranking  Lower 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	SGL Subordinated Notes and other subordinated and unsecured debt obligations
	Perpetual and subordinated instruments	Capital Notes 2, CPS2, CPS3, Capital Notes 1 and any other securities expressed to rank equally with Capital Notes 2
	Ordinary Shares	Ordinary Shares

Suncorp is a Non-Operating Holding Company (**NOHC**) and substantially all its assets are made up of shares in, or other claims on, Suncorp's subsidiaries. Accordingly, the claims of Holders against Suncorp will be limited to the value of Suncorp's residual claims to the net assets (if any) of the subsidiaries, after all liabilities of those subsidiaries, including liabilities to depositors, policyholders and other creditors, have been discharged or provided for.

## 1.4 Comparison between Capital Notes 2 and other types of investments

Capital Notes 2 are different from other types of investments such as term deposits and ordinary shares. The table below compares the key features of Capital Notes 2 to some other types of investments in the Suncorp Group. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding whether to apply for Capital Notes 2. Suncorp strongly recommends that you seek professional advice from a licensed adviser, which takes into account your particular investment objectives and circumstances. For a more detailed comparison of Capital Notes 2 and CPS2, refer to Section 6.2.

Feature	Standard term deposit	SGL Subordinated Notes	Suncorp CPS2 and CPS3	Suncorp Capital Notes 1	Suncorp Capital Notes 2	Suncorp Ordinary Shares
ASX code	Not applicable	SUNPD	CPS2: SUNPC CPS3: SUNPE	SUNPF	Expected to be SUNPG	SUN
Issuer	Suncorp-Metway Limited	Suncorp Group Limited	Suncorp Group Limited	Suncorp Group Limited	Suncorp Group Limited	Suncorp Group Limited
Legal form	Bank deposit	Unsecured, subordinated debt	Preference share	Unsecured, subordinated debt	Unsecured, subordinated debt	Ordinary share
Maturity	One month to five years	22 November 2023	Perpetual	Perpetual	Perpetual	Perpetual
Ranking in winding-up	Senior to general unsecured creditors of Suncorp-Metway Limited <sup>1</sup>	Junior to all senior creditors but senior to CPS2, CPS3, Capital Notes 1, Capital Notes 2 and Ordinary Shares	Equally with CPS2, CPS3, Capital Notes 1 and Capital Notes 2	Equally with CPS2, CPS3 and Capital Notes 2	Equally with CPS2, CPS3 and Capital Notes 1 <sup>2</sup>	Junior to all creditors, including Capital Notes 2
Protected under the Financial Claims Scheme	Yes <sup>3</sup>	No	No	No	No	No
Transferable on market	Term deposits are not listed	Yes	Yes	Yes	Yes	Yes
Distribution rate	Interest rate is fixed (varies across different amounts, terms and interest payment arrangements)	Floating (BBSW + 2.85% p.a.)	Floating CPS2: (BBSW + 4.65% p.a.) CPS3: (BBSW + 3.40% p.a.)	Floating (BBSW + 4.10% p.a.)	Floating (BBSW + Margin expected to be in the range of 3.65% - 3.85% to be determined under the Bookbuild)	Variable dividends
Distribution frequency	Monthly, quarterly, semi-annually, annually or on maturity depending on the term	Quarterly	Quarterly	Quarterly	Quarterly	Semi-annually



Feature	Standard term deposit	SGL Subordinated Notes	Suncorp CPS2 and CPS3	Suncorp Capital Notes 1	Suncorp Capital Notes 2	Suncorp Ordinary Shares
Distribution discretionary	No	No	Yes	Yes	Yes	Yes
Distribution cumulative	Interest payments cannot be waived or deferred	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Restriction on Ordinary Share Dividends if distribution not paid	No	No	Yes, until the next distribution payment date	Yes, until the next distribution payment date	Yes, until the next Distribution Payment Date	n/a
Franking	Interest payments are not franked	Unfranked	Expected to be fully franked	Expected to be fully franked	Expected to be fully franked	Expected to be fully franked
Non-Viability conversion or write-off	No	Yes	Yes	Yes	Yes <sup>4</sup>	No
Issuer's optional redemption <sup>5</sup>	No	Yes	Yes	Yes	Yes	No
Issuer's optional resale <sup>5</sup>	No	No	Yes	Yes	Yes	No
Issuer's optional conversion <sup>5</sup>	No	No	Yes	Yes	Yes	n/a
Scheduled mandatory conversion	No	No	Yes	Yes	Yes	n/a
Mandatory conversion on acquisition event	No	No	Yes	Yes	Yes	n/a
Treated as regulatory capital	No	Yes, Tier 2 Capital when deployed to Regulated Entities	Yes, Eligible Additional Tier 1 Capital	Yes, Eligible Additional Tier 1 Capital	Yes, Eligible Additional Tier 1 Capital	Yes, Common Equity Tier 1 Capital

Notes:

1 As provided in section 13A of the Banking Act.

2 Any return in a winding-up may be adversely affected if APRA determines that a Non-Viability Trigger Event has occurred, as described in Sections 1.3, 2.4.4 and 5.1.9.

3 Up to \$250,000 in aggregate across all accounts that an account holder has with an Australian ADI declared subject to the Financial Claims Scheme.

4 If Capital Notes 2 are not Converted when required, those Capital Notes 2 are Written-Off and all obligations are terminated. In this scenario, Holders will likely be worse off than holders of CPS2 and CPS3 or Ordinary Shares as further described in Sections 2.4.4 and 5.1.9.

5 Optional redemption, resale and conversion are on specified dates and following a tax or regulatory event.

## 1.5 Key risks associated with Capital Notes 2

Before applying for Capital Notes 2, you should consider whether Capital Notes 2 are a suitable investment for you. There are risks associated with an investment in Capital Notes 2 and in Suncorp, many of which are outside the control of Suncorp and its Directors. These risks include those described in this Section 1.5 and more fully in Section 5, and other matters referred to in this Prospectus.

Topic	Summary	Further information
Not deposit or policy liability	<ul style="list-style-type: none"> <li>Capital Notes 2 are not deposit or policy liabilities of Suncorp or any member of the Suncorp Group, are not protected accounts under the Banking Act or protected policies under the Insurance Act, and are not guaranteed by any government or other person.</li> </ul>	Section 5.1.1
Market price of Capital Notes 2	<ul style="list-style-type: none"> <li>The price at which Holders are able to sell Capital Notes 2 on ASX is uncertain. The market price might be below the Issue Price of \$100 per Capital Note 2.</li> <li>Circumstances in which the price of Capital Notes 2 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.</li> <li>Unlike Ordinary Shares, Capital Notes 2 do not provide a material exposure to growth in the Suncorp Group's business.</li> </ul>	Section 5.1.2
Liquidity	<ul style="list-style-type: none"> <li>There may be no liquid market for Capital Notes 2.</li> <li>Holder s who wish to sell their Capital Notes 2 may be unable to do so at a price acceptable to them, or at all.</li> </ul>	Section 5.1.3
Fluctuation in Ordinary Share price	<ul style="list-style-type: none"> <li>The market price of Ordinary Shares may fluctuate due to various factors, including Australian and worldwide economic conditions, investor perceptions and Suncorp's financial performance and position. In addition, the market price may be affected by the actual or prospective Conversion of Capital Notes 2.</li> <li>As a result, Holders receiving Ordinary Shares upon Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all.</li> </ul>	Section 5.1.4
Distributions may not be paid	<ul style="list-style-type: none"> <li>There is a risk that Distributions may not be paid as they are discretionary and will not be paid if a Payment Condition exists. Payment Conditions include APRA objecting to the payment, Suncorp becoming insolvent as a result of the payment or Suncorp Group not complying with APRA's prudential capital requirements as a result of the payment.</li> <li>Distributions are non-cumulative. Accordingly, in the event that Suncorp does not pay a scheduled Distribution, a Holder has no entitlement to that Distribution.</li> <li>Non-payment of a Distribution is not an event of default.</li> </ul>	Section 5.1.5
Changes in Distributions	<ul style="list-style-type: none"> <li>The Distribution Rate will fluctuate over time (it may increase and/or decrease) as a result of movements in the Bank Bill Rate.</li> <li>There is a risk that the Distribution Rate may become less attractive when compared with the rates of return available on comparable securities or financial products.</li> <li>The amount of cash Distributions will also fluctuate with any change in the rate of franking of Distributions.</li> </ul>	Sections 5.1.6 and 5.1.16
It is not certain whether and when Capital Notes 2 may be Exchanged	<ul style="list-style-type: none"> <li>There are a number of scenarios in which Capital Notes 2 may be Exchanged. It is uncertain whether and when Exchange may occur. The timing of any Exchange may not suit Holders.</li> <li>Capital Notes 2 may not be Exchanged at all, in which case they may remain on issue indefinitely and you may not receive your capital back or receive any Ordinary Shares.</li> </ul>	Sections 5.1.7 to 5.1.11

Topic	Summary	Further information
No right for Holders to request Exchange	<ul style="list-style-type: none"> <li>– Holders have no right to request that their Capital Notes 2 be Exchanged. To realise their investment, unless their Capital Notes 2 are Exchanged, Holders would need to sell their Capital Notes 2 on ASX at the prevailing market price. That price may be less than the Issue Price and there may be no liquid market in Capital Notes 2.</li> </ul>	Section 5.1.8
Conversion or Write-Off following a Non-Viability Trigger Event	<ul style="list-style-type: none"> <li>– If Conversion occurs following a Non-Viability Trigger Event, the Holder may receive Ordinary Shares worth significantly less than \$101 per Capital Note 2.</li> <li>– In cases where Conversion does not occur for any reason (including an Inability Event) within five Business Days after the Trigger Event Date, those Capital Notes 2 which are required to be Converted will be Written-Off.</li> <li>– If Capital Notes 2 are Written-Off, all rights in relation to those Capital Notes 2 will be terminated (and Holders will not get back their capital or receive compensation in relation to those Capital Notes 2).</li> </ul>	Section 5.1.9
Restrictions on rights and ranking in a winding-up of Suncorp	<ul style="list-style-type: none"> <li>– In a winding-up of Suncorp, Capital Notes 2 rank for payment ahead of Ordinary Shares, equally with Equal Ranking Instruments (which include CPS2, CPS3 and Capital Notes 1) but behind all Senior Ranking Creditors.</li> <li>– If there is a shortfall of funds on a winding-up of Suncorp to pay all amounts ranking senior to and equally with Capital Notes 2, Holders will lose all or some of their investment.</li> <li>– If Capital Notes 2 have been Converted into Ordinary Shares prior to a winding-up of Suncorp, the Ordinary Shares received on Conversion will rank equally with other Ordinary Shares. As such, a Holder's claim in a winding-up of Suncorp will rank lower than it would have if Capital Notes 2 had not been Converted.</li> <li>– If Capital Notes 2 are Written-Off, those Capital Notes 2 will never be Exchanged and therefore Holders will not get back their capital or receive compensation.</li> <li>– Suncorp is a NOHC and substantially all its assets are made up of shares in, or other claims on, Suncorp's subsidiaries. Accordingly, the claims of Holders against Suncorp will be limited to the value of Suncorp's residual claims to the net assets (if any) of the subsidiaries, after all liabilities of the relevant companies, including to depositors and policyholders, have been discharged or provided for.</li> </ul>	Section 5.1.13
Further issues or redemptions of securities by Suncorp	<ul style="list-style-type: none"> <li>– There is no limit on the amount of senior debt or other obligations or securities that may be incurred or issued by Suncorp at any time, which may affect a Holder's ability to be repaid on a winding-up of Suncorp.</li> <li>– There is no restriction on Suncorp redeeming or otherwise repaying other securities it may have on issue from time to time, including other securities which rank equally with or junior to Capital Notes 2 (other than to the extent the Distribution Restriction applies), and an investment in Capital Notes 2 carries no right to be redeemed or otherwise repaid at the same time as Suncorp redeems or otherwise repays other securities.</li> </ul>	Section 5.1.14
Suncorp's financial performance and position	<ul style="list-style-type: none"> <li>– The market price of Capital Notes 2 (and the Ordinary Shares into which they can Convert) may be affected by Suncorp's financial performance and position. For specific risks associated with an investment in Suncorp, see Section 5.2.</li> <li>– Suncorp's financial performance and position may also affect the credit ratings associated with Suncorp, which may impact the market price and liquidity of Capital Notes 2 (even though Capital Notes 2 themselves are not rated). Suncorp's credit rating may be revised, withdrawn or suspended by rating agencies at any time.</li> </ul>	Section 5.2

## 1.6 What is the Offer and how do I apply?

Topic	Summary	Further information
How is the Offer structured and who can apply?	<ul style="list-style-type: none"> <li>– The Offer comprises:               <ul style="list-style-type: none"> <li>– an Institutional Offer to Institutional Investors;</li> <li>– a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers;</li> <li>– a Securityholder Offer (should it proceed) made to Eligible Securityholders; and</li> <li>– a Reinvestment Offer made to Eligible CPS2 Holders.</li> </ul> </li> </ul>	Section 7
Is the Offer underwritten?	<ul style="list-style-type: none"> <li>– No.</li> </ul>	Section 9.8
When is the Offer Period?	<ul style="list-style-type: none"> <li>– The Reinvestment Offer opens on 31 October 2017.</li> <li>– The Broker Firm Offer and the Securityholder Offer (should it proceed) open on 31 October 2017.</li> <li>– The Reinvestment Offer and the Securityholder Offer (should it proceed) close at 5:00pm (Sydney time) on 17 November 2017.</li> <li>– The Broker Firm Offer (excluding applications in respect of the Reinvestment Offer) closes at 10:00am (Sydney time) on 23 November 2017.</li> </ul>	Key dates and Section 7
Reinvestment Offer for Eligible CPS2 Holders	<ul style="list-style-type: none"> <li>– Under the Reinvestment Offer, Eligible CPS2 Holders may apply for some or all of the CPS2 registered in their name at 7:00pm (Sydney time) on 19 October 2017 to be repaid in the amount of \$100 per CPS2 and the proceeds applied on the Issue Date to the Application Payment for Capital Notes 2.</li> <li>– You are an Eligible CPS2 Holder if you were a registered holder of CPS2 at 7:00pm (Sydney time) on 19 October 2017, shown on the CPS2 register as having an address in Australia and are not in the United States or acting for the account or benefit of a person in the United States.</li> <li>– Eligible CPS2 Holders can apply to reinvest their CPS2 through their Syndicate Broker or directly by submitting an online or paper Application.</li> <li>– There are differences between CPS2 and Capital Notes 2. Capital Notes 2 are complex and involve more risks than a simple debt or ordinary equity security. Capital Notes 2 are not suitable for all investors and contain features which may make the Terms difficult to understand. Suncorp strongly recommends that you seek professional guidance from a licensed adviser, which takes into account your particular investment objectives and circumstances, before you make an investment decision.</li> </ul>	Key dates and Sections 6 and 7
Is there a minimum Application size?	<ul style="list-style-type: none"> <li>– Applications must be for a minimum of 50 Capital Notes 2 (\$5,000) and, after that, in multiples of 10 Capital Notes 2 (\$1,000).</li> <li>– In respect of the Reinvestment Offer only, applications from Eligible CPS2 Holders may be for less than 50 Capital Notes 2 but only if that Eligible CPS2 Holder held 50 or less CPS2 as at 7:00pm (Sydney time) on 19 October 2017 and applies to reinvest all their CPS2 in Capital Notes 2.</li> </ul>	Sections 6.1.8 and 7.4.1

Topic	Summary	Further information
How can I apply?	<ul style="list-style-type: none"> <li>– Broker Firm Applicants must contact their Syndicate Broker.</li> <li>– Applications from Securityholder Applicants under the Securityholder Offer (should it proceed) can be made by either applying online at <a href="http://www.suncorp.com.au/sunpg">www.suncorp.com.au/sunpg</a> or completing a paper Application Form.</li> <li>– Applications from Eligible CPS2 Holders under the Reinvestment Offer can be made either: <ul style="list-style-type: none"> <li>– by either applying online at <a href="http://www.suncorp.com.au/sunpg">www.suncorp.com.au/sunpg</a> or completing a paper Application Form; or</li> <li>– through a Syndicate Broker.</li> </ul> </li> </ul>	Sections 6 and 7
How will Capital Notes 2 be allocated?	<ul style="list-style-type: none"> <li>– Allocations under the Institutional Offer and Broker Firm Offer will be determined by Suncorp in consultation with the Joint Lead Managers.</li> <li>– Suncorp (at its discretion and in consultation with the Joint Lead Managers) reserves the right to scale back Applications under the Securityholder Offer (should it proceed) and the Reinvestment Offer or increase the final size of the Offer if there is excess demand.</li> <li>– The Allocation Policy is described in Section 7.6.</li> </ul>	Section 7.6
Is there brokerage, commission or stamp duty payable?	<ul style="list-style-type: none"> <li>– No brokerage, commission or stamp duty is payable on your Application.</li> <li>– You may have to pay brokerage but will not have to pay any stamp duty if you sell your Capital Notes 2 on ASX after Capital Notes 2 have been quoted on ASX.</li> </ul>	Section 7.5.3
What are the tax implications of investing in Capital Notes 2?	<ul style="list-style-type: none"> <li>– A general description of the Australian taxation consequences of investing in Capital Notes 2 is set out in Section 8.</li> </ul>	Section 8
Where can I find more information about the Offer?	<ul style="list-style-type: none"> <li>– If you have any questions in relation to the Offer, please see <a href="http://www.suncorp.com.au/sunpg">www.suncorp.com.au/sunpg</a> or telephone the Suncorp Capital Notes 2 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).</li> <li>– If you are a Broker Firm Applicant, you should contact your Syndicate Broker.</li> </ul>	Section 7.8

## 2. About Capital Notes 2

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This Section is intended to provide information about the key features of Capital Notes 2. Where indicated, more detailed information is provided in other Sections of this Prospectus.



## 2.1 Distribution Payments

Capital Notes 2 are scheduled to pay quarterly Distributions, which are expected to be fully franked.

A Distribution will be paid only if Suncorp determines to pay it and if other conditions (summarised below) are met. The Distribution 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 Distribution is not paid, Holders have no right to receive that Distribution 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 Distribution Payment Date.

Topic	Summary	Further information																					
2.1.1 What are Distributions?	<ul style="list-style-type: none"> <li>– Distributions are discretionary, non-cumulative, floating rate payments in Australian dollars and are scheduled to be paid quarterly in arrears on the Distribution Payment Dates, so long as Capital Notes 2 remain on issue.</li> <li>– Distributions are subject to no Payment Condition existing in respect of the relevant Distribution Payment Date.</li> <li>– Distributions are expected to be fully franked and, accordingly, Holders are expected to receive franking credits in respect of any Distribution. However, Holders should be aware that franking is not guaranteed.</li> <li>– Distributions are non-cumulative. If a Distribution or part of a Distribution is not paid on a Distribution Payment Date, Holders will have no claim or entitlement in respect of non-payment and no right to receive that Distribution at a later time. Failure to pay a Distribution when scheduled will not constitute an event of default.</li> </ul>	Clause 3 of the Terms																					
2.1.2 How will the Distribution Rate be calculated?	<ul style="list-style-type: none"> <li>– The Distribution Rate for each quarterly Distribution will be calculated using the following formula:   <math display="block">\text{Distribution Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})</math> <p>where:</p> <ul style="list-style-type: none"> <li>– <b>Bank Bill Rate</b> is the 3-month Bank Bill Rate (described in Section 2.1.3) on the first Business Day of the relevant Distribution Period;</li> <li>– <b>Margin</b> is the margin to be determined under the Bookbuild; and</li> <li>– <b>Tax Rate</b> is the Australian corporate tax rate applicable to the franking account of Suncorp at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30% (but that rate may change).</li> </ul> </li> <li>– As an example, assuming the Bank Bill Rate for a Distribution Period is 1.7000% per annum, the Margin is 3.6500% per annum and the Tax Rate is 30%, then the Distribution Rate for that Distribution Period would be calculated as follows:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 50%;">Bank Bill Rate</td> <td style="width: 20%;">1.7000%</td> <td style="width: 30%;">per annum</td> </tr> <tr> <td>plus Margin</td> <td>3.6500%</td> <td>per annum</td> </tr> <tr> <td colspan="3"><hr/></td> </tr> <tr> <td>Equivalent unfranked Distribution Rate</td> <td>5.3500%</td> <td>per annum</td> </tr> <tr> <td>Multiplied by (1 – Tax Rate)</td> <td>x 0.70</td> <td></td> </tr> <tr> <td colspan="3"><hr/></td> </tr> <tr> <td>Fully franked Distribution Rate</td> <td>3.7450%</td> <td>per annum</td> </tr> </tbody> </table>	Bank Bill Rate	1.7000%	per annum	plus Margin	3.6500%	per annum	<hr/>			Equivalent unfranked Distribution Rate	5.3500%	per annum	Multiplied by (1 – Tax Rate)	x 0.70		<hr/>			Fully franked Distribution Rate	3.7450%	per annum	Clause 3.1 of the Terms
Bank Bill Rate	1.7000%	per annum																					
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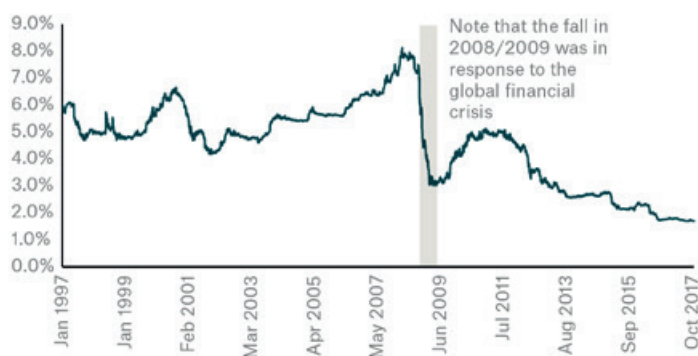
Topic	Summary	Further information
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2.1.3 What is the Bank Bill Rate?

- The Bank Bill Rate is the primary short-term rate used in the financial markets for the pricing and valuation of Australian dollar securities and as a lending reference rate.
- The Bank Bill Rate, in respect of a Distribution Period, will be the 3-month rate displayed on Thomson Reuters page BBSW (or any page which replaces that page) on the first Business Day of that Distribution Period.
- The graph below illustrates the movement in the Bank Bill Rate over the past 20 years. The rate on 19 October 2017 was 1.7000% per annum.

Clause 3.1 of the Terms

**Bank Bill Rate (3-month) since 1997**



- The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Bank Bill Rate. The actual Bank Bill Rate for the first and any subsequent Distribution Periods may be higher or lower than the rates in the above graph and there is no guarantee that the Bank Bill Rate will be greater than zero throughout the life of Capital Notes 2. If the Bank Bill Rate is negative, the Distribution Rate will be reduced by taking account of the negative value of that rate in the calculation of the Distribution Rate, as set out in Section 2.1.2 (but there is no obligation on Holders to pay Suncorp if the Distribution Rate were to become negative).

2.1.4 How will the Distribution be calculated for each Distribution Period?

- Distributions scheduled to be paid on each Distribution Payment Date will be calculated using the following formula:

Clause 3.1 of the Terms

$$\text{Distribution on each Capital Note 2} = \frac{\text{Distribution Rate} \times \$100 \times N}{365}$$

- where:
  - **Distribution 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 Distribution Period calculated as set out in the Terms.
- Following the formula above, if the fully franked Distribution Rate was 3.7450% per annum, the cash Distribution on each Capital Note 2 for a Distribution Period of 90 days would be calculated as follows:

Fully franked Distribution Rate	3.7450% per annum
Multiplied by \$100	x \$100
Multiplied by the number of days in the Distribution Period	x 90
Divided by 365	÷ 365
<b>Fully franked Distribution payment on each Capital Note 2</b>	<b>\$0.9234</b>



Topic	Summary	Further information																											
	<ul style="list-style-type: none"> <li>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payment for the first or any subsequent Distribution Period. Actual Distribution payments may be higher or lower than this example. The Distribution Rate for the first Distribution Period will be set on the Issue Date and will include the Margin to be determined under the Bookbuild.</li> </ul>																												
2.1.5 What is the impact of franking credits?	<ul style="list-style-type: none"> <li>Distributions paid on Capital Notes 2 are expected to be fully franked. However, Holders should be aware that franking is not guaranteed.</li> <li>Holders are expected to receive franking credits in respect of any Distribution so long as Capital Notes 2 remain on issue. The level of franking may vary over time and Distributions may be partially franked, fully franked or not franked at all.</li> <li>If any Distribution is not franked or only partially franked, the amount of the scheduled cash Distribution will be increased to compensate for the unfranked component according to the following formula:</li> </ul>	Clause 3.2 of the Terms																											
	$\frac{D}{1 - [\text{Tax Rate} \times (1 - F)]}$																												
	<ul style="list-style-type: none"> <li>where: <ul style="list-style-type: none"> <li><b>D</b> is the Distribution (as defined above in Section 2.1.4); and</li> <li><b>F</b> is the applicable Franking Rate.</li> </ul> </li> <li>For example, if the Franking Rate applicable to the Distribution was only 90% and the Tax Rate was 30%, then the cash Distribution on each Capital Note 2 for the Distribution Period (if the Distribution Period was 90 days) would be calculated as follows:</li> </ul>																												
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 50%;">Fully franked Distribution Rate</td> <td style="width: 20%; text-align: right;">3.7450%</td> <td style="width: 30%;">per annum</td> </tr> <tr> <td>Multiplied by \$100</td> <td style="text-align: right;">x \$100</td> <td></td> </tr> <tr> <td>Multiplied by the number of days in the Distribution Period</td> <td style="text-align: right;">x 90</td> <td></td> </tr> <tr> <td>Divided by 365</td> <td style="text-align: right;">÷ 365</td> <td></td> </tr> <tr> <td colspan="3"><hr/></td> </tr> <tr> <td>Sub-total</td> <td style="text-align: right;">\$0.9234</td> <td></td> </tr> <tr> <td>Divided by <math>1 - [0.3 \times (1 - 0.9)]</math></td> <td style="text-align: right;">÷ 0.9700</td> <td></td> </tr> <tr> <td colspan="3"><hr/></td> </tr> <tr> <td>Partially franked Distribution payment on each Capital Note 2</td> <td style="text-align: right;">\$0.9520</td> <td></td> </tr> </tbody> </table>	Fully franked Distribution Rate	3.7450%	per annum	Multiplied by \$100	x \$100		Multiplied by the number of days in the Distribution Period	x 90		Divided by 365	÷ 365		<hr/>			Sub-total	\$0.9234		Divided by $1 - [0.3 \times (1 - 0.9)]$	÷ 0.9700		<hr/>			Partially franked Distribution payment on each Capital Note 2	\$0.9520		
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<hr/>																													
Partially franked Distribution payment on each Capital Note 2	\$0.9520																												
	<ul style="list-style-type: none"> <li>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 Distribution. 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.</li> <li>If the corporate tax rate were to change, the cash amount of Distributions and the amount of any franking credits will change. For instance, if the tax rate decreases the cash amount of any Distribution Suncorp may pay would increase and the franking credits attached to that Distribution would decrease.</li> <li>Holders should refer to the Australian taxation summary in Section 8 and seek professional advice in relation to their tax position.</li> </ul>																												

Topic	Summary	Further information
2.1.6 When are the Distribution Payment Dates?	<ul style="list-style-type: none"> <li>– The first Distribution Payment Date is 19 March 2018.</li> <li>– The number of days in the first Distribution Period will be 115 days.</li> <li>– Subsequent Distribution Payment Dates are 17 June, 17 September, 17 December and 17 March each year.</li> <li>– If any of these dates is not a Business Day, then the Distribution Payment Date will be the next Business Day.</li> </ul>	Clause 3.5 of the Terms
2.1.7 What are the Payment Conditions?	<ul style="list-style-type: none"> <li>– Distributions may not always be paid. The payment of each Distribution is subject to the following: <ul style="list-style-type: none"> <li>– Suncorp’s absolute discretion; and</li> <li>– no Payment Condition existing in respect of the relevant Distribution Payment Date.</li> </ul> </li> <li>– A Payment Condition will exist with respect to the payment of a Distribution on a Distribution Date if: <ul style="list-style-type: none"> <li>– paying the Distribution would result in the Eligible Capital of Suncorp Group not complying with APRA’s then current prudential capital requirements as they are applied to Suncorp Group (unless approved in writing by APRA);</li> <li>– paying the Distribution would result in Suncorp becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or</li> <li>– APRA objects to the payment of the Distribution.</li> </ul> </li> </ul>	Clauses 3.3 and 22.2 of the Terms
2.1.8 What is the Distribution Restriction and when will it apply?	<ul style="list-style-type: none"> <li>– If for any reason a Distribution has not been paid in full on a Distribution Payment Date (the relevant Distribution Payment Date), Suncorp must not, subject to certain exclusions, without approval of a Special Resolution, until and including the next Distribution Payment Date: <ul style="list-style-type: none"> <li>– declare or determine to pay or pay an Ordinary Share Dividend; or</li> <li>– undertake any Buy-Back or Capital Reduction, unless the Distribution is paid in full within three Business Days of the relevant Distribution Payment Date.</li> </ul> </li> <li>– Failure to pay a Distribution when scheduled will not constitute an event of default.</li> </ul>	Clauses 3.7, and 3.8 of the Terms
2.1.9 How will Distributions be paid?	<ul style="list-style-type: none"> <li>– Distributions will be made to Holders whose details are recorded in the Register at the close of business on the relevant Record Date.</li> <li>– Distributions and any other amount payable in respect of a Capital Note 2 may be paid in dollars in any manner Suncorp decides from time to time, including by any method of direct credit determined by Suncorp to an Australian dollar bank account maintained by the Holder in Australia (or in such other place as Suncorp approves) with a financial institution specified by the Holder to the Registry.</li> <li>– Where no Australian dollar bank account is specified by a Holder, or where Suncorp attempts to pay the relevant amount and the transfer is unsuccessful, the amount Suncorp attempted to pay will be held by Suncorp or on behalf of Suncorp for the Holder without bearing interest, as described in the Terms.</li> <li>– The Terms include detailed provisions for the payment of Distributions—see Clause 15 of the Terms.</li> </ul>	Clause 15 of the Terms
2.1.10 Are any deductions made on the Distributions?	<ul style="list-style-type: none"> <li>– Suncorp may deduct from any Distribution or other amount payable in accordance with the Terms the amount of any withholding or other tax, duty or levy required by any applicable law to be deducted in respect of such amount, or on account of the <i>Foreign Account Tax Compliance Act</i> (U.S.) (<b>FATCA</b>).</li> <li>– Suncorp is not required to pay an additional amount where it has made a deduction as described above.</li> </ul>	Clauses 15.7 and 15.8 of the Terms

## 2.2 Mandatory Conversion

Suncorp must convert any Capital Notes 2 outstanding on 17 June 2026 into Ordinary Shares, provided that certain conditions (summarised below) are met (and failing that, on the next Distribution Payment Date on which those conditions are met). Those conditions may never be satisfied and, accordingly, Capital Notes 2 may never Convert into Ordinary Shares.

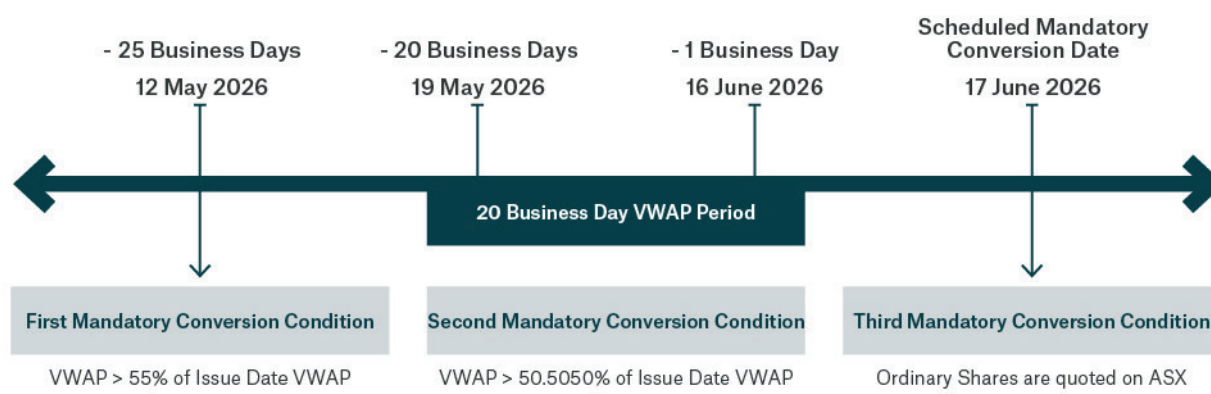
The conditions to Mandatory Conversion and the associated Conversion calculations (as set out below) are designed to ensure that Holders receive a number of Ordinary Shares worth approximately \$101 for each Capital Note 2 they hold and that those Ordinary Shares are capable of being sold on ASX.

Topic	Summary	Further information
2.2.1 What happens on Mandatory Conversion?	<ul style="list-style-type: none"><li>– Holders will receive Ordinary Shares on Conversion of Capital Notes 2 on the Mandatory Conversion Date unless the Mandatory Conversion Conditions are not satisfied or Capital Notes 2 are not outstanding on that date.</li><li>– Upon Conversion on a Mandatory Conversion Date, Holders will receive Ordinary Shares worth approximately \$101 per Capital Note 2 based on the VWAP during a period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date.</li><li>– The number of Ordinary Shares received will not be greater than the Maximum Conversion Number.</li><li>– The VWAP that is used to calculate the number of Ordinary Shares that Holders receive will most likely differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be worth more or less than \$101 per Capital Note 2 when they are issued or at any time after that.</li></ul>	Clauses 4.1, 4.3 and 8 of the Terms
2.2.2 What are the consequences of Mandatory Conversion?	<ul style="list-style-type: none"><li>– As a result of any Conversion of Capital Notes 2 to Ordinary Shares, Holders will become holders of Ordinary Shares, which will rank equally with existing Ordinary Shares from the date of issue.</li><li>– For Suncorp Group more broadly, the composition of the capital base will alter as a consequence of any Conversion and result in Common Equity Tier 1 (<b>CET1</b>) Capital increasing and Eligible Additional Tier 1 Capital decreasing.</li></ul>	
2.2.3 When is the Mandatory Conversion Date?	<ul style="list-style-type: none"><li>– The Mandatory Conversion Date will be 17 June 2026 provided the Mandatory Conversion Conditions are satisfied on that date.</li><li>– If any of the Mandatory Conversion Conditions are not satisfied on this date, then the Mandatory Conversion Date will be the next Distribution Payment Date on which they are satisfied.</li><li>– These conditions may never be satisfied and, therefore, Capital Notes 2 may never Convert into Ordinary Shares.</li></ul>	Clauses 4.2 and 4.3 of the Terms
2.2.4 What are the Mandatory Conversion Conditions?	<ul style="list-style-type: none"><li>– The Mandatory Conversion Conditions are as follows:<ul style="list-style-type: none"><li>– <b>First Mandatory Conversion Condition:</b> the VWAP of Ordinary Shares on the 25th Business Day before a possible Mandatory Conversion Date<sup>1</sup> is greater than 55.0000% of the Issue Date VWAP;</li><li>– <b>Second Mandatory Conversion Condition:</b> 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 (<b>VWAP Period</b>) is greater than 50.5050% of the Issue Date VWAP; and</li></ul></li></ul>	Clauses 4.3 and 8.1 of the Terms

<sup>1</sup> 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.

Topic	Summary	Further information
	<ul style="list-style-type: none"> <li>– <b>Third Mandatory Conversion Condition:</b> no Delisting Event applies to Ordinary Shares in respect of a possible Mandatory Conversion Date (broadly, a Delisting Event occurs when Suncorp is delisted from ASX, 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 Capital Notes 2).</li> </ul>	

The following diagram illustrates the operation of the conditions.



Note: In the diagram above, dates are set 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.

2.2.5 What is the purpose of the Mandatory Conversion Conditions?	<ul style="list-style-type: none"> <li>– The purpose of the Mandatory Conversion Conditions is to ensure that the Conversion will not occur unless the number of Ordinary Shares that Holders will receive will be worth approximately \$101 per Capital Note 2 (calculated as described below) and the Ordinary Shares are capable of being sold on ASX.</li> <li>– The number of Ordinary Shares to be issued on Mandatory Conversion is to be determined by applying a formula reflecting the VWAP of Ordinary Shares described in Section 2.2.7.</li> <li>– There is a cap on the maximum number of Ordinary Shares that a Holder can be issued upon Conversion. The cap is the Maximum Conversion Number. The cap arises from the prudential standards issued by APRA which govern the characteristics of instruments which may qualify as regulatory capital, and also from the equivalent criteria of rating agencies for such instruments. Where the number of Ordinary Shares issued is less than the Maximum Conversion Number, the effect of the formula is that the value of these Ordinary Shares (calculated on a VWAP basis) will be approximately \$101 per Capital Note 2. If the Ordinary Share price at the time for Conversion has fallen below certain levels, the number of Ordinary Shares received would be limited to the Maximum Conversion Number and would be worth less than \$101 per Capital Note 2.</li> <li>– The Maximum Conversion Number is calculated in accordance with the following formula: <ul style="list-style-type: none"> <li>Maximum Conversion Number = <math display="block">\frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}</math></li> </ul> </li> </ul> <p>where:</p> <ul style="list-style-type: none"> <li>– <b>Relevant Fraction</b> is 0.5 in relation to a Mandatory Conversion and 0.2 in the case of any other Conversion.</li> </ul>	Clauses 4.3 and 8.1 of the Terms
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Topic	Summary	Further information						
	<ul style="list-style-type: none"> <li>– The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to help protect Holders against receiving a number of Ordinary Shares limited to the Maximum Conversion Number and, accordingly, are worth less than \$101 per Capital Note 2 (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date).</li> <li>– The Third Mandatory Conversion Condition is intended to protect Holders from the risk of receiving Ordinary Shares that are not capable of being sold on ASX by making Conversion conditional on Ordinary Shares being quoted on ASX.</li> </ul>							
2.2.6 What can happen if the Mandatory Conversion Conditions are not satisfied?	<ul style="list-style-type: none"> <li>– If any of the Mandatory Conversion Conditions are not satisfied, Capital Notes 2 continue to be on issue and Conversion is deferred until the next Distribution Payment Date on which all the Mandatory Conversion Conditions are satisfied.</li> </ul>	Clause 4.2 of the Terms						
2.2.7 How many Ordinary Shares will a Holder receive on the Mandatory Conversion Date?	<ul style="list-style-type: none"> <li>– Where the Mandatory Conversion Conditions are satisfied, a Holder will receive, on a Mandatory Conversion Date, a number of Ordinary Shares per Capital Note 2 (<b>Conversion Number</b>) calculated in accordance with the following formula:</li> </ul> $\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <p>where:</p> <ul style="list-style-type: none"> <li>– VWAP is the volume weighted average price of Ordinary Shares during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date.</li> </ul> <p><i>Illustrative example of Conversion</i></p> <ul style="list-style-type: none"> <li>– Assuming the VWAP is \$13.50, the number of Ordinary Shares a Holder would receive following Conversion on a Mandatory Conversion Date would be calculated as follows:</li> </ul> <table border="1" data-bbox="491 1211 1158 1368"> <tbody> <tr> <td>Issue Price</td> <td>\$100</td> </tr> <tr> <td>Divided by VWAP x 0.99</td> <td>÷ 13.3650</td> </tr> <tr> <td>Ordinary Shares per Capital Note 2</td> <td>7.4822</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>– Assuming the price of those Ordinary Shares on the Mandatory Conversion Date is also \$13.50, the aggregate value of those Ordinary Shares (calculated by multiplying 7.4822 by \$13.50) on the Mandatory Conversion Date would be approximately \$101.</li> <li>– Assuming a Holder has 100 Capital Notes 2, the total number of Ordinary Shares to which they would be entitled would be 748 (i.e. 100 x 7.4822, which number is rounded down to disregard the fraction of the Ordinary Share).</li> <li>– The above example is for illustrative purposes only. The actual VWAP and the number of Ordinary Shares that Holders might receive on Conversion on the Mandatory Conversion Date may be higher or lower than in this example.</li> <li>– Where the Ordinary Share Price has fallen such that the VWAP during the VWAP Period described in Section 2.2.4 is less than or equal to 50.5050% of the Issue Date VWAP, the Second Mandatory Conversion Condition will not be met and, therefore, Conversion will not occur on that date. The Mandatory Conversion Date will be the next Distribution Payment Date on which the Mandatory Conversion Conditions are satisfied.</li> </ul>	Issue Price	\$100	Divided by VWAP x 0.99	÷ 13.3650	Ordinary Shares per Capital Note 2	7.4822	Clauses 8 and 22.2 of the Terms
Issue Price	\$100							
Divided by VWAP x 0.99	÷ 13.3650							
Ordinary Shares per Capital Note 2	7.4822							

Topic	Summary	Further information
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"> <li>– The Issue Date VWAP, and consequently the Maximum Conversion Number and the price at which the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition would be satisfied, may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Terms (but not other transactions, including rights issues, which may affect the capital of Suncorp).</li> <li>– However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than 1% of the Issue Date VWAP then in effect.</li> </ul>	Clauses 8.2 to 8.8 of the Terms

### 2.3 Optional Exchange by Suncorp

Suncorp may, with APRA's prior written approval, elect to Exchange Capital Notes 2 on 17 June 2024 or on the occurrence of certain events. Exchange means a Capital Note 2 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 a number of Ordinary Shares worth approximately \$101 for each Capital Note 2 they hold and that those Ordinary Shares 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 assume 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"> <li>– Suncorp may choose to Exchange: <ul style="list-style-type: none"> <li>– all or some Capital Notes 2 on the Optional Exchange Date;</li> <li>– all or some Capital Notes 2 after a Tax Event or a Regulatory Event; or</li> <li>– all (but not some only) Capital Notes 2 after a Potential Acquisition Event.</li> </ul> </li> <li>– Exchange means: <ul style="list-style-type: none"> <li>– Suncorp Converts Capital Notes 2 into a variable number of Ordinary Shares with a value (based on the VWAP during a period, usually 20 Business Days<sup>1</sup>, before the Exchange Date) of approximately \$101 per Capital Note 2;</li> <li>– Suncorp Redeems Capital Notes 2 for \$100 per Capital Note 2;</li> <li>– Suncorp Resells Capital Notes 2 for \$100 per Capital Note 2; or</li> <li>– a combination of Conversion, Redemption and Resale.</li> <li>– Suncorp may not elect to Redeem or Resell Capital Notes 2 in connection with a Potential Acquisition Event.</li> </ul> </li> <li>– 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 and 2.3.6.</li> <li>– Holders should not assume that APRA will give its approval for any Exchange.</li> </ul>	Clauses 6, 8, 9, 10 and 22 of the Terms

<sup>1</sup> 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 Exchange Date.

Topic	Summary	Further information
2.3.2 When is the Optional Exchange Date?	<ul style="list-style-type: none"> <li>The Optional Exchange Date is 17 June 2024.</li> </ul>	Clause 22.2 of the Terms
2.3.3 What is a Tax Event, Regulatory Event or Potential Acquisition Event?	<ul style="list-style-type: none"> <li>A summary of these events, which give Suncorp the right to Exchange Capital Notes 2 is as follows: <ul style="list-style-type: none"> <li><b>Tax Event</b> means, broadly, that the Directors receive advice that, as a result of a change in tax law or regulation in Australia on or after the Issue Date (which Suncorp did not expect on the Issue Date), there is more than an insubstantial risk which the Directors determine to be unacceptable that any Distribution would not be frankable or that Suncorp would be exposed to an increase in its costs (which is not insignificant) in relation to Capital Notes 2;</li> <li>A <b>Regulatory Event</b> will occur if, broadly: <ul style="list-style-type: none"> <li>Suncorp receives legal advice that, as a result of a change of law or regulation on or after the Issue Date (not expected by Suncorp on the Issue Date), additional requirements would be imposed on Suncorp in relation to Capital Notes 2 which the Directors determine to be unacceptable; or</li> <li>the Directors determine that, as a result of such change, Suncorp is not or will not be entitled to treat some or all Capital Notes 2 as Eligible Additional Tier 1 Capital, 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. For example, a Regulatory Event could include Capital Notes 2 ceasing to be Eligible Additional Tier 1 Capital due to the implementation by APRA of capital-related prudential standards applicable to conglomerate groups.</li> </ul> </li> <li>A <b>Potential Acquisition Event</b> will occur if, broadly: <ul style="list-style-type: none"> <li>a takeover bid is made to acquire 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</li> <li>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.</li> </ul> </li> </ul> </li> </ul>	Clause 22.2 of the Terms
2.3.4 What are the requirements for Conversion to be elected as the Exchange Method?	<ul style="list-style-type: none"> <li>If Suncorp wishes to Convert Capital Notes 2, there are two types of restrictions that apply: <ul style="list-style-type: none"> <li><b>Restrictions on choosing to Convert</b>—Suncorp may not elect to Convert Capital Notes 2 as the Exchange Method, on the second Business Day before the date on which an Exchange Notice is to be sent if: <ul style="list-style-type: none"> <li>the VWAP is less than or equal to 22.0000% of the Issue Date VWAP; or</li> <li>a Delisting Event applies.</li> </ul> </li> <li><b>Restrictions on completing the Conversion</b>—further, if Suncorp has given notice that it has elected to Convert Capital Notes 2, Suncorp may not proceed to Convert Capital Notes 2 if, on the Exchange Date specified in the notice: <ul style="list-style-type: none"> <li>the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) that date is less than or equal to 20.2020% of the Issue Date VWAP; or</li> <li>a Delisting Event applies.</li> </ul> </li> </ul> </li> </ul>	Clauses 4.3, 6.5, 6.6 and 8.1 of the Terms

Topic	Summary	Further information
	<ul style="list-style-type: none"> <li>– The percentages used in the above conditions (referred to in the Terms as the <b>First Test Date Percentage</b> and the <b>Conversion Test Date Percentage</b>) are derived from market precedents and the cap on the number of Ordinary Shares that are permitted to be issued in these circumstances under the prudential standards issued by APRA and rating agency requirements.</li> <li>– Without these conditions, Conversion could occur in situations where Holders would receive a number of Ordinary Shares limited to the Maximum Conversion Number (which in these circumstances is set by dividing the Issue Price by 20% of the Issue Date VWAP<sup>1</sup>) and, accordingly those Ordinary Shares could be worth less than \$101 per Capital Note 2 (see further detail in Section 2.2.5).</li> </ul>	
2.3.5 What happens if the Conversion restrictions apply on the Exchange Date?	<ul style="list-style-type: none"> <li>– If the Conversion restrictions described above apply on the Exchange Date, Suncorp will notify the Trustee and Holders and the Conversion will be deferred until the next Distribution Payment Date on which the restrictions on electing to Convert and on completing the Conversion described above do not apply (unless Capital Notes 2 are otherwise Exchanged or Written-Off before that date in accordance with the Terms).</li> </ul>	Clause 6.6 of the Terms
2.3.6 What are the requirements for Redemption to be elected as the Exchange Method?	<ul style="list-style-type: none"> <li>– Suncorp may not specify Redemption as the Exchange Method unless: <ul style="list-style-type: none"> <li>– the Capital Notes 2 which are the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the Capital Notes 2 is done under conditions that are sustainable for Suncorp's income capacity; or</li> <li>– APRA is satisfied that Suncorp does not have to replace the Capital Notes 2 the subject of the Redemption. Holders should not assume that APRA will be satisfied that this is the case.</li> </ul> </li> <li>– Suncorp may not specify Redemption as the Exchange Method in connection with a Potential Acquisition Event.</li> </ul>	Clause 6.4 of the Terms
2.3.7 What happens on Resale?	<ul style="list-style-type: none"> <li>– If Suncorp elects for Capital Notes 2 to be Resold, subject to payment by the Nominated Purchaser(s) of \$100 per Capital Note 2 (<b>Resale Price</b>), the Holder's Capital Notes 2 will be transferred to the Nominated Purchaser on the Exchange Date.</li> </ul>	Clause 10 of the Terms
2.3.8 Are there any restrictions on the identity of Nominated Purchaser(s) that Suncorp can appoint?	<ul style="list-style-type: none"> <li>– Suncorp may not appoint a person as a Nominated Purchaser unless that person: <ul style="list-style-type: none"> <li>– has undertaken to acquire Capital Notes 2 from each Holder on the terms and conditions that Suncorp reasonably determines for the benefit of each Holder;</li> <li>– has a long-term counterparty credit rating from one of Standard &amp; Poor's, Moody's or Fitch of not less than investment grade; and</li> <li>– is not a Related Entity of Suncorp.</li> </ul> </li> </ul>	Clause 10.3 of the Terms
2.3.9 When can a Resale occur?	<ul style="list-style-type: none"> <li>– A Resale can occur on the Optional Exchange Date or following a Tax Event or a Regulatory Event.</li> <li>– Suncorp may only elect to Resell Capital Notes 2 with APRA's prior written approval. Holders should not assume that APRA's approval will be given, if requested.</li> </ul>	Clauses 6.4 and 10.1 of the Terms

<sup>1</sup> The Issue Date VWAP may be adjusted as described in Section 2.2.8.



Topic	Summary	Further information
2.3.10 What if a Nominated Purchaser does not pay the Resale Price?	– If the Nominated Purchaser does not pay the Resale Price of any Capital Notes 2 when due, those Capital Notes 2 will not be transferred and the Holder will continue to hold Capital Notes 2 in accordance with the Terms until Capital Notes 2 are otherwise Converted, Redeemed or Resold.	Clause 10.6 of the Terms
2.3.11 Can Holders request Exchange?	– Holders do not have a right to request Exchange.	Clause 11.4(f)(i) of the Terms

## 2.4 Non-Viability Conversion

Capital Notes 2 have certain loss absorption features, which may be triggered if Suncorp encounters severe financial difficulty. These features are required to be included in the Terms for regulatory purposes.

If a Non-Viability Trigger Event occurs, all or some Capital Notes 2 and other Relevant Securities will need to be immediately Converted into Ordinary Shares but if such Conversion does not occur for any reason within five Business Days of APRA's Non-Viability Determination those Capital Notes 2 which should have been Converted will be Written-Off. If this occurs, all rights in relation to those Capital Notes 2 (including in respect of Distributions and return of capital) will be immediately and irrevocably terminated and Holders will lose all of the value of those Capital Notes 2, without compensation.

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 a number of Ordinary Shares worth less, or significantly less, than approximately \$101 per Capital Note 2 and a Holder would suffer a loss as a consequence. The calculations set out below are illustrative only and designed to demonstrate the potential number and value of Ordinary Shares that a Holder would receive on Conversion following a Non-Viability Trigger Event.

Topic	Summary	Further information
2.4.1 What is a Non-Viability Trigger Event?	<ul style="list-style-type: none"> <li>– Non-Viability Trigger Event means APRA has provided a written determination to Suncorp that the conversion to Ordinary Shares or write-off of Relevant Securities (including Capital Notes 2) in accordance with their terms or by operation of law is necessary because: <ul style="list-style-type: none"> <li>– without the conversion to Ordinary Shares or write-off, APRA considers that Suncorp would become non-viable; or</li> <li>– without a public sector injection of capital into, or equivalent support with respect to, Suncorp, APRA considers that Suncorp would become non-viable.</li> </ul> </li> <li>– The date on which a Non-Viability Trigger Event occurs is referred to as the Trigger Event Date.</li> <li>– On the Trigger Event Date, Suncorp must immediately Convert Capital Notes 2, as required by the determination, into the Conversion Number of Ordinary Shares (subject to the Maximum Conversion Number).</li> </ul>	Clauses 5.1 and 22.2 of the Terms
2.4.2 Why do Capital Notes 2 include a Non-Viability Trigger Event?	– A Non-Viability Trigger Event is an APRA regulatory requirement for Capital Notes 2 to be characterised as Eligible Additional Tier 1 Capital.	

Topic	Summary	Further information
2.4.3 What does non-viable mean?	<ul style="list-style-type: none"> <li>– APRA has not provided guidance as to how it would determine non-viability.</li> <li>– 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-viability may not necessarily be constrained to solvency measures or capital ratios.</li> <li>– 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 (see further detail in Section 5.1.9).</li> </ul>	
2.4.4 When does Conversion on account of a Non-Viability Trigger Event occur?	<ul style="list-style-type: none"> <li>– If a Non-Viability Trigger Event occurs, Suncorp must, on that date (whether or not that day is a Business Day), immediately and irrevocably Convert some or all Capital Notes 2 into Ordinary Shares: <ul style="list-style-type: none"> <li>– where APRA’s determination is made on the grounds that, without a public sector injection of capital or equivalent support, Suncorp will become non-viable, convert all Relevant Securities; and</li> <li>– where APRA’s determination is not made on those grounds and does not require all Relevant Securities to be converted or written-off, Convert such number of Capital Notes 2 as is sufficient to satisfy APRA that Suncorp will be viable without further conversion or write-off.</li> </ul> </li> <li>– Conversion is immediate and, from the Trigger Event Date, Suncorp will treat Holders as having been issued the Conversion Number of Ordinary Shares. Suncorp expects any ASX trades in Capital Notes 2 that have not settled on the Trigger Event Date will continue to settle in accordance with the normal ASX T+2 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 Capital Notes 2 have been Converted as a result of the occurrence of the Non-Viability Trigger Event.</li> <li>– In determining the number of Capital Notes 2 to be Converted, Suncorp will Convert Capital Notes 2 and convert into Ordinary Shares or write-off other Relevant Securities on an approximately pro rata basis or in a manner that is otherwise, in the opinion of Suncorp, fair and reasonable (subject to such adjustment as Suncorp may determine to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and any Capital Notes 2 or Relevant Securities). In addition, where Relevant Securities are in different currencies<sup>1</sup>, Suncorp may treat them as if converted into a single currency at rates of exchange it considers reasonable. However, this determination must not impede the immediate Conversion of the relevant number of Capital Notes 2.</li> <li>– Suncorp may make any decisions with respect to the identity of the Holders where Capital Notes 2 are to be Converted as may be necessary or desirable to ensure Conversion occurs immediately in an orderly manner, including disregarding any transfers of Capital Notes 2 that have not been settled or registered at that time.</li> <li>– Holders should be aware that: <ul style="list-style-type: none"> <li>– if APRA does not require all Relevant Securities to be converted or written-off, Relevant Securities such as Capital Notes 2 will be converted or written-off before any Tier 2 Capital instruments are converted or written-off;</li> </ul> </li> </ul>	Clauses 5.2 and 5.3 of the Terms

<sup>1</sup> As of the date of this Prospectus, Suncorp does not have any non-Australian dollar denominated Relevant Securities outstanding.

Topic	Summary	Further information
	<ul style="list-style-type: none"> <li>– Suncorp has no Relevant Securities on issue other than CPS2, CPS3 and Capital Notes 1. Suncorp has no obligation to keep CPS2, CPS3 or Capital Notes 1 on issue or to issue or keep on issue any Relevant Securities; and</li> <li>– Suncorp has on issue Relevant Securities (being CPS2 and CPS3) that take the form of convertible preference shares. Due to the requirements of the Corporations Act, if CPS2 or CPS3 are written-off, the rights of holders of these securities are not terminated but are instead varied so as to give a holder rights equivalent to the rights in respect of Ordinary Shares it would have received if conversion had occurred. By contrast, if Capital Notes 2 are Written-Off, as is the case for Capital Notes 1, all rights in relation to those Capital Notes 2 will be terminated and the Holders will lose the entire amount of their investment, without compensation. Accordingly, if Capital Notes 2 are Written-Off, Holders will have lesser rights and will likely be worse off than holders of CPS2 or CPS3, even though CPS2 and CPS3 rank equally with Capital Notes 2.</li> <li>– Suncorp must notify the Trustee and Holders of the Non-Viability Trigger Event as soon as practicable (which may be after Conversion has occurred) but failure to give such notice will not prevent, impede or delay the Conversion.</li> </ul>	
2.4.5 Are there any conditions which apply to Conversion if a Non-Viability Trigger Event occurs?	<ul style="list-style-type: none"> <li>– Conversion on account of a Non-Viability Trigger Event is not subject to the Mandatory Conversion Conditions or any other conditions being satisfied.</li> </ul>	Clause 11.4(c)(i) of the Terms
2.4.6 How many Ordinary Shares will Holders receive on the Trigger Event Date?	<ul style="list-style-type: none"> <li>– If Conversion occurs, the number of Ordinary Shares a Holder will receive per Capital Note 2 on account of a Non-Viability Trigger Event is the Conversion Number (calculated as described below), unless that number is greater than the Maximum Conversion Number (in which case a Holder will receive the Maximum Conversion Number of Ordinary Shares per Capital Note 2). Since there are no conditions to a Non-Viability Conversion, the number of Ordinary Shares a Holder may receive on account of a Non-Viability Conversion may be worth significantly less than \$101 per Capital Note 2 and a Holder may suffer a significant loss as a consequence.</li> <li>– 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: <div style="margin-left: 20px;"> <math display="block">\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}</math> </div> <p>where:</p> <ul style="list-style-type: none"> <li>– VWAP is the volume weighted average price of Ordinary Shares during the period of five Business Days on which trading in Ordinary Shares occurred immediately preceding the Trigger Event Date. See also Section 5.1.9.<sup>1</sup></li> <li>– The Maximum Conversion Number is described in Section 2.4.7 (as such number may be adjusted as described in Section 2.4.8).</li> <li>– Following a Non-Viability Trigger Event, if Conversion does not occur within five Business Days for any reason, those Capital Notes 2 that are required to be Converted will be Written-Off and Holders will not receive any Ordinary Shares with respect to those Capital Notes 2—see Section 2.4.9.</li> </ul> </li> </ul>	Clauses 5.2, 5.5 and 8 of the Terms

<sup>1</sup> The VWAP during the five Business Days before the Trigger Event 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 calculation or at all.

Topic	Summary	Further information																
2.4.7 What is the Maximum Conversion Number?	<p>– The Maximum Conversion Number is calculated in accordance with the following formula:</p> $\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}$ <p>where:</p> <ul style="list-style-type: none"> <li>– <b>Relevant Fraction</b> is 0.2 in the case of Conversion following a Non-Viability Trigger Event.</li> <li>– This means that, depending on the market price of Ordinary Shares at the relevant time, a Holder is likely to receive Ordinary Shares worth significantly less than \$101 per Capital Note 2 and is likely to suffer a significant loss as a consequence.</li> </ul> <p><i>Illustrative example of Conversion</i></p> <ul style="list-style-type: none"> <li>– This example illustrates how many Ordinary Shares a Holder will receive per Capital Note 2 following Conversion on account of a Non-Viability Trigger Event.</li> <li>– Assumptions used in this example:</li> </ul> <table border="1"> <tr> <td>Issue Date VWAP</td> <td>\$13.50</td> </tr> <tr> <td>VWAP</td> <td>\$1.50</td> </tr> </table> <ul style="list-style-type: none"> <li>– This example is for illustrative purposes only. The actual VWAP, Issue Date VWAP and Maximum Conversion Number may be higher or lower than in this example and the Issue Date VWAP may be adjusted after the Issue Date in limited circumstances (see Section 2.4.8).</li> </ul> <p><b>Step 1 - Calculate the number of Ordinary Shares using the Conversion mechanics</b></p> <table border="1"> <tr> <td>Issue Price</td> <td>\$100</td> </tr> <tr> <td>Divided by VWAP x 0.99</td> <td>÷ \$1.4850</td> </tr> <tr> <td>Ordinary Shares per Capital Note 2</td> <td>67.3401</td> </tr> </table> <p><b>Step 2 - Calculate the Maximum Conversion Number</b></p> <table border="1"> <tr> <td>Issue Price</td> <td>\$100</td> </tr> <tr> <td>Divided by Issue Date VWAP × 0.20</td> <td>÷ \$2.7000</td> </tr> <tr> <td>Maximum Conversion Number of Ordinary Shares per Capital Note 2</td> <td>37.0370</td> </tr> </table> <p><b>Step 3 - Assess the effect of the Maximum Conversion Number</b></p> <ul style="list-style-type: none"> <li>– In this example, the Maximum Conversion Number is lower than the number of Ordinary Shares a Holder would receive per Capital Note 2 calculated using the Conversion formula. As a result, the Maximum Conversion Number would cap the number of Ordinary Shares a Holder would receive per Capital Note 2 at 37.0370 Ordinary Shares. If the Holder holds 100 Capital Notes 2 (having an aggregate Issue Price of \$10,000) they would receive (after disregarding any fraction of an Ordinary Share) 3,703 Ordinary Shares. If those Ordinary Shares were sold on ASX at the same price as the VWAP (being \$1.50), the Holder in this example would receive approximately \$5,555, which is significantly less than \$10,000.</li> </ul>	Issue Date VWAP	\$13.50	VWAP	\$1.50	Issue Price	\$100	Divided by VWAP x 0.99	÷ \$1.4850	Ordinary Shares per Capital Note 2	67.3401	Issue Price	\$100	Divided by Issue Date VWAP × 0.20	÷ \$2.7000	Maximum Conversion Number of Ordinary Shares per Capital Note 2	37.0370	Clauses 8.1 and 22.2 of the Terms
Issue Date VWAP	\$13.50																	
VWAP	\$1.50																	
Issue Price	\$100																	
Divided by VWAP x 0.99	÷ \$1.4850																	
Ordinary Shares per Capital Note 2	67.3401																	
Issue Price	\$100																	
Divided by Issue Date VWAP × 0.20	÷ \$2.7000																	
Maximum Conversion Number of Ordinary Shares per Capital Note 2	37.0370																	

Topic	Summary	Further information
2.4.8 What adjustments to the Issue Date VWAP are made to account for changes to Suncorp's capital?	<ul style="list-style-type: none"> <li>– 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 Terms (but not other transactions, including rights issues, which may affect the capital of Suncorp).</li> <li>– However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than 1% of the Issue Date VWAP in effect.</li> </ul>	Clauses 8.2 to 8.7 of the Terms
2.4.9 What happens if Capital Notes 2 are not Converted on the Trigger Event Date?	<ul style="list-style-type: none"> <li>– If Capital Notes 2 are required to be Converted on a Trigger Event Date and Conversion has not been effected within five Business Days after the relevant Trigger Event Date for any reason (including because Suncorp is prevented by applicable law or order of any court or action of any government authority or External Administrator (including regarding the insolvency, winding-up or other external administration of Suncorp) (<b>Inability Event</b>)), Capital Notes 2 which would otherwise be Converted will not be Converted on that date and will not be Converted, Redeemed or Resold on any subsequent date and will be Written-Off. If this occurs, all rights in relation to those Capital Notes 2 (including in respect of Distributions and return of capital) will be immediately and irrevocably terminated and Holders will lose all of the value of their investment in those Capital Notes 2 without compensation.</li> <li>– The laws under which an Inability Event may arise, and the grounds on which a court or government authority may make orders preventing the Conversion of Capital Notes 2 (or other reasons which prevent Conversion), may change.</li> </ul>	Clause 5.5 of the Terms

## 2.5 Conversion on an Acquisition Event

Suncorp is also required to Convert Capital Notes 2 into Ordinary Shares where Suncorp is taken over by way of takeover bid or scheme of arrangement which meets certain requirements described below.

As with Mandatory Conversion and Optional Conversion, there are conditions to Conversion in these circumstances which are designed to ensure that Holders receive a number of Ordinary Shares worth approximately \$101 for each Capital Note 2 they hold and that those Ordinary Shares are capable of being sold on ASX.

These conditions may never be satisfied; accordingly, Capital Notes 2 may never Convert into Ordinary Shares.

Topic	Summary	Further information
2.5.1 What is an Acquisition Event?	<ul style="list-style-type: none"> <li>– An Acquisition Event means: <ul style="list-style-type: none"> <li>– a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and: <ul style="list-style-type: none"> <li>– the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or</li> <li>– the Directors issue a statement that at least a majority of those 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</li> </ul> </li> <li>– 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</li> <li>– all regulatory approvals necessary for the acquisition to occur have been obtained.</li> </ul> </li> </ul>	Clause 22.2 of the Terms

Topic	Summary	Further information
2.5.2 What must Suncorp do on the occurrence of an Acquisition Event?	<ul style="list-style-type: none"> <li>– There may be ways in which control of Suncorp or its business operations change, including as a result of regulatory intervention, which do not amount to an Acquisition Event. See Sections 5.1.10 and 5.2.15 for further information.</li> <li>– If an Acquisition Event occurs, Suncorp must (by giving an Acquisition Conversion Notice) Convert all Capital Notes 2 on issue into a number of Ordinary Shares with a value of approximately \$101 per Capital Note 2 (based on the VWAP during a period before the Acquisition Conversion Date, being usually 20 Business Days 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). The number of Ordinary Shares received will not be greater than the Maximum Conversion Number.</li> <li>– 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 the Trustee and Holders, and will not be required to Convert Capital Notes 2 at that time. However, Suncorp must Convert Capital Notes 2 on the next Distribution Payment Date in respect of which the conditions to Conversion are satisfied.</li> </ul>	Clauses 7 and 8 of the Terms
2.5.3 What are the restrictions on Conversion occurring following an Acquisition Event?	<ul style="list-style-type: none"> <li>– There are two types of restrictions that apply in relation to Conversion in connection with an Acquisition Event: <ol style="list-style-type: none"> <li>1. Suncorp is not required to give an Acquisition Conversion Notice if, on the second Business Day before the date on which an Acquisition Conversion Notice is to be sent: <ul style="list-style-type: none"> <li>– the VWAP is less than or equal to 22.0000% of the Issue Date VWAP; or</li> <li>– a Delisting Event applies; and</li> </ul> </li> <li>2. if Suncorp has given an Acquisition Conversion Notice, Suncorp may not proceed to Convert Capital Notes 2 if, on the Acquisition Conversion Date specified in the notice: <ul style="list-style-type: none"> <li>– the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) that date is less than or equal to 20.2020% of the Issue Date VWAP; or</li> <li>– a Delisting Event applies.</li> </ul> </li> </ol> </li> <li>– Without these conditions, Conversion could occur in situations where Holders would receive a number of Ordinary Shares limited to the Maximum Conversion Number and, accordingly, those Ordinary Shares could be worth less than \$101 per Capital Note 2.</li> <li>– The Maximum Conversion Number in the case of Conversion in these circumstances is set by dividing the Issue Price of the Capital Notes 2 by 20% of the Issue Date VWAP (as such number may be adjusted as described in Section 2.2.8).</li> </ul>	Clauses 7.4 and 7.5 of the Terms
2.5.4 What happens if Conversion does not occur?	<ul style="list-style-type: none"> <li>– If Suncorp is not required to give an Acquisition Event Notice or the further Conversion restrictions prevent Conversion, Suncorp must: <ul style="list-style-type: none"> <li>– notify the Trustee and Holders as soon as practicable that Conversion will not occur; and</li> <li>– give, unless the restrictions on Conversion apply, an Acquisition Conversion Notice on or before the 25th Business Day prior to the following Distribution Payment Date and the conditions described above will be tested again in respect of that date. This process will be repeated until a Conversion occurs so long as Capital Notes 2 remain on issue.</li> </ul> </li> </ul>	Clause 7.5 of the Terms

Topic	Summary	Further information
2.5.5 What other obligations does Suncorp have in connection with a takeover or scheme of arrangement?	<ul style="list-style-type: none"> <li>On the occurrence of a recommended takeover or scheme of arrangement which would result in an Acquisition Event or Potential Acquisition Event, if the Directors consider that Suncorp will not be permitted to Convert Capital Notes 2 or the Second Mandatory Conversion Condition or Third Mandatory Conversion Condition will not be satisfied in respect of the relevant Acquisition Conversion Date, 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.</li> </ul>	Clause 13 of the Terms

## 2.6 Regulatory treatment

APRA has advised that Capital Notes 2 are eligible for inclusion as Eligible Additional Tier 1 Capital.

Topic	Summary	Further information
2.6.1 Who is APRA?	<ul style="list-style-type: none"> <li>APRA is the prudential regulator of the Australian financial services industry. It oversees life insurance companies, banks, credit unions, building societies, general insurance and reinsurance companies, friendly societies, private health insurance companies and most members of the superannuation industry.</li> <li>APRA's website at <a href="http://www.apra.gov.au">www.apra.gov.au</a> includes further details of its functions and prudential standards.</li> </ul>	
2.6.2 What is regulatory capital?	<ul style="list-style-type: none"> <li>Any business requires capital to support its income generating activities in its chosen industry.</li> <li>APRA's regulatory capital prudential standards aim to ensure that regulated groups, including life insurers, banks, general insurers and regulated registrable superannuation entities, maintain adequate capital to support the risks associated with their activities and can withstand unexpected losses. 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.</li> <li>APRA currently classifies regulatory capital of APRA Regulated Entities into two tiers for its supervisory purposes, being Tier 1 Capital and Tier 2 Capital.</li> <li>Tier 1 Capital is generally considered from the perspective of a financial institution to be higher quality capital and comprises: <ul style="list-style-type: none"> <li>CET1 Capital (including ordinary shares and retained earnings); and</li> <li>Additional Tier 1 Capital (such as perpetual subordinated instruments issued by APRA Regulated Entities).</li> </ul> </li> <li>Tier 2 Capital includes other components which fall short of some of the qualities of Tier 1 Capital but nonetheless contribute to the overall strength of the entity.</li> <li>The Suncorp Group is regulated by APRA as a conglomerate group (a Level 3 group) and Suncorp is the authorised NOHC of that group. Suncorp's NOHC authority contains conditions requiring the group to hold eligible capital in excess of a specified prudential capital requirement. Under the authority, Eligible Additional Tier 1 Capital includes capital issued by Suncorp that meets the definition of Additional Tier 1 Capital as applied by APRA to a general insurance company. Eligible Additional Tier 1 Capital contributes to meeting the prudential capital requirement specified in the authority.</li> </ul>	

Topic	Summary	Further information
	<ul style="list-style-type: none"> <li>– APRA has released the final non-capital related prudential standards for the supervision of conglomerate groups. These prudential standards apply to the Suncorp Group as a conglomerate group. APRA has deferred implementation of the capital-related prudential standards applicable to conglomerate groups until a number of other domestic and international policy initiatives are further progressed. The non-capital related standards took effect on 1 July 2017. The prudential standards cover requirements for governance, risk management and risk exposure for conglomerate groups.</li> <li>– The Terms include terms necessary to meet APRA's requirements for Eligible Additional Tier 1 Capital (including Conversion (or Write-Off) following a Non-Viability Trigger Event, subordination provisions and certain limitations on the rights of Holders).</li> </ul>	
2.6.3 What is the regulatory treatment of Capital Notes 2?	<ul style="list-style-type: none"> <li>– APRA has advised that Capital Notes 2 are eligible for inclusion as Eligible Additional Tier 1 Capital.</li> <li>– If APRA's treatment of Capital Notes 2 changes, a Regulatory Event may occur in which case Suncorp would have an option to Exchange Capital Notes 2 as described in Section 2.3.</li> </ul>	Clause 6.1(a) of the Terms
2.6.4 Are Capital Notes 2 guaranteed by any government?	<ul style="list-style-type: none"> <li>– No. Capital Notes 2 are not: <ul style="list-style-type: none"> <li>– deposits or policy liabilities of any member of the Suncorp Group;</li> <li>– protected accounts under the Banking Act or protected policies under the Insurance Act; or</li> <li>– guaranteed or insured by any government, government agency or compensation scheme.</li> </ul> </li> </ul>	Clause 2.2 of the Terms

## 2.7 Other

Topic	Summary	Further information
2.7.1 Can Suncorp issue further Capital Notes 2 or other instruments?	<ul style="list-style-type: none"> <li>– Suncorp reserves the right to: <ul style="list-style-type: none"> <li>– issue any securities which rank equally with Capital Notes 2 (on the same terms or otherwise) or rank in priority or junior to Capital Notes 2;</li> <li>– redeem, buy back, return capital on or convert any securities other than Capital Notes 2 at any time, except where expressly prevented from doing so as described in Section 2.1.8;</li> <li>– subject to APRA's prior written consent, purchase or procure the purchase of Capital Notes 2 from Holders at any time and at any price; or</li> <li>– incur or guarantee any indebtedness upon such terms as it may think fit in its sole discretion.</li> </ul> </li> <li>– Capital Notes 2 do not confer on Holders any right to subscribe for new securities in Suncorp or to participate in any bonus issues of shares in Suncorp's capital.</li> </ul>	Clauses 11.4(e) and 11.5 of the Terms
2.7.2 What voting rights do Capital Notes 2 carry?	<ul style="list-style-type: none"> <li>– Holders have no voting rights at meetings of holders of shares in Suncorp.</li> <li>– Holders may vote at meetings for Holders in accordance with the Trust Deed.</li> </ul>	Clause 12 of the Terms



Topic	Summary	Further information
2.7.3 Can Suncorp amend the Terms and the Trust Deed?	<ul style="list-style-type: none"> <li>– As described in Section 5.1.24, subject to complying with all applicable laws and to having the approval of the Trustee, Suncorp may amend the Terms and Trust Deed without the approval of Holders, in certain circumstances.</li> <li>– These may include amendments which may affect the rights of Holders, including: <ul style="list-style-type: none"> <li>– amendments of a formal, technical or minor nature, made to cure any ambiguity or correct any manifest error;</li> <li>– changes to dates or time periods necessary or desirable to facilitate a Mandatory Conversion, Non-Viability Conversion or Exchange;</li> <li>– changes that enable Capital Notes 2 to be quoted on ASX or sold or to comply with applicable laws or the ASX Listing Rules;</li> <li>– amendments made to align Terms with any subsequently issued Eligible Additional Tier 1 Capital instrument;</li> <li>– amendments made in accordance with Suncorp's adjustment rights in relation to VWAP and Issue Date VWAP in Clause 8 of the Terms; and</li> <li>– any other change that, in Suncorp's opinion, will not be materially prejudicial to the interests of Holders as a whole.</li> </ul> </li> <li>– Suncorp may also, with the Trustee's approval (and APRA's prior written approval where required), amend the Terms and Trust Deed if the amendment has been approved by a Special Resolution.</li> <li>– APRA's prior written approval to amend the Terms and Trust Deed is required only where the amendment may affect the eligibility of Capital Notes 2 as Relevant Securities. Holders should not assume that APRA's approval will be given, if requested.</li> </ul>	Clause 18 of the Terms
2.7.4 What is the time limit for a Holder to make a claim against Suncorp?	<ul style="list-style-type: none"> <li>– Holders should be aware that a claim against Suncorp for payment in respect of a Capital Note 2 is void, to the fullest extent permitted by applicable law, unless made within five years of the date for payment.</li> </ul>	Clause 15.5 of the Terms
2.7.5 Are Suncorp determinations binding?	<ul style="list-style-type: none"> <li>– Except where there is a manifest error, calculations, elections and determinations made by Suncorp under the Terms are binding on Holders.</li> </ul>	Clause 22.1(o) of the Terms
2.7.6 Is set-off applicable?	<ul style="list-style-type: none"> <li>– A Holder may not exercise any right of set-off against Suncorp in respect of any claim by Suncorp against that Holder and will have no offsetting rights or claims on Suncorp if Suncorp does not pay a Distribution when scheduled under the Terms.</li> <li>– Suncorp may not exercise any right of set-off against a Holder in respect of any claim by that Holder against Suncorp.</li> </ul>	Clause 11.1 of the Terms
2.7.7 What is the power of attorney?	<ul style="list-style-type: none"> <li>– Each Holder appoints each of Suncorp, its officers and any External Administrator of Suncorp (each an <b>Attorney</b>) 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 the Terms including, but not limited to, 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.</li> </ul>	Clause 11.3 of the Terms

Topic	Summary	Further information
2.7.8 Trustee and Trust Deed	<ul style="list-style-type: none"> <li>– Suncorp has appointed Australian Executor Trustees Limited as Trustee for Holders, as required by Chapter 2L of the Corporations Act. The Trustee holds certain rights in relation to Capital Notes 2 on trust for Holders under the Trust Deed. In certain circumstances, the Trustee will act on behalf of Holders.</li> <li>– The Trustee holds on trust for Holders the right to enforce any obligations of Suncorp under the Terms and the Trust Deed. The Trustee will be entitled to take any action against Suncorp to enforce any obligations of Suncorp, subject to the Terms and the Trust Deed.</li> <li>– The Trustee must take action to enforce the Terms and Trust Deed if it has been directed to do so by a Special Resolution of Holders or so requested in writing by the Holders holding Capital Notes 2 representing at least 15% of the aggregate Issue Price of all Capital Notes 2 then outstanding, its liability has been limited consistent with the Trust Deed, it is indemnified to its reasonable satisfaction and the action is permitted by the Trust Deed or the Terms and by law.</li> <li>– Holders will not be entitled to proceed directly against Suncorp to enforce any right or remedy under or in respect of any Note unless the Trustee is bound to proceed with that action and has not taken that action within 14 days. In this case, any Holder may itself institute proceedings against Suncorp for the relevant remedy to the same extent that the Trustee would have been entitled to do so.</li> <li>– Under the Trust Deed, Suncorp must establish and maintain, or procure the establishment and maintenance, of the Register. The Trust Deed also includes provisions for meetings of Holders. Holders will be bound by the terms of the Trust Deed and the Terms when Capital Notes 2 are issued or transferred to them or they purchase Capital Notes 2.</li> <li>– Section 9.7 contains a summary of the principal provisions of the Trust Deed.</li> <li>– A copy of the Trust Deed can be obtained from <a href="http://www.suncorpgroup.com.au/sunpg">www.suncorpgroup.com.au/sunpg</a>.</li> </ul>	Section 9.7 and Clause 17 of the Terms
2.7.9 What if a Holder is not resident in Australia or does not wish to receive Ordinary Shares on Conversion?	<ul style="list-style-type: none"> <li>– If the Register indicates that a Holder's address is outside Australia (or Suncorp believes that a Holder may not be a resident of Australia) (such a Holder being a <b>Foreign Holder</b>) and that Foreign Holder's Capital Notes 2 are to be Converted, Suncorp is entitled, in certain circumstances, to issue the relevant Ordinary Shares to the Trustee or other nominee appointed by Suncorp (which must not be a Related Entity of Suncorp).</li> <li>– A Holder may also elect not to receive Ordinary Shares on Conversion, in which case those shares will be issued to the Trustee or other nominee appointed by Suncorp (which must not be a Related Entity of Suncorp).</li> <li>– The Trustee, or other nominee (as the case may be), will sell those Ordinary Shares and pay a cash amount equal to the net proceeds to the relevant Holder.</li> <li>– The issue of Ordinary Shares to the Trustee, or other nominee (as the case may be), satisfies Suncorp's obligations in connection with the Conversion and Suncorp and the Trustee, or other nominee (as the case may be), do not owe any duty in relation to the price or terms on which the Ordinary Shares are sold and have no liability for any loss suffered as a result of such sale.</li> </ul>	Clauses 8.10, 8.11 and 8.13 of the Terms

Topic	Summary	Further information
2.7.10 What are the consequences of a FATCA Withholding in respect of Ordinary Shares issued on Conversion?	<ul style="list-style-type: none"> <li>– Where a FATCA Withholding is required to be made in respect of Ordinary Shares issued on Conversion of Capital Notes 2, or where Suncorp has reasonable grounds to suspect such a FATCA Withholding would be required to be made, the Ordinary Shares, which the relevant Holder is obliged to accept, will be issued to the Holder only to the extent (if at all) that the issue is net of FATCA Withholding. Suncorp will issue the balance of the Ordinary Shares, if any, to the Trustee or other nominee appointed by Suncorp (which must not be a Related Entity of Suncorp), who will sell those Ordinary Shares and pay a cash amount equal to the proceeds net of any FATCA Withholding to the relevant Holder.</li> </ul>	Clause 8.12 of the Terms
2.7.11 What are the taxation implications of investing in Capital Notes 2?	<ul style="list-style-type: none"> <li>– The taxation implications of investing in Capital Notes 2 will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice.</li> <li>– A general outline of the Australian taxation implications is included in the Australian taxation summary in Section 8.</li> </ul>	Section 8
2.7.12 Will Capital Notes 2 be rated?	<ul style="list-style-type: none"> <li>– Suncorp has not sought a credit rating for Capital Notes 2.</li> </ul>	

### 3. About Suncorp

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This Section sets out information about Suncorp and Suncorp Group.



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## 3.1 Introduction

Suncorp is a top 20 ASX-listed company with a market capitalisation of \$18 billion as at 19 October 2017. It is a NOHC and the ultimate parent company of Suncorp Group, which delivers insurance and banking and wealth products and services across Australia and New Zealand.

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

More information about Suncorp and its businesses can be found at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

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## 3.2 Overview of Suncorp

Suncorp Group is a provider of financial services and solutions.

Suncorp Group has \$97 billion in assets, employs approximately 13,400 people and serves approximately nine million customers through its trusted brands across Australia and New Zealand, as at 30 June 2017.

Suncorp's Marketplace of products, services and experiences is designed to make it easier for customers to meet their financial needs. It brings together a strong portfolio of banking, wealth management and insurance solutions from across the Suncorp Group's many brands including Suncorp, AAMI, GIO, Apia and Shannons, as well as those from partners.

### 3.2.1 Strategy

Suncorp Group's purpose is to *create a better today* for its customers, communities, shareholders, and people. Suncorp helps people to live the life they want now and plan for the life they want tomorrow.

During the 2016-17 financial year, Suncorp evolved its vision to be the destination for the moments that matter to its customers. The vision expresses the Suncorp Group's aspiration to have a deeper understanding of customers' needs and engage with them through important journeys ('moments that matter') with personalised experiences and integrated offers.

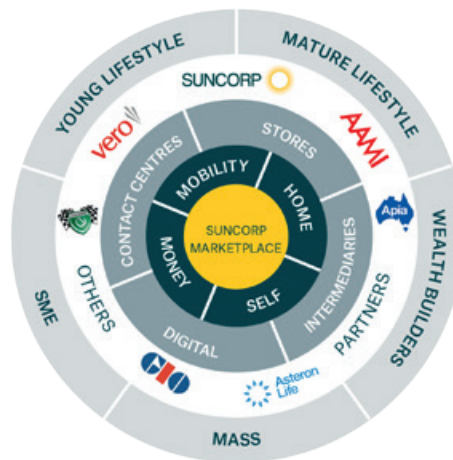
To achieve this vision, Suncorp is focused on four strategic priorities:

- **Elevate the customer** – Using insights to understand and meet customer needs and continuing to embed a customer-centric culture. Suncorp's goal is to deliver seamless and valuable customer experiences that are consistently great, and brilliant in the moments that matter
- **Create the Marketplace** – Creating a connected network of brands, partners, solutions and channels, to make it faster, simpler and easier for Suncorp customers. Through the Suncorp Marketplace, customers will have greater choice from a suite of personalised solutions and integrated offers, to support them in the key moments in their lives
- **Maintain momentum and grow** – Building and protecting Suncorp's reputation for excellence in manufacturing financial services solutions for customers in Australia and New Zealand. This will be achieved through an increased focus on targeted revenue growth opportunities, operational excellence including simplification and digitisation, and disciplined portfolio management
- **Inspire our people** – Fostering a diverse, inclusive and highly engaged workforce. Suncorp is committed to empowering, engaging and creating an environment where its people have the support, capability, technology and workspaces they need to be their best

## Our strategy



## Our Suncorp Marketplace



On 3 August 2017, Suncorp announced it had commenced a group-wide Business Improvement Program. The program is designed to improve customer experience and deliver material reductions in Suncorp's expense base through operational excellence, removing pain points and designing innovative customer solutions.

Suncorp also announced an additional investment of up to \$100 million (after-tax) to support delivery of key components of the Marketplace strategy. The investment will:

- bring together for the first time a single digital experience for the entire Suncorp network through a new Suncorp Marketplace app;
- complete the Suncorp brand refresh and commence building national awareness and differentiation;
- accelerate the connection of new third party partnerships into the Marketplace to enhance speed and delivery of new services and solutions;
- develop customer journeys around home and car and integrated offers to deliver additional solutions to customers; and
- introduce a rewards and recognition program to further increase the value loyal customers receive.

### 3.2.2 One Suncorp operating model

Suncorp operates as 'One Suncorp', working to deliver better outcomes that create value for all stakeholders. The model puts the customer at the centre with all customers treated as customers of the Suncorp Group. This requires collaboration across the business. In October 2017, Suncorp's Customer Platforms, Customer Experience and Strategic Innovation teams were combined into a single function called Customer Marketplace. This function brings together all customer-facing and innovation teams, harnessing synergies and enabling faster execution of Suncorp's strategy. The function defines customer needs, target experiences and propositions and designs and delivers integrated channel experiences enabled by our wide range of products and services both manufactured or partnered.

Suncorp New Zealand has a similar model with end-to-end accountability for distribution and manufacturing.

Suncorp Group's operating functions are described in Section 3.2.4. Group-wide support is provided by the Finance & Advice, Legal, People Experience, Technology, Data & Labs and Risk functions, which includes responsibility for the investment of the Suncorp Group's capital and business strategy activities. See Section 3.4 for further detail on Suncorp's investment strategy.

Suncorp Group's corporate structure and regulatory licences were unchanged by the adoption of the 'One Suncorp' operating model in July 2016.

### 3.2.3 Suncorp's network of brands

Suncorp has a range of brands to meet the needs of customers across Australia and New Zealand. Suncorp Group's main brands include:



Our network of brands



### 3.2.4 Suncorp Group's operating functions

Suncorp Group has three operating functions— Insurance (Australia), Banking & Wealth and New Zealand. The operating functions are responsible for product design, manufacturing, claims management and end-to-end responsibility for the statutory entities within Suncorp Group.

#### Insurance (Australia)

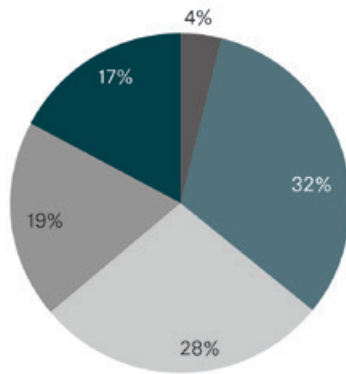
Suncorp Group's Insurance (Australia) business provides consumer, commercial, personal injury and life insurance products to the Australian market. Suncorp Group is one of Australia's largest general insurers by GWP and the largest personal-injury insurer combining compulsory third party (CTP), workers' compensation and life insurance.

The Insurance (Australia) business offers the following products:

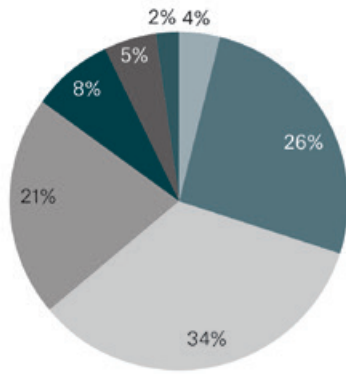
- **Consumer insurance** - products include home and contents insurance, motor insurance and travel insurance;
- **Commercial insurance** - products include commercial motor insurance, commercial property insurance, industrial special risk insurance and public liability and professional indemnity insurance;
- **Personal injury insurance** - products include CTP insurance and workers' compensation insurance; and
- **Life insurance** - including specialised life insurance products.

**GENERAL INSURANCE GWP**  
TOTAL GWP OF \$8.1 BILLION AS AT 30 JUNE 2017

**PORTFOLIO BY PRODUCT**

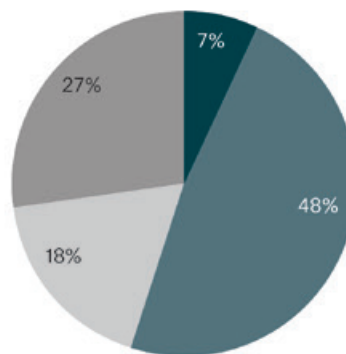


**PORTFOLIO BY GEOGRAPHY**

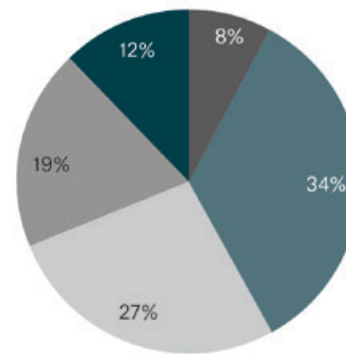


**LIFE INSURANCE IN-FORCE PREMIUM**  
TOTAL IN-FORCE PREMIUM OF \$806 MILLION AS AT 30 JUNE 2017

**PREMIUM BY PRODUCT**



**PREMIUM BY GEOGRAPHY**



Offering customers a broad range of life insurance solutions through direct and intermediated channels is core to Suncorp's financial services Marketplace strategy.



### Optimisation program and strategic review of Australian life insurance business

Following a portfolio review, Suncorp is implementing an optimisation program for its Australian life insurance business. This is designed to improve competitiveness and achieve better outcomes for customers and intermediaries. The optimisation program comprises a short-term optimisation program and a long-term transformation program. There are five main workstreams focused on key value drivers of the business, namely expense claims, retention, underwriting, pricing and product.

The optimisation program sits alongside and is running in parallel with a strategic review of the Australian life insurance business. The strategic review involves the ongoing assessment of a number of options, including additional reinsurance, exploring partnership arrangements and a potential full or partial divestment of the business.

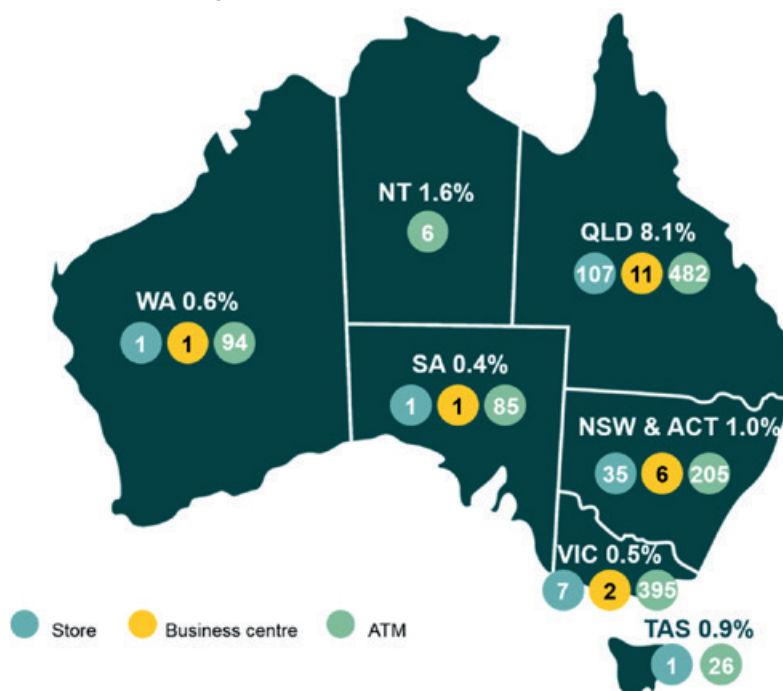
There are risks associated with Suncorp Group's insurance businesses, including life insurance (refer to Section 5.2.10) and in undertaking potential divestments (refer to Section 5.2.15).

### Banking & Wealth

Suncorp's Banking & Wealth business holds \$55.3 billion in lending assets and \$7.5 billion in funds under management and administration as at 30 June 2017.

Suncorp is a prominent Australian banking and wealth provider, serving one million personal, small to medium enterprise and agribusiness customers.

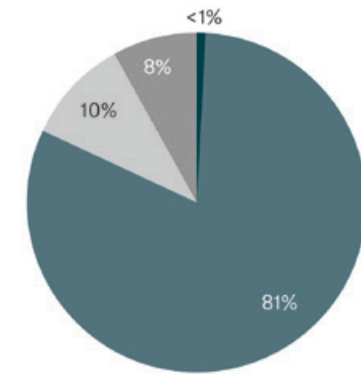
### Suncorp's retail banking market share and footprint



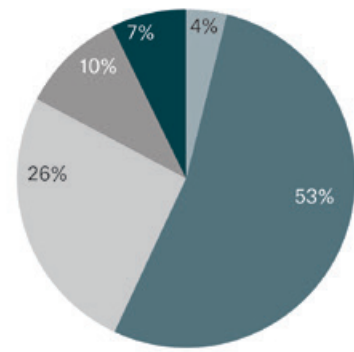
Market share source: Roy Morgan, June 2017. Footprint as at 30 June 2017

**SUNCORP'S TOTAL LENDING PORTFOLIO**  
TOTAL ASSETS OF \$55.3 BILLION AS AT 30 JUNE 2017

**LENDING ASSETS BY PORTFOLIO**



**LENDING ASSETS BY GEOGRAPHY**



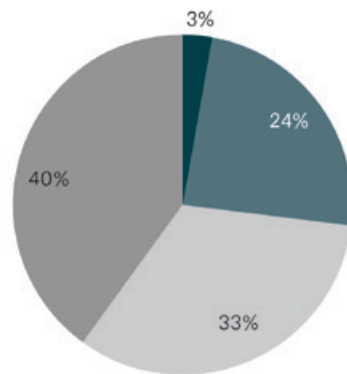
As part of the Suncorp Group's operating model revision, Suncorp's Wealth division was moved into the Bank, creating the newly named Banking & Wealth business. The Wealth division manufactures, administers and distributes multiple superannuation and investment products via Suncorp Portfolio Services Limited (SPSL), Suncorp Life & Superannuation Limited (SLSL) and Suncorp Financial Services Pty Ltd (SFS).

**New Zealand**

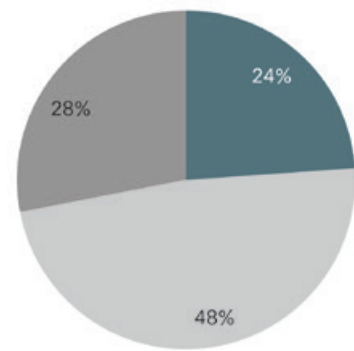
Suncorp Group's New Zealand business shares a singular purpose and strategy with the Australian insurance business with an aligned vision and priorities that have been localised for the New Zealand market. Suncorp distributes consumer, commercial and life insurance products through intermediaries and corporate partners as well as directly to customers via joint ventures.

**GENERAL INSURANCE GWP**  
TOTAL GWP OF NZ\$1.4 BILLION AS AT 30 JUNE 2017

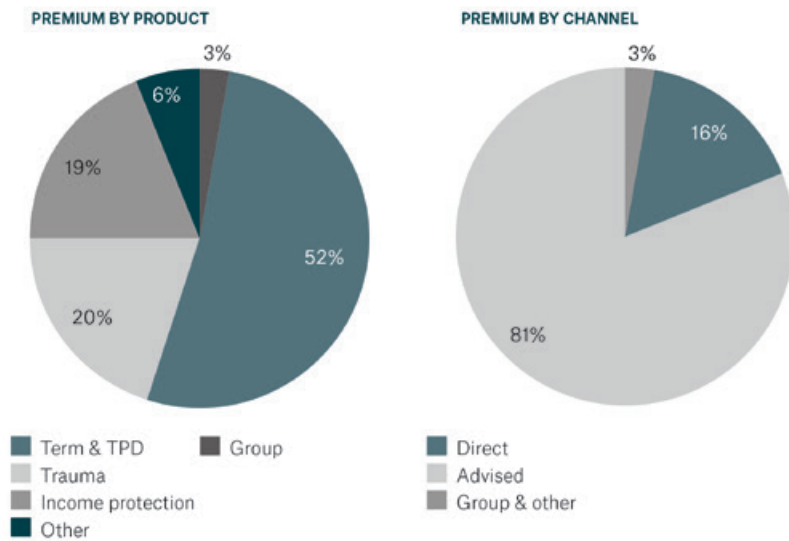
**PORTFOLIO BY PRODUCT**



**PORTFOLIO BY CHANNEL**



**LIFE INSURANCE IN-FORCE PREMIUM**  
TOTAL IN-FORCE PREMIUM OF NZ\$245 MILLION AS AT 30 JUNE 2017



### Acquisition of Tower Limited

On 27 June 2017, Suncorp announced that its wholly-owned subsidiary Vero Insurance New Zealand Limited (**Vero**) had entered into a Scheme Implementation Agreement (**SIA**) with Tower Limited (**Tower**) – a New Zealand based company that provides general insurance across New Zealand and the Pacific Islands – to acquire by scheme of arrangement all of the ordinary shares in Tower that Vero does not already own at a price of NZ\$1.40 per share. As at 23 October 2017, Vero owns 19.99% of the shares in Tower. The SIA is subject to conditions, including regulatory approval. On 25 July 2017, the New Zealand Commerce Commission declined Vero's application to acquire Tower. Vero has lodged an appeal with the High Court of New Zealand against that decision, and Tower has lodged its own cross appeal. The appeal and cross appeal proceedings are due to be heard on 25 January 2018. Suncorp continues to consider its options in relation to the SIA and Tower.

### 3.2.5 Financial highlights for the year ended 30 June 2017

- Suncorp Group net profit after tax (**NPAT**) of \$1,075 million (FY16: \$1,038 million)
- Profit after tax from functions<sup>1</sup> of \$1,205 million (FY16: \$1,159 million)
- Suncorp Group top-line growth of 3.6% (FY16: 2.9%)
- Total operating expenses of \$2,746 million (FY16: \$2,669 million)
- Cash return on average shareholders' equity of 8.4% (FY16 8.2%). Statutory return on equity of 7.9% (FY16: 7.8%)
- Final ordinary dividend of 40 cents per share fully franked and total FY17 dividend of 73 cents (FY16 total dividend: 68 cents) representing a cash earnings payout ratio of 82%
- Bank CET1 capital ratio of 9.23% (FY16: 9.21%) and general insurance CET1 of 1.32 times the Prescribed Capital Amount (**PCA**) (FY16: 1.21x PCA), both above the top end of their target ranges
- Combined Australia and New Zealand general insurance underlying insurance trading ratio of 11.5% (FY16: 10.6%)
- Net Interest Margin of 1.83% (FY16: 1.86%)
- Life Embedded Value decreased to \$1,961 million (FY16: \$2,014 million)
- **Insurance (Australia)** NPAT was \$723 million (FY16: \$558 million)
- **Banking & Wealth** NPAT was \$400 million (FY16: \$418 million)
- **New Zealand** NPAT was A\$82 million (FY16: A\$183 million)
- Suncorp Group's financial information is detailed in Section 4

<sup>1</sup> 'Profit after tax from functions' is defined as the NPAT for the Insurance (Australia), Banking & Wealth and New Zealand functions.

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### 3.3 General insurance reinsurance

Reinsurance is a form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all or a share of certain claims incurred by the insurance company.

Suncorp Group enters into a number of reinsurance arrangements for its general insurance business. These arrangements allow risk to be limited from particular lines of business or from specific events (such as natural catastrophes), stabilise earnings, reduce both insurance risk and capital requirements, and increase Suncorp Group's capacity to write new policies.

The main catastrophe reinsurance program covers all perils to which the Suncorp Group is exposed covering home, motor and commercial property portfolios for major events. The program provides gross reinsurance protection for losses up to \$6.9 billion for the 2017-18 financial year. Suncorp Group retains the first \$250 million of losses for the first event. Additional cover has also been purchased to reduce the maximum losses Suncorp Group retains for a second Australian event to \$200 million and, for a third and fourth event, to \$50 million. For New Zealand risks, multi-year cover is in place which reduces the maximum losses Suncorp Group retains to NZ\$50 million and, for the second and third event, to NZ\$25 million.

To reduce the potential volatility of future losses from natural hazards, Suncorp Group has again purchased additional reinsurance natural hazards aggregate protection for the 2017-18 financial year. This provides \$300 million of cover over the retained portion of natural hazard events greater than \$10 million that exceed a total of \$475 million. The retained natural hazard allowance has increased by \$72 million to \$692 million reflecting the increased frequency and severity of natural hazards in recent years.

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### 3.4 Investments

The primary objective is to optimise investment returns relative to investment risk appetite, which remains conservatively positioned. For Suncorp Group's insurance businesses, this process inherently has regard to the insurance liabilities and capital that the investment assets are supporting and seeks to substantially offset the associated interest rate and claims inflation risks. High quality fixed interest securities and inflation-linked bonds play a central role in achieving this objective.

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### 3.5 Regulation

The Suncorp Group is subject to ongoing oversight by a number of regulatory authorities in Australia and New Zealand including APRA, Reserve Bank of Australia (**RBA**), ASIC, the Australian Competition and Consumer Commission (**ACCC**), the Australian Transaction Reports and Analysis Centre (**AUSTRAC**), RBNZ, the Financial Markets Authority (**FMA**) and New Zealand Commerce Commission. In particular, as a provider of general insurance, banking, life insurance and superannuation products, the Suncorp Group is subject to ongoing oversight by financial services regulators with the prudential regulator in Australia being APRA and RBNZ in New Zealand.

### 3.5.1 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 superannuation entities.

The Suncorp Group is required to comply with APRA's application of the Basel III framework as reflected in the prudential standards (for regulated banking entities) and APRA's capital standards for general insurers and life insurers.

APRA has also implemented requirements for governance, risk management and risk exposure components of the framework for supervision of banking and insurance conglomerate groups (Level 3 framework), which apply to Suncorp Group. APRA has also advised that standards in relation to capital requirements for conglomerate groups have been deferred.

### 3.5.2 New Zealand

#### Reserve Bank of New Zealand

The 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 licences where required.

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## 3.6 Risk management

The Suncorp Group places great importance on the appropriate management of all material risks to the business. The role of the risk management function is to provide independent oversight and assurance of all material risk decisions made by the business. The Enterprise Risk Management Framework (**ERM Framework**) has been adopted by all entities within the Suncorp Group. The ERM Framework lays the foundation for all risk management processes, embeds risk management policy and demonstrates the relevant board and management's commitment to effective risk management as a key element of success.

Each APRA regulated Suncorp Group entity has its own board approved Risk Appetite Statement (**RAS**) which has separate tolerances for capital sufficiency and the maintenance of credit ratings. Where applicable, each RAS contains tolerances for a range of key risk drivers including strategic risk, insurance risk, counterparty and credit risk, market and asset and liability mismatch risk, liquidity risk, operational risk and compliance risk.

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## 3.7 Directors of Suncorp

The Directors of Suncorp as at the date of this Prospectus are:

- Dr Zygmunt Switkowski AO, Independent Chairman;
- Mr Michael Cameron, CEO & Managing Director;
- Ms Audette Exel AO, Independent Non-Executive Director;
- Ms Sally Herman, Independent Non-Executive Director;
- Mr Simon Machell, Independent Non-Executive Director;
- Ms Christine McLoughlin, Independent Non-Executive Director; and
- Dr Douglas McTaggart, Independent Non-Executive Director.

The Directors of Suncorp may change from time to time due to the appointment or resignation of Directors, and if this occurs Suncorp will make an ASX announcement.

The role and responsibilities of the Directors are set out in the Suncorp Board Charter. The Board Charter and further information on the Directors of Suncorp, including their experience, qualifications and expertise can be found on Suncorp's website at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au). Information on the Board of Directors can be found by selecting 'About us' and 'Our leadership team', while the Board Charter can be found by selecting 'About us' and then 'Governance'.

# 4. Financial information

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This Section sets out:

- summary financial and capital information for Suncorp and Suncorp Group;
- pro forma financial information demonstrating the effect of the Offer and CPS2 repayment on Suncorp and Suncorp Group; and
- pro forma capital information demonstrating the effect of the Offer and CPS2 repayment on Suncorp Group.



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## 4.1 Introduction

Section 4 provides summary actual historical financial and capital information and summary pro forma financial and capital information for Suncorp and Suncorp Group. The pro forma financial and capital information has been included to illustrate Suncorp Group's financial and capital position as at 30 June 2017, assuming the issuance of Capital Notes 2 and the repayment of CPS2 occurred on that date. The pro forma adjustments do not materially impact Suncorp Group's consolidated statement of comprehensive income or Suncorp's summary financial results for the financial year ended 30 June 2017.

The Suncorp Group summary actual financial information presented in this Section has been extracted from Suncorp Group's audited consolidated financial report for the financial year ended 30 June 2017. This report is available at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

The summary 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 in Australian dollars.

The pro forma 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 Selected financial information of Suncorp Group

### 4.2.1 Consolidated statements of comprehensive income

The following table sets out Suncorp Group's consolidated statements of comprehensive income for the financial year ended 30 June 2017 (FY17) as well as the prior financial year ended 30 June 2016 (FY16) comparative.

\$ million	FY16	FY17
<b>Revenue</b>		
Insurance premium income	9,899	10,344
Reinsurance and other recoveries income	1,621	3,280
Interest income on financial assets not at fair value through profit or loss	2,622	2,464
Interest income on financial assets at fair value through profit or loss	606	591
Net gains on financial assets and liabilities at fair value through profit or loss	-	91
Dividend and trust distribution income	171	74
Fees and other income	568	551
<b>Total revenue</b>	<b>15,487</b>	<b>17,395</b>
<b>Expenses</b>		
Claims expense and movement in policy owner liabilities	(7,561)	(9,228)
Outwards reinsurance premium expense	(1,220)	(1,445)
Underwriting and policy maintenance expenses	(2,334)	(2,387)
Interest expense on financial liabilities not at fair value through profit or loss	(1,493)	(1,369)
Interest expense on financial liabilities at fair value through profit or loss	(94)	(73)
Net losses on financial assets and liabilities at fair value through profit or loss	(160)	-
Impairment loss on loans and advances	(16)	(7)
Amortisation and depreciation expense	(165)	(168)
Fees, overheads and other expenses <sup>1</sup>	(937)	(1,110)
<b>Total expenses</b>	<b>(13,980)</b>	<b>(15,787)</b>
<b>Profit before income tax</b>	<b>1,507</b>	<b>1,608</b>
Income tax expense	(462)	(523)
<b>Profit for the financial year</b>	<b>1,045</b>	<b>1,085</b>
<b>Other comprehensive income</b>		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Net change in fair value of cash flow hedges	26	(60)
Net change in fair value of available-for-sale financial assets	(2)	13
Exchange differences on translation of foreign operations	75	(1)
Income tax (expense) benefit	(7)	14
	92	(34)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial (losses) gains on defined benefit plans	(10)	8
Income tax benefit (expense)	3	(3)
	(7)	5
<b>Total other comprehensive income (loss)</b>	<b>85</b>	<b>(29)</b>
<b>Total comprehensive income for the financial year</b>	<b>1,130</b>	<b>1,056</b>
<b>Profit for the financial year attributable to:</b>		
Owners of Suncorp	1,038	1,075
Non-controlling interests	7	10
<b>Profit for the financial year</b>	<b>1,045</b>	<b>1,085</b>
<b>Total comprehensive income for the financial year attributable to:</b>		
Owners of Suncorp	1,123	1,046
Non-controlling interests	7	10
<b>Total comprehensive income for the financial year</b>	<b>1,130</b>	<b>1,056</b>

Notes:

<sup>1</sup> Includes outside beneficial interests in managed funds.



## 4.2.2 Pro forma consolidated statement of financial position

The following table sets out Suncorp Group's consolidated statement of financial position as at 30 June 2017, as well as the consolidated statement of financial position as at 30 June 2016. It also provides Suncorp Group's pro forma consolidated statement of financial position as at 30 June 2017, assuming the Offer and the CPS2 repayment occurred on 30 June 2017.

\$ million	Actuals as at 30 Jun 2016	Actuals as at 30 Jun 2017	Pro forma adjustments for the Offer <sup>1</sup>	Pro forma adjustment for CPS2 repayment <sup>2</sup>	Pro forma as at 30 Jun 2017
<b>Assets</b>					
Cash and cash equivalents	1,798	1,840	244	(560)	1,524
Receivables due from other banks	552	567	-	-	567
Trading securities	1,497	1,520	-	-	1,520
Derivatives	676	188	-	-	188
Investment securities	23,384	22,327	-	-	22,327
Loans and advances	54,134	55,197	-	-	55,197
Premiums outstanding	2,522	2,620	-	-	2,620
Reinsurance and other recoveries	1,900	3,353	-	-	3,353
Deferred reinsurance assets	858	837	-	-	837
Deferred acquisition costs	678	704	-	-	704
Gross policy liabilities ceded under reinsurance	461	585	-	-	585
Property, plant and equipment	183	200	-	-	200
Deferred tax assets	205	226	-	-	226
Goodwill and other intangible assets	5,878	5,821	-	-	5,821
Other assets	1,022	1,124	-	-	1,124
<b>Total assets</b>	<b>95,748</b>	<b>97,109</b>	<b>244</b>	<b>(560)</b>	<b>96,793</b>
<b>Liabilities</b>					
Payables due to other banks	332	50	-	-	50
Deposits and short-term borrowings	44,889	45,105	-	-	45,105
Derivatives	628	376	-	-	376
Amounts due to reinsurers	745	799	-	-	799
Payables and other liabilities	1,843	1,999	-	-	1,999
Current tax liabilities	65	106	-	-	106
Unearned premium liabilities	4,870	4,965	-	-	4,965
Outstanding claims liabilities	9,734	10,952	-	-	10,952
Gross policy liabilities	2,912	2,917	-	-	2,917
Deferred tax liabilities	110	121	-	-	121
Managed funds units on issue	1,334	911	-	-	911
Securitised liabilities	2,535	3,088	-	-	3,088
Debt issues	9,841	9,216	-	-	9,216
Subordinated notes	1,389	1,391	-	-	1,391
Capital notes	-	368	244	-	612
Preference shares	951	955	-	(560)	395
<b>Total liabilities</b>	<b>82,178</b>	<b>83,319</b>	<b>244</b>	<b>(560)</b>	<b>83,003</b>
<b>Net assets</b>	<b>13,570</b>	<b>13,790</b>	<b>-</b>	<b>-</b>	<b>13,790</b>
<b>Equity</b>					
Share capital	12,679	12,766	-	-	12,766
Reserves	198	161	-	-	161
Retained profits	684	855	-	-	855
<b>Total equity attributable to owners of Suncorp</b>	<b>13,561</b>	<b>13,782</b>	<b>-</b>	<b>-</b>	<b>13,782</b>
Non-controlling interests	9	8	-	-	8
<b>Total equity</b>	<b>13,570</b>	<b>13,790</b>	<b>-</b>	<b>-</b>	<b>13,790</b>

### Notes:

- These adjustments assume \$250 million Capital Notes 2 were issued on 30 June 2017, net of issue transaction costs of \$6 million. The actual issue amount may be more or less than \$250 million and, consequently, the issue transaction costs may be more or less than \$6 million.
- Under the CPS2 Terms, Suncorp may elect to either redeem, convert or resell the CPS2 on 18 December 2017, subject to a number of factors including satisfactory completion of the Offer and market conditions. This adjustment assumes \$560 million CPS2 are redeemed. As at the date of this Prospectus, no decision to make an election has been made.

### 4.3 Summarised financial information of Suncorp

Suncorp is the issuing entity for Capital Notes 2. It is a NOHC and the ultimate parent company of the Suncorp Group. The following table contains certain information extracted from the Suncorp Group's audited consolidated financial report for the financial year ended 30 June 2017. Suncorp applies the amendments to the Corporations Act that removed the requirement to prepare separate parent entity financial statements. The disclosures in the following table represent the specific parent entity disclosures made for FY17 and FY16.

#### 4.3.1 Summary financial results

\$ million	FY16	FY17
<b>Results of Suncorp</b>		
Profit after tax for the year	943	812
<b>Total comprehensive income for the year</b>	<b>943</b>	<b>812</b>

#### 4.3.2 Pro forma summary financial position

The following table sets out Suncorp's audited summary standalone financial position (as parent entity) as at 30 June 2016 and as at 30 June 2017, as well as the pro forma summary financial position as at 30 June 2017, assuming the Offer and the CPS2 repayment occurred on 30 June 2017.

\$ million	Actuals as at 30 Jun 2016	Actuals as at 30 Jun 2017	Pro forma adjustments for the Offer <sup>1</sup>	Pro forma adjustment for CPS2 repayment <sup>2</sup>	Pro forma as at 30 Jun 2017
<b>Financial position of Suncorp at the end of the financial year</b>					
Current assets	665	691	244	(560)	375
<b>Total assets</b>	<b>15,429</b>	<b>15,838</b>	<b>244</b>	<b>(560)</b>	<b>15,522</b>
Current liabilities	100	145	-	-	145
<b>Total liabilities</b>	<b>1,816</b>	<b>2,235</b>	<b>244</b>	<b>(560)</b>	<b>1,919</b>
<b>Net assets</b>	<b>13,613</b>	<b>13,603</b>	<b>-</b>	<b>-</b>	<b>13,603</b>
<b>Total equity of Suncorp consists of:</b>					
Share capital	12,776	12,869	-	-	12,869
Retained profits	837	734	-	-	734
<b>Total equity</b>	<b>13,613</b>	<b>13,603</b>	<b>-</b>	<b>-</b>	<b>13,603</b>

Notes:

- 1 These adjustments assume \$250 million Capital Notes 2 were issued on 30 June 2017, net of issue transaction costs of \$6 million. The actual issue amount may be more or less than \$250 million and, consequently, the issue transaction costs may be more or less than \$6 million.
- 2 Under the CPS2 Terms, Suncorp may elect to either redeem, convert or resell the CPS2 on 18 December 2017, subject to a number of factors including satisfactory completion of the Offer and market conditions. This adjustment assumes \$560 million CPS2 are redeemed. As at the date of this Prospectus, no decision to make an election has been made.

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## 4.4 Capital management

Suncorp Group's capital management strategy 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 is subject to, and complies with, external capital requirements set and monitored by APRA and the RBNZ.

As noted in Section 3, the Suncorp Group legal and regulatory structure has not changed following the change in the operating model. Suncorp is the NOHC of the Suncorp Group. Holding companies have been established for each of the APRA-regulated general insurance businesses (**General Insurance**), regulated life insurance and superannuation businesses (**Life Insurance**) and regulated banking businesses (**Bank**). The Suncorp NOHC also holds capital in respect of centralised corporate service entities. Suncorp Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that Suncorp Group, as a whole, is capitalised to meet both internal and external requirements. The ICAAP is reviewed regularly and, where appropriate, adjusted to reflect changes in Suncorp Group's capital requirements.

A range of instruments and methodologies are used to effectively manage capital, including share issues, reinsurance, dividend policies, Tier 1 Capital instruments and Tier 2 Capital instruments. Capital targets are structured according to risk appetite, the business line regulatory framework and APRA's NOHC conditions.

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 hybrid securities with 'equity like' qualities;
- Tier 2 Capital comprising certain securities recognised as Tier 2 Capital, together with specific regulated bank reserves eligible as regulatory capital; and
- Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

### Dividends and capital position

Suncorp Group aims to pay annual dividends based on a target payout ratio of 60% to 80% of cash earnings. For the financial year ending 30 June 2018, the Board intends to increase the dividend payout ratio above the top end of the usual range to offset the impact on cash earnings of the additional investment to accelerate the delivery of key components of the Marketplace.

The CET1 Capital positions (pre-dividend) as at 30 June 2017 are:

- the General Insurance business' CET1 Capital position was 1.32 times the PCA, above its target operating range of 1.0–1.2 times PCA;
- the Bank's CET1 Capital ratio was 9.23%, above its target operating range of 8.5%–9.0%;
- the Life Insurance business' excess CET1 Capital to target was \$126 million; and
- an additional \$51 million of excess CET1 Capital was held at the Suncorp and corporate services level.

Suncorp Group maintains a strong capital position with all three regulated businesses holding CET1 Capital in excess of targets. Suncorp Group's excess to CET1 Capital target was \$377 million after adjusting for the final dividend. The excess Total Capital to target was \$1,156 million after adjusting for the final dividend. This included \$375 million Additional Tier 1 Capital issued by Suncorp in May 2017.

## 4.5 Pro forma capital adequacy position

The following table sets out Suncorp Group's actual capital adequacy position as at 30 June 2016 and as at 30 June 2017 and Suncorp Group's pro forma capital adequacy position as at 30 June 2017, based on Suncorp Group's financial position as at the respective periods and after adjusting for the following assumptions:

- \$250 million is raised through the Offer. The instrument is to be eligible for recognition as Additional Tier 1 Capital. Issue costs associated with the Offer are assumed to be \$6 million; and
- the repayment of all of the CPS2 as a result of the Reinvestment Offer or on the optional exchange date for CPS2, being 18 December 2017. Suncorp currently has \$560 million of CPS2 on issue. CPS2 is currently eligible for recognition as Additional Tier 1 Capital.

\$ million	Actuals as at 30 Jun 2016	Actuals as at 30 Jun 2017	Pro forma adjustments for the Offer <sup>1</sup>	Pro forma adjustment for CPS2 repayment <sup>2</sup>	Pro forma as at 30 Jun 2017
CET1 Capital	6,338	6,625	(6)	–	6,619
Additional Tier 1 Capital	960	1,335	250	(560)	1,025
Tier 1 Capital	7,298	7,960	244	(560)	7,644
Tier 2 Capital	1,562	1,552	–	–	1,552
<b>Total Capital</b>	<b>8,860</b>	<b>9,512</b>	<b>244</b>	<b>(560)</b>	<b>9,196</b>
Excess to CET1 Capital Target (ex dividend)	346	377	(6)	–	371
Excess Total Capital to target (ex dividend)	677	1,156	244	(560)	840

Notes:

- 1 These adjustments assume \$250 million Capital Notes 2 were issued on 30 June 2017, net of issue transaction costs of \$6 million. The actual issue amount may be more or less than \$250 million and, consequently, the issue transaction costs may be more or less than \$6 million.
- 2 Under the CPS2 Terms, Suncorp may elect to either redeem, convert or resell the CPS2 on 18 December 2017, subject to a number of factors including satisfactory completion of the Offer and market conditions. This adjustment assumes \$560 million CPS2 are redeemed. As at the date of this Prospectus, no decision to make an election has been made.

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

Included in Suncorp Group's \$1,335 million Additional Tier 1 Capital as at 30 June 2017 is \$560 million CPS2 issued by Suncorp on 6 November 2012. Under the terms of CPS2, Suncorp may elect to convert, redeem or resell CPS2 on 18 December 2017. Any decision to convert, redeem or resell CPS2 will be made closer to that date and be based on a number of factors, including the capital position of Suncorp Group at the time and the prevailing market conditions. Any conversion, redemption or resale of CPS2 would also be subject to APRA approval.

# 5. Investment risks

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This Section describes some of the risks associated with an investment in Capital Notes 2 and in Suncorp.

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. They are not an exhaustive statement of all risks that might emerge, they are not listed in order of likelihood of occurrence or impact and there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

Investors should carefully consider these risk factors, together with the other information in this Prospectus, before deciding whether to invest in Capital Notes 2.

This summary does not cover all the risks of investing in Capital Notes 2.

Before applying for Capital Notes 2, you should consider whether Capital Notes 2 are a suitable investment for you. There are risks associated with an investment in Capital Notes 2 and in Suncorp, many of which are outside the control of Suncorp and its Directors.



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## 5.1 Risks associated with investing in Capital Notes 2

### 5.1.1 Capital Notes 2 are not deposit or policy liabilities

Capital Notes 2 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 policyholder protection provisions of the Insurance Act;
- guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction; or
- secured over any of Suncorp's or any member of the Suncorp Group's assets.

The investment performance of Capital Notes 2 is not guaranteed by Suncorp or any other member of the Suncorp Group.

### 5.1.2 Market price of Capital Notes 2

The market price of Capital Notes 2 may fluctuate due to various factors, including Australian and worldwide economic conditions, better rates of return on other securities, interest rates, movements in foreign exchange rates, movements in the market price of Ordinary Shares or senior or subordinated debt, investor perceptions, Suncorp's financial performance and position, the occurrence or potential occurrence of a Non-Viability Trigger Event or factors resulting in Suncorp deciding or not being permitted to make payments on Capital Notes 2, the effect of any Exchange or Write-Off on the amount outstanding (if any) of Capital Notes 2 on issue, the risk of early Exchange following a Tax Event or Regulatory Event, and other factors that may affect Suncorp's financial performance and position. Capital Notes 2 may trade at a market price below the Issue Price. There is no guarantee that Capital Notes 2 will remain continuously quoted on ASX or ASX will not suspend trading in Capital Notes 2.

Holders who wish to sell or otherwise transfer their Capital Notes 2 prior to Exchange may suffer loss if Capital Notes 2 trade at a market price below the amount for which Capital Notes 2 were acquired by those Holders.

In recent years, markets have sometimes been 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 the impact of volatility risk on the potential market price of Capital Notes 2 before deciding whether to make an investment in Capital Notes 2.

Holders should note that, unlike Ordinary Shares, Capital Notes 2 do not provide a material exposure to growth in the Suncorp Group's business.

The Ordinary Shares issued on Conversion will rank equally with existing Ordinary Shares and their ongoing value will reflect the market price of Ordinary Shares after the date on which Capital Notes 2 are Converted. That market price of Ordinary Shares is also subject to many of the factors outlined above and may also be volatile.

### 5.1.3 Liquidity

There is a risk that there may be no liquid market for Capital Notes 2. Although Suncorp intends to have Capital Notes 2 quoted on ASX, there is no guarantee that a liquid market will develop for Capital Notes 2. The market for Capital Notes 2 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 Capital Notes 2 is likely to fluctuate and, if Holders wish to sell or otherwise transfer their Capital Notes 2 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 Capital Notes 2.

Capital Notes 2 are expected to Convert into Ordinary Shares as described in Sections 2.2 and 2.3 of this Prospectus. Where Capital Notes 2 are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion. Holders may suffer loss as a result.

#### **5.1.4 Fluctuation in Ordinary Share price**

There is a risk that the market price of the number of Ordinary Shares received per Capital Note 2 on Conversion will be less than the Issue Price of the Capital Note 2 and the market price of Ordinary Shares may fluctuate after Conversion.

Where Capital Notes 2 are Converted, other than on account of a Non-Viability Trigger Event (see further detail in Section 5.1.12), the number of Ordinary Shares issued is calculated to have a value of approximately \$101 per Capital Note 2 (calculated on the VWAP basis provided in the Terms). However, the market price of the Ordinary Shares issued upon Conversion will likely be different from the VWAP used in the Conversion calculations and will also fluctuate due to various factors, including Australian and worldwide economic conditions, investor perceptions, Suncorp's financial performance and position (see further detail in Section 5.1.2), and the market price of the number of Ordinary Shares received per Capital Note 2 on Conversion could be less than the Issue Price of the Capital Note 2. Where Capital Notes 2 are Converted on account of a Non-Viability Trigger Event, the number of Ordinary Shares issued per Capital Note 2 could be worth less than \$101 per Capital Note 2 and, in addition, the Non-Viability Trigger Event is likely to be accompanied by deterioration in the market price of the Ordinary Shares.

Other events and conditions may affect the ability of Holders to trade or dispose of the Ordinary Shares issued on Conversion; for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, whether ASX has suspended trading in Ordinary Shares, 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, or laws of general application, including securities law and laws relating to the holding of shares and other interests in financial institutions, which limit a person's ability to acquire or dispose of Ordinary Shares. ASX has broad powers to suspend trading in Ordinary Shares, including because Suncorp has not complied with the ASX Listing Rules.

#### **5.1.5 Distributions may not be paid**

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

The payment of a Distribution is subject to Suncorp's absolute discretion and to no Payment Condition existing in respect of the relevant Distribution Payment Date (see Section 2.1.7). The Payment Conditions require, among other things, that, unless APRA otherwise approves, paying the Distribution would not result in Suncorp Group not complying with APRA's capital adequacy requirements. Further, the Payment Conditions prevent a Distribution to be paid if that would result in Suncorp becoming, or being likely to become, insolvent or APRA objects to the payment of the Distribution. There is a risk that one or more elements of the Payment Conditions will not be satisfied or that Suncorp could exercise its discretion not to pay Distributions at any time and for any (or no) reason and there is, therefore, a risk that a Distribution may not be paid in full or at all.

The Terms contain no events of default and, accordingly, failure to pay a Distribution when scheduled will not constitute an event of default. Further, in the event that Suncorp does not pay a Distribution 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 Distribution when scheduled; and
- has no right of set-off and no offsetting rights or claims on Suncorp under the Terms.

Distributions are non-cumulative, meaning that if not paid, Distributions do not accrue for future payment. If a Distribution is not paid for any reason, Holders will have no recourse whatsoever to Suncorp for the unpaid amount and will not receive payment of those Distributions or any interest on unpaid Distributions.

However, if Suncorp does not pay a Distribution in full on a Distribution Payment Date, then the Distribution Restriction applies to Suncorp unless the Distribution is paid in full within three Business Days of that date (see further detail in Section 5.1.18).

Suncorp may also be prevented from paying Distributions by the terms of other securities, if a dividend or other distribution has not been paid on those securities (see further detail in Section 5.1.17). If such a constraint applies, Suncorp may not be able to pay Distributions 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 Distribution in additional circumstances.

### **5.1.6 Changes in Distribution Rate**

There is a risk that the rate of return in respect of Capital Notes 2 may become less attractive when compared to rates of return available on comparable securities issued by Suncorp or other entities.

The Distribution Rate is calculated for each Distribution Period by reference to the Bank Bill Rate, which is influenced by a number of factors, varies over time and the methodology used to calculate the Bank Bill Rate may change. The Distribution Rate will fluctuate over time (potentially increasing or decreasing) as a result of movements in the Bank Bill Rate.

The Distribution Rate will also be affected (potentially increasing or decreasing) with a change in the Australian corporate tax rate applicable to Suncorp (see further detail in Section 5.1.21).

### **5.1.7 Capital Notes 2 are perpetual and Mandatory Conversion is subject to certain conditions and may not occur when expected or at all**

Capital Notes 2 must be Converted into Ordinary Shares of Suncorp on the Scheduled Mandatory Conversion Date, which will be, 17 June 2026 (unless they have been Redeemed or Resold for cash, Converted to Ordinary Shares or Written-Off on an earlier date). However, Conversion (except in case of Conversion on account of a Non-Viability Trigger Event) is subject to satisfaction of the Mandatory Conversion Conditions and may not occur on the Scheduled Mandatory Conversion Date or at all. The Mandatory Conversion Conditions that must be satisfied in relation to any Mandatory Conversion Date are:

- the VWAP on the 25th Business Day immediately preceding the relevant Mandatory Conversion Date is greater than 55.0000% of the Issue Date VWAP;
- the VWAP for the 20 Business Days preceding the relevant Mandatory Conversion Date is greater than 50.5050% of the Issue Date VWAP; and
- no Delisting Event applies.

There is a risk that Conversion will not occur on the Scheduled Mandatory Conversion Date because the Mandatory Conversion Conditions are not satisfied due to a significant reduction in the Ordinary Share price relative to the Issue Date VWAP or a Delisting Event applies. The Ordinary Share price may be affected by transactions impacting 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 pro rata bonus issues of Ordinary Shares and a reorganisation of share capital as described in Clauses 8.5 and 8.6 of the Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends. The Terms do not limit the transactions that 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; this may adversely affect the position of Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, Mandatory Conversion will be deferred until the next Distribution Payment Date on which all the Mandatory Conversion Conditions would be satisfied (unless Capital Notes 2 are otherwise Exchanged or Written-Off on or before that date).

Capital Notes 2 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 Capital Notes 2 are otherwise Converted, Capital Notes 2 will never Convert.



### **5.1.8 Exchange and the Exchange Method are at Suncorp's option**

There is a risk that Exchange may occur on dates not previously contemplated by Holders or using an Exchange Method which may be disadvantageous in light of market conditions or a Holder's individual circumstances and preferences.

Suncorp may (subject to APRA's prior written approval) elect to Exchange some or all Capital Notes 2 on the Optional Exchange Date or on the occurrence of a Tax Event or a Regulatory Event and may elect to Exchange all (but not some) Capital Notes 2 after a Potential Acquisition Event. Holders should not assume that APRA's approval will be given, if requested. In addition, Suncorp must (subject to certain conditions) Convert all Capital Notes 2 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 or may not occur at all. This may be disadvantageous to Holders 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 Capital Notes 2 (such as Distributions) is unknown.

Subject to certain conditions, Suncorp also has discretion to elect which Exchange Method or combination of Exchange Methods will apply to an Exchange and, where a combination of Exchange Methods is selected, to which Capital Notes 2 and Holders the Exchange Method will apply (see further detail in Sections 2.3.1, 2.3.4 and 2.3.6). 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 Exchange Date.

For example, if APRA approves an election by Suncorp to Redeem or Resell Capital Notes 2, Holders will receive cash equal to \$100 per Capital Note 2 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 or Resale, the rate of return at which they could reinvest their funds may be lower than the Distribution 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 Capital Notes 2.

### **5.1.9 Conversion on account of a Non-Viability Trigger Event**

There is a risk that a Non-Viability Trigger Event will occur, in which case Suncorp must immediately Convert Capital Notes 2 into Ordinary Shares. If a Non-Viability Trigger Event occurs, a Holder may suffer a significant loss as they may receive a number of Ordinary Shares worth significantly less than \$101 per Capital Note 2 and, if for any reason Conversion of Capital Notes 2 has not been effected within five Business Days after the relevant Trigger Event Date, Capital Notes 2 will be Written-Off.

A Non-Viability Trigger Event is determined by APRA and could occur at any time. Accordingly, a 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.

#### **What is a Non-Viability Trigger Event?**

A Non-Viability Trigger Event occurs if APRA has provided a written determination to Suncorp that the conversion to Ordinary Shares or write-off of Relevant Securities in accordance with their terms or by operation of law is necessary because either:

- without the conversion into Ordinary Shares 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.

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-viability may not necessarily be constrained to solvency measures or capital ratios 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 some) Capital Notes 2 on issue (in accordance with APRA's determination) into the Conversion Number of Ordinary Shares.

Where a Non-Viability Trigger Event occurs because APRA determines that without a public sector injection of capital (or equivalent support) Suncorp would become non-viable, all Capital Notes 2 will be Converted.

If APRA makes a determination that only some Capital Notes 2 are required to be Converted, Suncorp must determine which Capital Notes 2 will Convert and in doing so must endeavour to treat Holders and holders of other Relevant 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) Capital Notes 2 must be Converted, not all Holders may have their Capital Notes 2 converted into Ordinary Shares.

Holders should be aware that:

- if APRA does not require all Relevant Securities and Tier 2 Capital instruments to be converted or written-off, Relevant Securities such as Capital Notes 2 will be converted or written-off before any Tier 2 Capital instruments are converted or written-off;
- on the occurrence of a Non-Viability Trigger Event, APRA may determine that Capital Notes 2 must be Converted into Ordinary Shares; however, other equally-ranking Suncorp securities (such as CPS2, CPS3 and Capital Notes 1) may not be required to be converted. This may result in the Capital Notes 2 investment effectively ranking lower in Suncorp's capital structure than other previously equally-ranking securities;
- Suncorp has on issue Relevant Securities (being CPS2 and CPS3) that take the form of convertible preference shares. Due to the requirements of the Corporations Act, if CPS2 or CPS3 are written-off, the rights of holders of these securities are not terminated but are instead varied to give a holder rights equivalent to the rights in respect of Ordinary Shares it would have received if conversion had occurred. By contrast, as is the case for Capital Notes 1, if Capital Notes 2 are Written-Off, all rights in relation to those Capital Notes 2 will be terminated and Holders will lose the entire amount of their investment, without compensation. Accordingly, if Capital Notes 2 are Written-Off, Holders will have lesser rights and will likely be worse off than holders of CPS2 or CPS3, even though CPS2 and CPS3 rank equally with Capital Notes 2;
- Suncorp currently has no Relevant Securities on issue other than CPS2, CPS3 and Capital Notes 1; and
- Suncorp has no obligation to maintain on issue any Relevant Securities and does not, and may never, have on issue Relevant Securities which require them to be converted or written-off before Capital Notes 2.

Conversion on the occurrence of a Non-Viability Trigger Event is not subject to the Mandatory Conversion Conditions being satisfied. 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 a number of Ordinary Shares worth significantly less than \$101 per Capital Note 2 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 Ordinary Shares is calculated by reference to the five Business Day VWAP, the VWAP during the five Business Days before the Trigger Event Date may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be quoted or may not be able to be sold at prices representing their value based on the VWAP. In particular, if Ordinary Shares are suspended from trading during the VWAP Period, VWAPs may be based wholly or partly on trading days which occurred more than five Business Days before the Trigger Event Date. ASX has broad powers to suspend Ordinary Shares from trading, including because Suncorp has not complied with the ASX Listing Rules; and
- as noted in Section 2.4.8, the Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification 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 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.

Suncorp may seek a trading halt to prevent further trading in Capital Notes 2 on ASX and, if ASX permits, may refuse to register transfers of Capital Notes 2. This may result in disruption or failures in trading or dealing in Capital Notes 2 and Holders may suffer loss as a result.

#### **Write-Off if Conversion does not occur**

If, following a Non-Viability Trigger Event, Conversion of Capital Notes 2 has not been effected within five Business Days after the relevant Trigger Event Date for any reason (including because Suncorp is prevented by applicable law or order of any court or action of any government authority or External Administrator (including regarding the insolvency, winding-up or other external administration of Suncorp) (Inability Event)), those Capital Notes 2 will not be Converted but will instead be Written-Off, in which case all rights in relation to those Capital Notes 2 will be terminated and Holders will not get back their capital. This means that, for example, unlike Shareholders, if Capital Notes 2 are Written-Off, Holders will have no right to participate in a surplus of assets on a winding-up of Suncorp.

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 Capital Notes 2, may change and may be adverse to the interests of Holders and the change may increase the risk of Capital Notes 2 being Written-Off.

#### **5.1.10 Conversion as a result of an Acquisition Event**

There is a risk that Capital Notes 2 may be affected by merger and acquisition activity affecting Suncorp. Capital Notes 2 are issued by Suncorp, which, as an ASX-listed company, may be acquired by or merged with another company or group of companies, potentially resulting in a change of control. The outcome for Holders of such activity may be uncertain; they may suffer loss or face increased risks in holding Capital Notes 2.

Where this corporate activity constitutes an Acquisition Event, Suncorp is required, subject to satisfaction of certain conditions, to Convert all Capital Notes 2 in accordance with Clause 7 of the Terms.

Where this corporate activity constitutes a Potential Acquisition Event, Suncorp may (but is not required to) elect, subject to satisfaction of certain conditions, to Convert all Capital Notes 2 in accordance with Clause 6 of the 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 Capital Notes 2 (such as Distributions) is unknown. 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 Capital Notes 2.

There is a risk that Conversion may not occur on the Acquisition Conversion Date (or at all) because one of the restrictions on when Conversion is required or restrictions on completing a Conversion in connection with an Acquisition Event apply. This may

be due, for example, 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 many factors, including transactions affecting the share capital of Suncorp.

If Conversion does not occur on the Acquisition Conversion Date, then Conversion will occur on the following Distribution Payment Date for which the restrictions do not apply, unless Capital Notes 2 are otherwise Exchanged or Written-Off on or before that date. If Conversion does not occur on a possible Acquisition Conversion Date and Capital Notes 2 are not otherwise Exchanged or Written-Off, Distributions may continue to be paid on Capital Notes 2, subject to Suncorp's discretion and to no Payment Condition existing in connection with the relevant Distribution Payment Date.

Capital Notes 2 are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers or a Delisting Event continues to subsist, it is possible that the restrictions on Conversion will continue to apply and, if this occurs, unless Capital Notes 2 are otherwise Exchanged, Capital Notes 2 will never Convert.

Not all corporate activities that have the effect of a change of control of Suncorp or its business operations will be an Acquisition Event. In particular, it would not be an Acquisition Event if APRA were to require the compulsory transfer of Suncorp Group's insurance or banking business. Where the corporate activity is not an Acquisition Event, Suncorp is not obliged to Convert Capital Notes 2. Therefore, the outcomes for Holders arising from that corporate activity will be uncertain and Holders may suffer loss or face increased or different risks in holding Capital Notes 2.

#### **5.1.11 Exchange at Suncorp's option is subject to certain conditions**

There is a risk that Suncorp will not Exchange Capital Notes 2. Exchange is at Suncorp's option and Holders have no right to require it.

If Suncorp elects to Exchange Capital Notes 2 by way of Conversion, Redemption or Resale, APRA's prior written approval is required. Holders should not assume that APRA will give its approval to any Exchange.

If Suncorp wishes to Exchange Capital Notes 2 by Converting them, there are two types of restrictions which apply:

- **Restrictions on electing Conversion**—Suncorp may not elect to Convert Capital Notes 2 as the Exchange Method if, on the second Business Day before the date on which an Exchange Notice is to be sent:
  - the VWAP is less than or equal to 22.0000% of the Issue Date VWAP; or
  - a Delisting Event applies.

If any of the above conditions apply, Suncorp is not permitted to choose Conversion as the Exchange Method; and

- **Restrictions on completing the Conversion**—further, if Suncorp has given notice that it has elected to Convert Capital Notes 2, Suncorp may not proceed to Convert Capital Notes 2 if, on the Exchange Date specified in the notice:
  - the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) that date is less than or equal to 20.2020% of the Issue Date VWAP; or
  - a Delisting Event applies.

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 Distribution Payment Date on which the requirements for Conversion would be satisfied if that Distribution Payment Date were a possible Mandatory Conversion Date.

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

- the Capital Notes 2 which are the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the Capital Notes 2 is done under conditions that are sustainable for Suncorp's income capacity; or
- APRA is satisfied that, having regard to the capital position of Suncorp Group, Suncorp does not have to replace the Capital Notes 2 the subject of the Redemption.

Suncorp may not select Redemption or Resale as the Exchange Method in relation to a Potential Acquisition Event.

### **5.1.12 Conversion into Ordinary Shares**

There is a risk that Capital Notes 2 will Convert into Ordinary Shares, which may be disadvantageous in light of market conditions or not suit individual Holder's circumstances and preferences. The only conditions to Conversion are, in the case of Mandatory Conversion, the Mandatory Conversion Conditions and, in the case of an Exchange at Suncorp's option or following an Acquisition Event, the conditions expressly applicable to such Conversion under Clauses 4, 6 and 7 of the Terms. No other conditions will affect the Conversion, except as expressly provided by the Terms.

Although one condition to Conversion is that a Delisting Event does not apply (other than in connection with a Conversion on account of a Non-Viability Trigger Event, which is not subject to conditions), other events and conditions may affect the ability of Holders to trade or dispose of the Ordinary Shares issued on Conversion including, for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, whether ASX has suspended trading in Ordinary Shares, 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 5.1.9, Conversion following a Non-Viability Trigger Event is not subject to any conditions.

### **5.1.13 Capital Notes 2 are perpetual, unsecured and subordinated obligations**

Capital Notes 2 are unsecured and subordinated obligations issued by Suncorp. They are perpetual instruments, meaning they have no maturity date, so Holders may never be repaid the principal they have invested and Capital Notes 2 may never be Converted to Ordinary Shares.

Capital Notes 2 are claims on Suncorp, a NOHC of the companies in the Suncorp Group. The majority of Suncorp's assets consist of investments in companies which are other members of the Suncorp Group. Suncorp's claims in respect of those investments rank behind the relevant company's depositors, policyholders and other creditors (as the case may be) in a winding-up of those companies. Holders have no claim on any other member of the Suncorp Group for payment of any amount in respect of Capital Notes 2.

There is a risk, that if Suncorp is wound-up, a Holder may not receive a return of their investment. Capital Notes 2 are issued by Suncorp under the Terms. A Holder has no claim on Suncorp in respect of Capital Notes 2, except as provided in the Terms, and has no claim on any other member of the Suncorp Group.

In a winding-up of Suncorp, if Capital Notes 2 have not been Converted or Written-Off on account of a Non-Viability Trigger Event, Capital Notes 2 are subordinated and Holders rank behind senior creditors for payment of the Redemption Price. Capital Notes 2 will rank equally with, and shall be paid in proportion to, the claims of holders of other instruments issued as Equal Ranking Instruments. Capital Notes 2 will rank ahead only of Ordinary Shares of Suncorp. Holders will lose their investment in Capital Notes 2 if there are insufficient assets to satisfy senior creditors in a winding-up of Suncorp. Distributions, being at Suncorp's absolute discretion, are not payable and no claim may be brought in respect of any unpaid Distributions.

If, following a Non-Viability Trigger Event, Capital Notes 2 are Converted into Ordinary Shares, Holders will have claims as Shareholders and rank lowest of all creditors in a winding-up of Suncorp. If Conversion does not occur for any reason within five Business Days of APRA's Non-Viability Determination, Capital Notes 2 will be Written-Off. If Capital Notes 2 are Written-Off, all rights in relation to those Capital Notes 2 will be terminated and Holders will lose the entire amount of their investment, without compensation.

Although Capital Notes 2 may pay a higher rate of distribution than comparable securities and instruments which are not subordinated, there is a significant risk that Holders will lose all or some of their investment in Capital Notes 2 should Suncorp become insolvent.

#### **5.1.14 Future issues or redemptions of securities by Suncorp**

There is a risk that Suncorp may issue other securities that may affect the return that a Holder receives on their investment. Capital Notes 2 do not in any way restrict Suncorp from issuing further securities or from incurring further indebtedness. Suncorp's obligations under Capital Notes 2 rank subordinate and junior in a winding-up to Suncorp's obligations to holders of senior ranking securities and instruments and all Senior Ranking Creditors, including subordinated creditors (other than creditors whose claims are subordinated to rank equally with or behind Capital Notes 2). Accordingly, Suncorp's obligations under Capital Notes 2 will not be satisfied unless it can fully satisfy all of its obligations ranking senior to Capital Notes 2.

The Terms do not restrict Suncorp from issuing securities of any kind. Suncorp may in the future issue securities that:

- rank for dividends, distributions or return of capital (including on the winding-up of Suncorp) equally with, behind or ahead of Capital Notes 2;
- have the same or different dividend, interest or distribution rates as those for Capital Notes 2;
- have payment tests and distribution restrictions or other covenants which affect Capital Notes 2 (including by restricting circumstances in which Distributions can be paid or Capital Notes 2 can be Redeemed); or
- have the same or different terms and conditions as Capital Notes 2.

Suncorp may incur further indebtedness and may issue further securities including further Tier 1 Capital securities before, during or after the issue of Capital Notes 2.

An investment in Capital Notes 2 carries no right to participate in any future issue of securities (whether equity, Tier 1 Capital, 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 Capital Notes 2, on Suncorp's financial position or performance or on the likelihood of Suncorp making payments on Capital Notes 2.

Similarly, Capital Notes 2 do not restrict Suncorp from redeeming or otherwise repaying its other securities it may have on issue from time to time, including other securities which rank equally with or junior to Capital Notes 2 (other than to the extent the Distribution Restriction applies).

An investment in Capital Notes 2 carries no right to be redeemed or otherwise repaid at the same time as Suncorp redeems or otherwise repays other securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise).

No prediction can be made as to the effect, if any, which the future redemption or repayment by Suncorp of existing securities may have on the market price or liquidity of Capital Notes 2 or on Suncorp's financial position or performance.

#### **5.1.15 Exposure to Suncorp Group's financial performance and position**

There is a risk that if Suncorp Group's financial performance or position declines, or if market participants anticipate that it may decline, an investment in Capital Notes 2 could decline in value even if Capital Notes 2 have not been Converted. Accordingly, when you evaluate whether to invest in Capital Notes 2, you should carefully evaluate the investment risks associated with an investment in Suncorp (see further detail in Section 5.2).

#### **5.1.16 Distributions may not be fully franked or franked at all**

Suncorp expects Distributions, if paid, to be fully franked. However, there is no guarantee that Suncorp will have sufficient franking credits in the future to fully frank Distributions or to frank them at all. The Franking Rate for a Distribution Period may fluctuate (potentially increasing or decreasing), depending on Suncorp's level of available franking credits and Suncorp's distributable profits. Suncorp's available franking credits may be affected by a wide range of factors, including its business performance, the applicable Australian corporate tax rate, the assessment of relevant tax authorities and the amount of other frankable distributions. Suncorp's distributable profits may also be affected by a wide range of factors including its level of earnings and other distributions it makes.

Distributions will be franked at the same rate as Ordinary Shares. If any Distribution payment is not fully franked, then the cash amount of the Distribution will increase to compensate for the reduction in franking credits. This payment is subject to the conditions governing the payment of Distributions.

The value and availability of franking credits to a Holder will differ depending on that 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 Distribution and that the ability to use any franking credits, either by offsetting 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. Each Holder should refer to the taxation summary in Section 8 and obtain professional advice in relation to their tax position.

#### **5.1.17 Distributions on Capital Notes 2 may be restricted by the terms of other similar securities**

There is a risk that the terms of Suncorp's other outstanding and future securities could limit Suncorp Group's ability to make payments on Capital Notes 2. If Suncorp does not make payments on other securities, payments may not be permitted to be made in respect of Capital Notes 2.

The dividend or distribution payment dates on Suncorp's other securities may differ from the Distribution Payment Dates for Capital Notes 2. Further, the payment tests applying to other securities (whether currently outstanding or issued in the future) may be different to the conditions governing the payment of Distributions for Capital Notes 2. Accordingly, Suncorp may not be permitted to make a payment on another security in circumstances where it would otherwise be permitted to make a payment on Capital Notes 2. In these circumstances, the distribution restrictions on the other securities may then apply, preventing Suncorp from making a payment on Capital Notes 2. Similarly, Suncorp may not be permitted to make a payment on Capital Notes 2 in circumstances where the payment tests on other securities have been passed.

If distribution restrictions for another security apply to payments on Capital Notes 2, Suncorp may not be able to pay Distributions when scheduled to do so under the Terms and may not be able to Redeem Capital Notes 2. Suncorp is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities to additional or different payment tests or distribution restrictions (see Section 2.1).

#### **5.1.18 A Distribution Restriction applies but only in limited circumstances**

If a Distribution is not paid in full within three Business Days of the scheduled Distribution Payment Date then, subject to certain exceptions set out in Clause 3.8 of the Terms, Suncorp must not declare, determine to pay or pay a dividend on any Ordinary Shares, or buy back or reduce capital on any Ordinary Shares, without the approval of a Special Resolution. This restriction applies only to payments on, or buy-backs or capital reductions in respect of, Ordinary Shares and not to payments on, or buy-backs or capital reductions in respect of, securities ranking equally with Capital Notes 2 (such as CPS2, CPS3 and Capital Notes 1) or any other class of security (if on issue). These restrictions will apply only until and including the next Distribution Payment Date.

The dates for the declaration, determination or payment of dividends on Ordinary Shares of Suncorp, or on which Suncorp may undertake a capital reduction or buy-back, are determined by Suncorp in its discretion and are not related to the Distribution Payment Dates for Capital Notes 2. Accordingly, as soon as the next scheduled Distribution on Capital Notes 2 is paid, the restriction ceases to apply and Suncorp will not be restricted from declaring, determining to pay or paying a dividend or undertaking any buy-back or capital reduction.

#### **5.1.19 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 Capital Notes 2 will not be rated, such changes could adversely affect the market price, liquidity and performance of Capital Notes 2 or Ordinary Shares received on Conversion. A rating of Suncorp or any member of the Suncorp Group is not a rating of Capital Notes 2.

#### **5.1.20 Regulatory classification and prudential supervision**

There is a risk that the position of Holders may be adversely affected due to Capital Notes 2 being eligible as regulatory capital. Capital Notes 2 are eligible for inclusion as Eligible Additional Tier 1 Capital which qualifies as regulatory capital of Suncorp Group for APRA purposes.

As a result of Capital Notes 2 being eligible as regulatory capital, the Terms contain features which may have adverse consequences for Holders. For example, Suncorp is required to Convert Capital Notes 2 on the occurrence of a Non-Viability Trigger Event, the ability of Suncorp to pay Distributions is subject to APRA not objecting to the payment and the Exchange of Capital Notes 2 at Suncorp's option is subject to APRA approval. If APRA subsequently determines that some or all Capital Notes 2 do not qualify as Eligible Additional Tier 1 Capital, Suncorp may decide that a Regulatory Event has occurred. For example, a Regulatory Event could include Capital Notes 2 ceasing to be Eligible Additional Tier 1 Capital due to the implementation by APRA of capital-related prudential standards applicable to conglomerate groups. APRA has advised that the implementation of the capital related prudential standards previously proposed has been deferred. Following a Regulatory Event, Suncorp may elect, at its option, to Exchange all or some Capital Notes 2 on issue (subject to APRA's prior written approval and Holders should not assume that APRA's approval will be given, if requested). A Regulatory Event will not have occurred if the change in regulatory treatment was expected by Suncorp at the Issue Date or if the reason Suncorp or the Suncorp Group is not entitled to treat some or all Capital Notes 2 as Eligible Additional Tier 1 Capital is because of 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.

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 Capital Notes 2 (such as Distributions) 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.

APRA's powers with respect to Suncorp also include the ability for APRA to direct Suncorp not to pay Distributions.

For further information on the investment risks arising from Suncorp being subject to prudential supervision, see Section 5.2.1.



### 5.1.21 Australian tax consequences

A general outline of the tax consequences of investing in Capital Notes 2 for certain potential investors is set out in the Australian taxation summary in Section 8. 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, as a result of a change in Australian tax law or any judicial decision, administrative pronouncement, ruling or written challenge, there is more than insubstantial risk that there would be a more than insignificant increase in Suncorp's costs in relation to Capital Notes 2 being on issue or that any Distribution would not be frankable, a Tax Event may occur. Suncorp may then elect, at its option, to Exchange all or some Capital Notes 2 (subject to APRA's prior written approval). A Tax Event will not have occurred if the change in tax treatment was expected by Suncorp at the Issue Date.

If the corporate tax rate were to change, the cash amount of Distributions and the amount of any franking credits will change.

In this regard, as part of the 2016-17 Australian Budget, the Coalition Government proposed a staggered reduction of the corporate tax rate to 25% by the 2026-27 income year, with the reduction to take effect over a number of income years, dependent on the amount of annual aggregated turnover of the relevant company. These announced measures have been included in the *Treasury Laws Amendment (Enterprise Tax Plan No.2) Bill 2017* (Cth) which was introduced into the House of Representatives on 11 May 2017. If enacted in its current form, this Bill will progressively extend a reduced corporate tax rate of 25% to all corporate tax entities by the 2026-27 income year, with the rate reduction to take effect on dates dependent on the amount of annual aggregated turnover of the relevant company. In the case of Suncorp, the initial reduction from 30% to 27.5% would not be expected to take effect until the 2023-24 income year.

### 5.1.22 Accounting standards

New accounting standards or amendments to existing 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 Distributions.

### 5.1.23 Shareholding limits

There is a risk that a Holder may, by acquiring any Capital Notes 2 (taking into account any Ordinary Shares into which they may Convert), breach applicable restrictions on ownership.

Laws, including the *Financial Sector (Shareholdings) Act 1998* (Cth), restrict 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 of 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 competition law regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

Holders should take care to ensure that, by acquiring any Capital Notes 2 (taking into account any Ordinary Shares into which they may Convert), Holders do not breach any applicable restrictions on ownership and Holders should seek professional guidance from their solicitor, accountant or other independent qualified professional adviser in relation to their obligations.

#### 5.1.24 Amendment of the Terms and Trust Deed

There is a risk that either or both the Terms and the Trust Deed may be amended in a way that the Holder does not agree with.

Suncorp may, with the approval of the Trustee and, where required, with APRA's prior written approval, make certain amendments to the Terms or Trust Deed without the approval of Holders.

- These may include amendments which may affect the rights of Holders, including:
  - amendments of a formal, technical or minor nature, made to cure any ambiguity or correct any manifest error;
  - changes to dates or time periods necessary or desirable to facilitate a Mandatory Conversion, Non-Viability Conversion or Exchange;
  - changes that enable Capital Notes 2 to be quoted on ASX or sold or to comply with applicable laws or listing rules;
  - amendments made to align the Terms with any subsequently issued Eligible Additional Tier 1 Capital instrument;
  - amendments made in accordance with Suncorp's adjustment rights in relation to VWAP and Issue Date VWAP in Clause 8 of the Terms; and
  - any other change that, in Suncorp's opinion, will not be materially prejudicial to the interests of Holders as a whole.

Suncorp may also, with the approval of the Trustee and, where required, with APRA's prior written approval, amend the Terms or Trust Deed if the amendment has been approved by a Special Resolution. Amendments under these powers are binding on all Holders even if a Holder does not agree with or did not attend or vote at any meeting in relation to the amendment.

APRA's prior written approval to amend the Terms is required only where the amendment may affect the eligibility of Capital Notes 2 as a Relevant Security.

#### 5.1.25 No rights to vote

There is a risk that Holders may be affected by corporate decisions made by Suncorp. Holders have no voting or other rights in relation to Ordinary Shares until Ordinary Shares are issued to them. In addition, Capital Notes 2 do not confer on Holders any right to subscribe for new securities in Suncorp or to participate in any bonus issue of securities. The rights attaching to Ordinary Shares, if Ordinary Shares are issued, will be the rights attaching to Ordinary Shares at that time. Holders have no right to vote on or otherwise to approve any changes to the Constitution in relation to the Ordinary Shares that may be issued to them upon Conversion. Therefore, Holders will not be able to influence decisions that may have adverse consequences for them.

#### 5.1.26 FATCA Withholding

It is possible that, in order to comply with FATCA, Suncorp (or, if Capital Notes 2 are held through another non-U.S. financial institution, such other financial institution) may be required (pursuant to an agreement with the U.S. Internal Revenue Service (**IRS**) or under an applicable law, including a non-U.S. law implementing an intergovernmental approach to FATCA) to request certain information from Holders or beneficial owners of Capital Notes 2, which information may be provided to the IRS and to withhold, at the rate of 30%, on all or a portion of payments made with respect to Capital Notes 2 if (i) such information is not provided; or (ii) if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS or are otherwise exempt from FATCA Withholding. However, such FATCA Withholding should not apply before the later of 1 January 2019, and the date on which the final regulations defining the term 'foreign passthru payment' are filed with the U.S. Federal Register.

Further, such FATCA Withholding is not expected to apply if Capital Notes 2 are treated as debt for U.S. federal income tax purposes unless Capital Notes 2 are issued or 'materially modified' after the date that is six months after the date on which final regulations defining the term 'foreign passthru payment' are filed with the U.S. Federal Register.

If Suncorp is required to withhold amounts under or in connection with FATCA from any payments made in respect of Capital Notes 2, Holders and beneficial owners of Capital Notes 2 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. Future guidance may affect the application of FATCA to Capital Notes 2.

**FATCA is particularly complex legislation. Holders should obtain their own advice about the requirements of FATCA and the Australian intergovernmental agreement may apply to them under Capital Notes 2.**

In addition, the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (**CRS**) requires certain financial institutions to report information regarding certain accounts (which may include Capital Notes 2) to their local tax authority and follow related due diligence procedures. Holders may be requested to provide certain information and certifications to ensure compliance with the CRS.

A jurisdiction that has signed the CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS. The CRS applies to Australian financial institutions from 1 July 2017.

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## 5.2 Risks associated with Suncorp and Suncorp Group

Set out below are business risks associated with Suncorp and Suncorp Group. These are relevant to an investment in Capital Notes 2, as the value of your investment will depend on the financial performance and position of Suncorp and Suncorp Group.

Suncorp and Suncorp Group have mechanisms in place whereby they can avoid or reduce some of these risks but the risks (and their impact) may change, or new risks may emerge, over the lifetime of Capital Notes 2 that are not adequately mitigated by Suncorp or Suncorp Group.

### 5.2.1 Regulatory and compliance risk

Suncorp Group is subject to extensive laws and regulations in Australia and New Zealand and is licensed to operate in the various countries, states and territories in which it operates. Suncorp and its subsidiaries are 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, ASIC, ACCC, AUSTRAC, RBNZ, the FMA and New Zealand Commerce Commission.

Suncorp and its subsidiaries are responsible for ensuring that they comply with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice in the jurisdictions in which they operate.

If Suncorp or another member of the Suncorp Group fails to comply with applicable laws and regulations, it may be subject to fines, penalties, restrictions on its ability to do business including additional capital requirements or licence conditions or loss of licence to conduct business or restrictions on its ability to perform its obligations with respect to Capital Notes 2.

There continues to be domestic and global legislative and regulatory reforms which will, or may, impact the Suncorp Group's operations in Australia and New Zealand now and in the future. Government and regulator consultations, reviews and inquiries which may result in changes or proposals that could impact the Suncorp Group continue to occur.

In particular:

**Financial System Inquiry** - The Final Report (**FSI Report**) of the Financial System Inquiry (**Inquiry**) was released on 7 December 2014. The Inquiry was tasked with undertaking a wide-ranging review of Australia's financial system and the Report purports to provide a blueprint for the future. The FSI Report's recommendations have informed current proposals for regulatory reform of the Australian financial services sector, particularly with respect to superannuation and insurance. Although regulators, including APRA, have indicated support for a variety of FSI Report recommendations and released information that provides some indication as to the approach they will likely adopt, ultimately the reform agenda of the Australian Government, reflected in its release of 20 October 2015, will now dictate the extent and timing of any changes. At this stage, it is difficult to judge the likely overall impact.

**APRA regulatory changes** - One of the recommendations of the FSI Report was that APRA set capital standards for authorised deposit-taking institutions (**ADI**) such that capital ratios are 'unquestionably strong'. On 19 July 2017, APRA released an information paper which outlines APRA's conclusions with respect to the quantum and timing of capital increases that will be required for ADIs to achieve 'unquestionably strong' capital ratios. The impact of 'unquestionably strong' on Suncorp Bank remains uncertain, with APRA intending to release a discussion paper later this year outlining proposed revisions to the ADI capital framework to implement 'unquestionably strong' capital ratios. To the extent the revisions result in an increase in capital requirements, APRA expects ADIs to meet the new requirements by 1 January 2020.

APRA's implementation of the prudential standards to produce unquestionably strong capital ratios may also result in further changes to the risk weighting framework for certain asset classes and other risks (such as operational risk). Changes may also include increases in the capital conservation buffer which is a regulatory capital buffer above minimum capital requirements imposed by APRA under the relevant prudential standards. Whilst APRA has announced that it does not expect that the changes to the risk weights will necessitate further increases in capital for ADIs, it is not clear how APRA will implement these changes. APRA's prudential standards may also be supplemented by proposals to implement other key FSI recommendations such as the introduction of a minimum leverage ratio or a minimum total loss absorption capital requirement, where certain debt could be 'bailed in' to recapitalise a stressed financial institution to avoid the government needing to support that financial institution. At this stage, it is difficult to judge the potential future impact of such changes or any other impacts of the FSI Report, government response and regulator action, including whether there may be increased capital or other regulatory requirements for the Suncorp Group.

On 19 October 2017, the Australian Government introduced into Parliament the *Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Bill 2017* (**BEAR Measures**). The BEAR Measures currently only apply to ADI's and ADI subsidiaries, including Suncorp Bank and its subsidiaries. The BEAR Measures may ultimately be extended to other parts of the financial services industry, impacting the Suncorp Group more broadly. Primary risks to the Suncorp Group emerging from the BEAR Measures relate to penalties for breaches and the ability to attract and retain high quality executives.

On 19 October 2017, the Australian Government introduced into Parliament the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Bill 2017* (**Crisis Measures**). The Bill will amend the Insurance Act, Banking Act, Life Insurance Act and related legislation to enhance APRA's powers to resolve an ADI, general insurer or life insurer and their related entities. The Bill includes provisions which, if passed into law by Parliament, will include Suncorp among the entities to which APRA may appoint a statutory manager in the event of financial difficulty or in the event its financial position seriously deteriorates and increases APRA's powers to give directions to Suncorp. The Bill also prevents certain enforcement action from being taken in relation to Suncorp if it becomes subject to the exercise of the powers and gives statutory recognition to the conversion and write-off of regulatory capital instruments. At this stage the direct impacts of the Crisis Measures on the Suncorp Group are uncertain.

**Compulsory third party reform in New South Wales** - The Motor Accidents Injuries Bill 2017 has been passed by the New South Wales Parliament and both the NSW Premier and the State Insurance Regulatory Authority have stated that it will come into force in December 2017. The legislation seeks to establish a hybrid no-fault scheme and the introduction of defined benefits for low severity injuries, while retaining access to common law for the most seriously injured and, for the first time, extending limited protection to at-fault road users. The legislation deals with a number of issues, including the need for greater competition in the NSW CTP scheme and reduced incidence of legal costs. It also provides the State Insurance Regulatory Authority with enhanced powers to regulate CTP insurance in NSW. Anticipated outcomes of the reforms are lower premiums, greater certainty in claims costs and reduced average settlement times.

**Compulsory third party reform in Queensland** - The Queensland Motor Accident Insurance Commission (**MAIC**) and the Queensland CTP Scheme Review Committee are reviewing the Queensland CTP scheme to identify opportunities to improve the scheme's affordability, efficiency and fairness and to ensure sufficient flexibility to support future innovation and improvements. The Queensland Government has released its report following this review, which sets out 19 recommendations to maintain or improve the Scheme. All 19 recommendations and MAIC's proposed responses have been approved by the Queensland Treasurer and noted by the Queensland Government. MAIC has proposed a program of work to deliver on the recommendations and will provide a progress report to the Queensland Government in December 2017. Depending on this outcome, future reforms may impact the profitability of Suncorp's CTP Queensland book.

**Life insurance industry reforms** - The *Corporations Amendment (Life Insurance Remuneration Arrangements) Bill 2016* was passed by Parliament in early February 2017. The proposed reforms encompass a significant impact on the types of commission that can be paid for life risk insurance products. ASIC has also undertaken a review of the claims handling procedures in the life insurance industry and, in conjunction with APRA, will be introducing enhanced reporting measures regarding life insurance claims.

**ASIC focus on add-on insurance industry** - ASIC is undertaking an industry-wide review of the add-on insurance sector. ASIC has released reports detailing findings and possible improvements to the add-on insurance industry. Suncorp Group is working with the industry to determine the impacts from the findings. At this stage, the reforms are likely to be multi-faceted and include pricing, product design and distribution initiatives. Suncorp Group has already implemented a number of changes and continues to liaise with ASIC on further improvements.

**Financial advisers** - The Australian Government is developing a legislative framework aimed at improving the professional, ethical and education standards of advisers in the financial services industry.

**International regulation** - There continues to be proposals and changes by global regulatory advisory and standard-setting bodies, such as the International Association of Insurance Supervisors, the Basel Committee on Banking Supervision and the Financial Stability Board, which, if adopted or followed by domestic regulators, may increase operational and capital costs or requirements.

**Australian Government's Bank Levy** - The *Major Bank Levy Act 2017* (Cth) and the *Treasury Laws Amendment (Major Bank Levy) Act 2017* (Cth) impose a levy on liabilities for certain large banks with effect from 1 July 2017. The levy will be payable on a quarterly basis, with the first payment to be made in relation to the September 2017 quarter.

Based on the Suncorp Group's 30 June 2017 balance sheet, Suncorp Group is not currently subject to the levy. There is a risk that Suncorp may become subject to the levy depending on Suncorp Group's business performance and changes to its balance sheet. There is also some risk that Australian State or Territory Governments may introduce similar levies. A Bill has been introduced into the South Australian Parliament, which if enacted in its current form, will impose a levy on certain banks which operate in South Australia that are also liable to pay the Federal major bank levy.

**Other foreign regulations** - The Suncorp Group's businesses may be affected by changes to the regulatory framework in other jurisdictions, including the cost of complying with regulation that has extra-territorial application such as the *Bribery Act 2010* (UK), FATCA, *Dodd-Frank Wall Street Reform and Consumer Protection Act 2010* (US) and other reforms.

There has also been increased regulator expectation and focus in relation to a number of other areas such as data quality and controls, governance and culture and conduct. In addition, there have been proposals within Parliament for a Royal Commission to investigate the Australian banking sector.

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

### **5.2.2 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. The Suncorp Group is exposed to losses arising from adverse movements in levels and volatility of market factors, including interest rates, foreign exchange rates, equity prices and credit spreads.

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;
- liquidity risk, including that assets cannot be sold without a significant impairment in value; and
- inflation risks, i.e. the risk that inflation levels and consequently, claims are higher than expected.

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

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, financial condition and prospects.

### **5.2.3 Global market and economic volatility**

The financial performance of Suncorp Group is significantly affected by changes in investment markets and economic conditions both globally and in Australia and New Zealand, where Suncorp Group conducts its banking and insurance business.

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 Suncorp Group, because consumer and business confidence may decrease, unemployment may rise and demand for the products and services Suncorp Group provides may decline. This could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects.

#### **5.2.4 Decline 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 held 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 Suncorp Group's banking operations. 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 Suncorp customers do business could decrease the amount of new lending the Suncorp Group's banking operations are able to write and/or increase the losses that the Suncorp Group's banking operations may experience from existing loans and investments.

#### **5.2.5 Funding and liquidity risk**

Financial institutions (including 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. There is no assurance that Suncorp Group will be able to obtain adequate funding at acceptable prices or at all.

If the 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, financial performance, liquidity, capital resources, financial condition and prospects.

#### **5.2.6 Strategic risks**

There are risks associated with the competitive positioning of the business and Suncorp's ability to respond in a timely manner to changes in its competitive landscape and protect the value of its brands.

##### **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 and wealth business competes with retail and commercial banks and its insurance 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 technological advancements, customer preferences, habits and sentiment, including changing dynamics in the use of vehicles. If Suncorp Group is not successful in developing or introducing new products and services or responding or adapting to changes in technological advancements, customer preferences, habits and sentiment, Suncorp Group may lose customers to its competitors. This could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects.

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, greater efficiency and enhanced pricing power. There is also increased competition from non-traditional financial service companies, such as technology companies offering financial services products. These non-traditional financial service companies can disrupt traditional business models by offering more data driven and comprehensive needs based offerings. As a result, Suncorp Group could lose market share or be forced to reduce prices in order to compete effectively, particularly if both traditional and non-traditional industry participants engage in aggressive growth strategies or severe price discounting.

#### **Dependence on the Australian and New Zealand economies**

As Suncorp Group currently conducts its banking and insurance business in Australia and New Zealand, its performance is influenced by the level and cyclical nature of business activity in Australia and New Zealand. This in turn, is impacted by both domestic and international economic and political events. A weakening in the Australian and/or New Zealand economies, and/or in the economic and business conditions of other countries, may have an adverse effect on Suncorp Group's financial condition and on the results of its operations. This includes reduced demand for products and services but also lower investment returns and increased costs, which could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects.

#### **Execution of strategic initiatives**

Suncorp Group is managing the delivery of a number of strategic initiatives, however there is a risk that implementation of these initiatives across Suncorp Group may not realise some or all of the anticipated benefits. Failure to successfully deliver these programs could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects.

### **5.2.7 Change in 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 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 5 or by other events, including changes to the methodologies used by the rating agencies to determine ratings.

If Suncorp, or any member of 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. This could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects. The extent and nature of these impacts depend on various factors, including the extent of any ratings change, whether the ratings of Suncorp, or any member of Suncorp Group, differ among agencies (split ratings) and whether any ratings changes also impact Suncorp Group's peers or the banking and insurance sectors.

### **5.2.8 Reputational risk**

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 businesses, financial performance, liquidity, capital resources, financial condition and prospects.

### **5.2.9 Credit risk**

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.

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, financial condition and prospects.

### **5.2.10 Insurance risk**

There are risks associated with the Suncorp Group's insurance businesses, including exposure to the risk of financial loss and the inability to meet liabilities due to inadequate insurance product design, pricing, underwriting, concentration risk, reserving, claims management and/or reinsurance management.

#### **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 the Insurance (Australia) and New Zealand functions, general insurance provisions for outstanding claims and unearned premiums are maintained to cover the estimated ultimate liability for claims, including claims handling expenses. Although Suncorp Group seeks to maintain provisions across its general insurance businesses at a high probability of adequacy, the estimation of claims provisions is inherently uncertain so, there remains a chance that the ultimate cost of claims will be higher, perhaps significantly. The 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. Potential causes of inadequate estimates include a greater than estimated number of future claims reported, wage inflation greater than forecast, increased costs as a result of new legal precedents, changes in exchange rates or increased cost of goods and services for repairs. Insufficient provisions for insurance liabilities could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects.

The Insurance (Australia) and New Zealand functions also maintain life insurance provisions for future policy benefits and maintenance expenses. These are subject to risks in estimating the adequacy of the provisions, similar to those outlined above.

Certain product classes of life and general insurance offered by the Suncorp Group may also be subject to the emergence of new types of latent claims. An example is claims arising from historical asbestos exposure. The impact from latent claims can be substantial and can adversely affect the Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects.

#### **Catastrophes**

Through its 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. It is not possible to predict the timing or severity of catastrophes. Claims arising out of catastrophes can be substantial and could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects. Suncorp Group manages its exposure to catastrophes through the purchase of catastrophe reinsurance, which is required to meet APRA requirements in Australia. It is subject to the same reinsurance risks as outlined below.

Climate change may impact on claims volumes and subsequently, the cost of claims.

### **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 depends on prevailing market conditions, the credit ratings of reinsurance counterparties and previous loss experience and this can vary significantly.

From time to time, market conditions may limit, and in some cases prevent, Suncorp Group from obtaining the types and amounts of reinsurance considered adequate for its 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 to 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. While modelling is used 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 may default on any 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 the use of reinsurance, the 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, liquidity, capital resources, financial condition and prospects.

### **5.2.11 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 workplace safety, project and change management, compliance, business continuity and crisis management, key person dependencies, internal and external fraud and other dishonest activities, data risk, information and systems resilience as well as reliance on partners, suppliers and outsourcing. While Suncorp Group has adopted policies and procedures to control exposure to, and limit the extent of, these risks, there are inherent limitations in any risk management control system and control breakdowns can occur.

Suncorp Group also relies, to a significant degree, on information technology systems to obtain and maintain its data. Most of Suncorp Group's daily operations are computer based and its information technology systems are essential to maintaining effective communication with customers, protecting customer and business data and keeping pace with the competitive environment.

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.

### **5.2.12 Model risk**

Suncorp Group uses models to make material decisions in relation to its business. If Suncorp Group does not identify or correct fundamental errors in its models, they may produce invalid outputs for the intended business use (model risk). A lack of veracity in models, the complexity of models or erroneous assumptions with respect to economic modelling could result in material financial impacts emanating from errors in reserving, pricing, capital or reinsurance.

### **5.2.13 Accounting estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Examples include the accounting treatment of intangible assets and impairment. Where revisions are made to accounting estimates, any financial impact is recognised in the period in which the estimate is revised. However, these accounting policies may be applied inaccurately, resulting in a misstatement of financial position and results of operations.

### **5.2.14 Structural subordination**

Suncorp is a holding company which owns or holds interests in a group of banking, general insurance, 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.

### **5.2.15 Mergers, acquisitions and divestments**

Suncorp Group may engage in merger, acquisition or divestment activities which facilitate Suncorp Group's strategic direction. These activities may involve entering new markets, exiting products and/or offering third party manufactured products or expanding Suncorp Group's current product suite and may affect Suncorp Group's risk profile through changes to, or to the relative importance of, the geographies and/or product types to which it has exposures. While Suncorp Group recognises that benefits may arise from merger, acquisition or divestment activities, significant risks also 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.

Mergers, acquisitions or divestments may require changes to operations or personnel and may also require significant resources and attention from Suncorp Group's management. 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 also be adversely affected.

As a target in any future merger, acquisition or divestment activity, the issues identified above may also be relevant. For a discussion of the consequences of an Acquisition Event under the 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, liquidity, capital resources, financial condition and prospects.

### **5.2.16 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 reviews or proceedings brought by or on behalf of policyholders, deposit holders, reinsurers, government agencies or other potential claimants. If the Suncorp Group fails to meet legal or regulatory expectations, the Suncorp Group may be exposed to fines, public censure, litigation, settlements, restitution to customers, regulators or other stakeholders, or enforced suspension of operations or loss of licence to operate all or part of the Suncorp Group's business.

The Suncorp Group has ongoing discussions with key regulators on industry-wide matters and matters specific to the Suncorp Group. As noted in Section 5.2.1 above, ASIC is undertaking an industry-wide review of the add-on insurance sector. Suncorp Group is also working with ASIC on potential remediation activities for some customers of Suncorp subsidiary MTA Insurance, who may have been impacted by deficiencies in certain add-on insurance products sold through motor dealers. In February 2017, a Suncorp subsidiary received a solicitor's letter indicating they were contemplating commencing representative proceedings in relation to add-on insurance. As at the date of this Prospectus, no demand has been received nor have proceedings been filed.

In December 2014 ASIC imposed conditions on the AFSL of Suncorp-owned GuardianFP Limited following surveillance which uncovered deficiencies in the advice it provided to retail clients. Suncorp Group continues to work with ASIC regarding the conditions and remediation activities.

The Suncorp Group is not currently involved in any legal proceedings that Suncorp believes will result, individually or in the aggregate, in a material adverse effect on the Suncorp Group's financial condition or results of operations. However, 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.

There can be no assurance that significant regulatory actions or litigation will not arise in the future and that the outcome of regulatory actions or legal proceedings from time to time will not have an adverse effect on Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition or prospects.

### **5.2.17 Cyber risk**

Suncorp Group has a significant online presence and business operations are reliant upon key systems, which are supported by a combination of in-house expertise and outsourced partners. Suncorp Group is exposed to industry-wide cyber security threats, including (but not limited to) denial of service attacks, network intrusions, malware, Trojans, viruses and insider attacks. The continuing evolution of cyber security threats and their increasing sophistication means constant vigilance and continuing control improvements are required. While strong controls are in place and further enhancements are underway, a successful cyber security attack is possible, which, in the worst-case scenario, could significantly disrupt business operations and/or result in loss of data, loss of customers, reputation damage and regulatory action. This could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects.

### **5.2.18 Environmental risk**

Suncorp Group and its customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change, climate change related impacts or external event (including fire, storm, drought, flood, earthquake or pandemic) in any of these locations has the potential to disrupt the Suncorp Group and its customers' business activities, damage property and otherwise affect the value of assets held in the affected locations. Environmental changes, climate change related impacts or external events may also impact Suncorp Group's ability to recover amounts owing to it, or increase the size and frequency of claims made on it and could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets. This could adversely affect Suncorp Group's businesses, financial performance, liquidity, capital resources, financial condition and prospects.

See also Catastrophes under Section 5.2.10.

### **5.2.19 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 market risk (including interest rate and foreign exchange risk), strategic risk, financial risk, insurance risk, credit and counterparty 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.

## 6. About the Reinvestment Offer

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This Section provides information on how Eligible CPS2 Holders can apply to reinvest their CPS2 in Capital Notes 2.



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## 6.1 Overview

### 6.1.1 What are CPS2?

CPS2 are convertible preference shares issued by Suncorp in 2012 that trade on ASX under code 'SUNPC'.

### 6.1.2 What is the Reinvestment Offer?

Under the Reinvestment Offer, Eligible CPS2 Holders may apply for some or all of the CPS2 registered in their name at 7:00pm (Sydney time) on 19 October 2017 to be repaid in the amount of \$100 per CPS2, and to have the proceeds applied on the Issue Date to the Application Payment for Capital Notes 2.

That means if you are an Eligible CPS2 Holder, you are not required to make a separate Application Payment if you apply under the Reinvestment Offer.

Under the Reinvestment Offer, Eligible CPS2 Holders can apply to reinvest their CPS2 through their Syndicate Broker (under the Broker Firm Offer) or directly by submitting an online or paper Application.

If your Application under the Reinvestment Offer is successful, in addition to receiving Capital Notes 2 you will also receive the Pro Rata Dividend in respect of your Reinvestment CPS2, subject to the payment tests in the CPS2 Terms (including that the Board resolves to pay the dividend), but this will not form part of the proceeds of repayment the Reinvestment CPS2.

Once you have submitted an Application to reinvest your CPS2, a holding lock will be placed on those CPS2. You will not be able to deal with those CPS2 until they are released from the holding lock. The holding lock will be released:

- on any CPS2 not successfully reinvested into Capital Notes 2 as soon as practicable after the Issue Date; or
- as soon as practicable if Suncorp decides not to proceed with the Offer.

Pursuant to the CPS2 Terms, in connection with the repayment of Reinvestment CPS2, Suncorp will issue an exchange notice. It is expected that the repayment of Reinvestment CPS2 will be substantially by way of reduction of capital, with the balance returned by way of redemption upon which the Reinvestment CPS2 will be cancelled.

Completion of the repayment of Reinvestment CPS2 will take place on the Issue Date. Suncorp and its officers are authorised under the CPS2 Terms to take any necessary steps and to sign documents on behalf of Eligible CPS2 Holders to complete the repayment of Reinvestment CPS2.

### 6.1.3 What is the purpose of the Reinvestment Offer?

The Reinvestment Offer will enable Suncorp to refinance CPS2 as well as offer Eligible CPS2 Holders the opportunity to reinvest the proceeds of repayment of CPS2 in Capital Notes 2.

### 6.1.4 Am I eligible to participate in the Reinvestment Offer?

To participate in the Reinvestment Offer, you must have been a registered holder of CPS2 at 7:00pm (Sydney time) on 19 October 2017 and shown on the CPS2 register as having an address in Australia, and must not be in the United States or acting for the account or benefit of a person in the United States.

### 6.1.5 How do I apply to participate in the Reinvestment Offer?

See Section 7.4.3 and 7.4.5 for details on how to apply to participate in the Reinvestment Offer.

### **6.1.6 If I apply to participate in the Reinvestment Offer, what dividends will I receive on CPS2?**

If you are an Eligible CPS2 Holder and your Application under the Reinvestment Offer is successful, you will receive a Pro Rata Dividend in respect of your Reinvestment CPS2, subject to the payment tests in the CPS2 Terms (including that the Board resolves to pay the dividend). This is because dividends will continue to accrue on your Reinvestment CPS2 until (but excluding) the Reinvestment CPS2 Repayment Date.

Subject to the payment tests in the CPS2 Terms, the Pro Rata Dividend will be paid on the Reinvestment CPS2 Repayment Date, which is expected to be 24 November 2017, for the period from (and including) 18 September 2017 to (but excluding) the Reinvestment CPS2 Repayment Date. The Pro Rata Dividend is expected to be \$0.8185 per Reinvestment CPS2 and is expected to be fully franked.

You will not receive a Pro Rata Dividend in respect of any CPS2 that are not reinvested in Capital Notes 2. A franked dividend of \$1.1117 per CPS2 is scheduled to be paid on 18 December 2017, in accordance with the CPS2 Terms and subject to the payment tests in the CPS2 Terms (including that the Board resolves to pay the dividend).

### **6.1.7 Can I elect to reinvest the Pro Rata Dividend in Capital Notes 2?**

No. The Pro Rata Dividend will be paid to Eligible CPS2 Holders in respect of their Reinvestment CPS2 via direct credit or cheque on the Reinvestment CPS2 Repayment Date, in accordance with your existing CPS2 payment instructions.

### **6.1.8 Do I need to apply for a minimum number of Capital Notes 2?**

There is no minimum number of CPS2 that you must hold to be able to participate in the Reinvestment Offer.

However, if you are an Eligible CPS2 Holder and held 50 CPS2 or fewer at 7:00pm (Sydney time) on 19 October 2017, you must apply to reinvest all your CPS2 in Capital Notes 2 if you wish to participate in the Reinvestment Offer.

If you are an Eligible CPS2 Holder and held more than 50 CPS2 at 7:00pm (Sydney time) on 19 October 2017, you may apply:

- to reinvest all your CPS2 in Capital Notes 2; or
- to reinvest some of your CPS2 in Capital Notes (but you must apply to reinvest at least 50 Capital Notes 2).

### **6.1.9 What happens if I have sold or purchased CPS2 since 7:00pm (Sydney time) on 19 October 2017?**

If you have sold any CPS2 you held at 7:00pm (Sydney time) on 19 October 2017, you cannot apply to have those CPS2 reinvested in Capital Notes 2.

Additionally, if you have purchased any CPS2 since 7:00pm (Sydney time) on 19 October 2017, you cannot apply to have those CPS2 reinvested in Capital Notes 2.

### **6.1.10 Can I sell my CPS2 after I have completed and returned my Application Form?**

No. If you apply to have your CPS2 reinvested in Capital Notes 2, it is your responsibility to ensure that you do not sell or dispose of any of those CPS2 that you wish to reinvest, other than as part of the Reinvestment Offer. If you do sell or dispose of any of those CPS2 before the Closing Date for the Reinvestment Offer, the maximum number of Capital Notes 2 that you may be allocated will be the number of CPS2 registered in your name on the Closing Date for the Reinvestment Offer. By submitting an Application to reinvest your CPS2, you will indemnify Suncorp for all costs or losses it incurs as a result of you selling or disposing of the CPS2 the subject of your Application.

An Application to participate in the Reinvestment Offer is irrevocable once submitted but will only be effective so long as the Reinvestment Offer proceeds. Suncorp reserves the right not to proceed with, and may withdraw, the Reinvestment Offer at any time before the issue of Capital Notes 2 to successful Applicants.



#### **6.1.11 What are the tax implications of having my CPS2 repaid and will any brokerage or stamp duty be payable?**

A general outline of the taxation implications for certain investors who are Australian residents for tax purposes participating in the Reinvestment Offer can be found in the Australian taxation summary in Section 8.

No brokerage or stamp duty is payable in respect of the repayment of Reinvestment CPS2 or on your Application for Capital Notes 2.

#### **6.1.12 What will happen to my CPS2 if I do not apply for them to be reinvested under the Reinvestment Offer or the Reinvestment Offer does not proceed?**

Your CPS2 will remain on issue in accordance with their terms. Under the CPS2 Terms, Suncorp may elect to either redeem, convert or resell the CPS2 on 18 December 2017. Suncorp will consider redeeming, converting or reselling the outstanding CPS2 on that date, subject to a number of factors including satisfactory completion of the Offer and market conditions closer to 18 December 2017. No decision to convert, redeem or resell the CPS2 on 18 December 2017 has yet been made.

#### **6.1.13 Can I continue to sell my CPS2 on market?**

If you do not participate in the Reinvestment Offer, yes. You may choose to sell your CPS2 on market through your broker at the prevailing market price. The current market price of CPS2 is available on the ASX website ([www.asx.com.au](http://www.asx.com.au)).

If you elect to sell your CPS2 on market, you:

- may have to pay brokerage and may receive a price greater or less than the issue price of \$100 per CPS2; and
- have the option to use the sale proceeds of the CPS2 you sell to subscribe for Capital Notes 2 under the Securityholder Offer (should it proceed).

## 6.2 What are the key differences between CPS2 and Capital Notes 2?

A comparison of the key features of Capital Notes 2 and CPS2 is set out in summary form below, with key differences highlighted. These comparisons are not exhaustive.

Feature	Capital Notes 2	CPS2
Issue date	24 November 2017	6 November 2012
Legal form	Unsecured subordinated note	Preference share
Issuer	Suncorp	Suncorp
ASX code	Expected to trade under 'SUNPG'	SUNPC
Maturity	Perpetual	Perpetual
Issue price	\$100 per Capital Note 2	\$100 per CPS2
Amount to be issued/currently on issue	\$250 million with the ability to raise more or less	\$560 million
Margin	Expected to be in the range of 3.65% - 3.85% as determined under the Bookbuild	4.65%
Distribution rate	Floating	Floating
Distribution payment dates	Quarterly	Quarterly
Rights if distribution is not fully franked	Franked, subject to gross-up for any non-franked portion	Franked, subject to gross-up for any non-franked portion
Distribution payment conditions	Yes, subject to Suncorp's absolute discretion and certain Payment Conditions	Yes, subject to Suncorp Directors' absolute discretion and certain payment conditions
Dividend restrictions if distributions are not paid	Suncorp must, unless approved by Special Resolution, not declare or determine to pay or pay a dividend or distribution on Ordinary Shares or buy-back or reduce the capital on Ordinary Shares until and including the next quarterly Distribution Payment Date, unless the distribution on the Capital Notes 2 is paid in full within three Business Days	Suncorp must, unless approved by Special Resolution, not resolve to pay or pay a dividend or distribution on Ordinary Shares or buy-back or reduce the capital on Ordinary Shares until and including the next quarterly dividend payment date, unless the dividend is paid in full within three business days
Mandatory conversion	Yes	Yes
Mandatory conversion date	17 June 2026, or the first Distribution Payment Date after that on which the Mandatory Conversion Conditions are satisfied	17 December 2019, or the first dividend payment date after that on which the mandatory conversion conditions are satisfied
Conversion discount	1.00%	1.00%

Feature	Capital Notes 2	CPS2
Non-viability trigger event <sup>1</sup>	Yes. As a result, all (or in some cases, some) of the Capital Notes 2 must be Converted and, if not Converted within five Business Days, those Capital Notes 2 must be Written-Off, in which case the Capital Notes 2 Holders' rights in respect of the relevant Capital Notes 2 are terminated	Yes. As a result, all (or in some cases, some) of the CPS2 must be converted into a number of Ordinary Shares and, if not converted within five business days, those CPS2 must be written-off, in which case the rights of CPS2 Holders in respect of the CPS2 become broadly equivalent to the rights they would have had if the CPS2 had been converted into the relevant number of Ordinary Shares
Exchange	<p>Suncorp may elect (with APRA's prior written approval and subject to certain conditions) to:</p> <ul style="list-style-type: none"> <li>– Exchange all or some Capital Notes 2 on the Optional Exchange Date, or following a Tax Event or Regulatory Event; or</li> <li>– Convert all (but not some only) Capital Notes 2 following a Potential Acquisition Event.</li> </ul> <p>Subject to conditions, all Capital Notes 2 must be Converted following an Acquisition Event.</p> <p>Holders have no right to request an Exchange.</p> <p>Holders should not assume that APRA's approval will be given if requested.</p>	<p>Suncorp may elect (with APRA's prior written approval and subject to certain conditions) to:</p> <ul style="list-style-type: none"> <li>– convert, redeem or resell all or some CPS2 on an optional exchange date, following a tax event or regulatory event;</li> <li>– convert, redeem or resell all CPS2 on an exchange date following a potential acquisition event; or</li> <li>– redeem the Reinvestment CPS2 on the Reinvestment CPS2 Repayment Date.</li> </ul> <p>Subject to conditions, all CPS2 must be redeemed or converted following an acquisition event.</p> <p>CPS2 Holders have no right to request a conversion, redemption or resale of their CPS2.</p> <p>CPS2 Holders should not expect that APRA's approval will be given if requested.</p>
Exchange method	Conversion, Redemption, Resale or a combination of Conversion, Redemption and/or Resale (subject to certain conditions)	Conversion, redemption, resale or a combination of conversion, redemption and resale (subject to certain conditions)
Ranking in a winding-up	Rank ahead of Ordinary Shares, equally with Equal Ranking Instruments (including CPS2), but behind all Senior Ranking Creditors	Rank ahead of Ordinary Shares, equally with equal ranking instruments (including Capital Notes 2), but behind all senior ranking creditors
	Return in a winding-up may be adversely affected on account of a Non-Viability Trigger Event	Return in a winding-up may be adversely affected on account of a non-viability trigger event
Voting rights	No right to vote at general meetings of Shareholders	No right to vote at general meetings of Shareholders, except in limited circumstances
Regulatory capital treatment	Eligible Additional Tier 1 Capital	Eligible Additional Tier 1 Capital

<sup>1</sup> If Capital Notes 2 are not Converted when required, those Capital Notes 2 are Written-Off and all obligations are terminated. In this scenario, Holders will likely be worse off than holders of CPS2 and CPS3 or Ordinary Shares as further described in Sections 2.4.4 and 5.1.9.

### 6.3 What are the options available to Eligible CPS2 Holders?

If you were a registered holder of CPS2 at 7:00pm (Sydney time) on 19 October 2017, are shown on the CPS2 register as having an address in Australia, and are not in the United States or acting for the account or benefit of a person in the United States, you are an Eligible CPS2 Holder and have the options set out below:

Option	What should Eligible CPS2 Holders do?
Option 1 - apply online or complete an Application Form to reinvest your CPS2 in Capital Notes 2	<ul style="list-style-type: none"> <li>– You may apply to participate in the Reinvestment Offer by completing an Application Form. You may either:               <ul style="list-style-type: none"> <li>– make an Application by completing an electronic Application Form online before 5:00pm (Sydney time) on 17 November 2017; or</li> <li>– make an Application by completing and returning a paper Application Form that must be received by the Registry no later than 5:00pm (Sydney time) on 17 November 2017.</li> </ul> </li> </ul> <p>See Section 7.3 for further information on how to make an Application.</p> <ul style="list-style-type: none"> <li>– If you make an Application under the Reinvestment Offer, you will not be required to make an Application Payment in respect of that Application, as the proceeds of repayment of the Reinvestment CPS2 will be applied to the Application Payment.</li> </ul> <p>You can apply to reinvest all or part of your CPS2 as follows:</p> <p><i>Alternative A: full reinvestment</i></p> <ul style="list-style-type: none"> <li>– You may apply to reinvest all of the CPS2 registered in your name at 7:00pm (Sydney time) on 19 October 2017 in Capital Notes 2.</li> <li>– If you own 50 CPS2 or fewer and wish to participate in the Reinvestment Offer, you must choose this alternative.</li> <li>– To choose this alternative, you must indicate 'full reinvestment' on your Application Form.</li> </ul> <p><i>Alternative B: partial reinvestment</i></p> <ul style="list-style-type: none"> <li>– You may apply to have some of the CPS2 registered in your name at 7:00pm (Sydney time) on 19 October 2017 reinvested in Capital Notes 2.</li> <li>– To choose this alternative, you must specify the number of CPS2 to be reinvested on your Application Form. You must apply to reinvest at least 50 CPS2.</li> </ul> <p>You may also choose to apply for more Capital Notes 2 than the number of CPS2 registered in your name at 7:00pm (Sydney time) on 19 October 2017. If you apply for more Capital Notes 2, you will be required to make a separate Application Payment in respect of those additional Capital Notes 2 applied for and complete a Securityholder Offer Application Form or apply under the Broker Firm Offer through your Syndicate Broker.</p>
Option 2 - apply to reinvest your CPS2 in Capital Notes 2 through your Syndicate Broker	<ul style="list-style-type: none"> <li>– If you are an Eligible CPS2 Holder and are an Australian resident retail or high net worth client of a Syndicate Broker, you may apply for Capital Notes 2 through your Syndicate Broker.</li> <li>– You may apply to reinvest all or some of the CPS2 registered in your name at 7:00pm (Sydney time) on 19 October 2017 in Capital Notes 2. You may also choose to apply for more Capital Notes 2.</li> <li>– If you apply to reinvest your CPS2, you will not be required to make an Application Payment in respect of that Application, as the proceeds of repayment of the Reinvestment CPS2 will be applied to the Application Payment.</li> <li>– You may also choose to apply for more Capital Notes 2 than the number of CPS2 registered in your name at 7:00pm (Sydney time) on 19 October 2017. If you apply for more Capital Notes 2 you will be required to make a separate Application Payment in respect of those additional Capital Notes 2 applied for and complete a Broker Firm Offer Application Form.</li> <li>– You should contact your Syndicate Broker for instructions on how to submit an Application.</li> </ul>
Option 3 - take no action	<ul style="list-style-type: none"> <li>– You are not required to participate in the Reinvestment Offer and as such you are not required to take any action.</li> <li>– If you take no action, your CPS2 will remain on issue in accordance with their terms.</li> <li>– Under the CPS2 Terms, Suncorp may elect to either redeem, convert or resell the CPS2 on 18 December 2017 but no decision has yet been made.</li> </ul>

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## 6.4 What are the risks associated with participating in the Reinvestment Offer?

If you are an Eligible CPS2 Holder and you apply under the Reinvestment Offer, you may receive an allocation of Capital Notes 2. As such, you will be subject to the risks associated with an investment in Capital Notes 2 and in Suncorp, many of which are outside the control of Suncorp and its Directors. These risks are outlined in Section 5 and should be considered before you apply under the Reinvestment Offer.

The proceeds of repayment of Reinvestment CPS2 may be less than the ASX trading price of CPS2. Rather than participating in the Reinvestment Offer, Eligible CPS2 Holders may obtain a better financial outcome by selling their CPS2 on market and investing the proceeds in Capital Notes 2.

The Reinvestment Offer is not a simple rollover into a similar investment. Suncorp Capital Notes 2 and CPS2 have different benefits and risks, which must be evaluated separately. For a description of the key differences between the two securities, see Section 6.2.

There is a risk that you may not receive your full allocation of Capital Notes 2, in which case, the balance of your CPS2 will not be reinvested and may be redeemed, converted or resold on 18 December 2017. The risks associated with this are that:

- following the completion of the Reinvestment Offer, it is anticipated that the number of CPS2 available to trade on the market will decline as a result of the repayment of Reinvestment CPS2 under the Reinvestment Offer. This may lead to a less liquid market for the CPS2 that remain outstanding, which could negatively impact the ability for remaining CPS2 Holders to sell their CPS2 on-market at an acceptable price, or at all; and
- if you hold both CPS2 and Capital Notes 2, you will hold two securities with different terms and conditions and different risks.

## 7. About the Offer —

This Section provides information about the Offer, including how to apply. The key dates in relation to the Offer are outlined on page 8 of this Prospectus.



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## 7.1 The Offer

The Offer is for the issue of Capital Notes 2 with an Issue Price of \$100 per Capital Note 2 to raise approximately \$250 million with the ability to raise more or less.

The final size of the Offer will depend on the volume of Applications received and accepted under the Securityholder Offer (should it proceed) and the Reinvestment Offer with Suncorp reserving the right to scale back Applications or increase the final size of the Offer if there is excess demand.

All Capital Notes 2 issued will be allotted under and subject to the disclosure in this Prospectus.

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## 7.2 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;
- a Securityholder Offer (should it proceed) made to Eligible Securityholders; and
- a Reinvestment Offer made to Eligible CPS2 Holders.

Applications from Eligible CPS2 Holders under the Reinvestment Offer can be made either:

- applying online at [www.suncorp.com.au/sunpg](http://www.suncorp.com.au/sunpg) or completing a paper Application Form; or
- through a Syndicate Broker.

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## 7.3 Obtaining a Prospectus and Application Form

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be made available to eligible investors at [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg). 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 on [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg) and may be available through your Syndicate Broker.
- you can request a free paper copy of this Prospectus and an Application Form by telephoning the Suncorp Capital Notes 2 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 downloading a copy of the Prospectus at [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg).

Eligible CPS2 Holders will also have access to download an electronic version of this Prospectus and a personalised Application Form through [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg).

Eligible Securityholders (should the Securityholder Offer proceed) will also have access to download an electronic version of this Prospectus and a personalised Application Form through [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg).

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.

### 7.3.1 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.

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## 7.4 Applying for Capital Notes 2

### 7.4.1 Minimum application

Applications must be for a minimum of 50 Capital Notes 2 (\$5,000) and, after that, in multiples of 10 Capital Notes 2 (\$1,000).

### 7.4.2 Applying under the Institutional Offer

The Institutional Offer is to Institutional Investors who are invited by the Joint Lead Managers to bid for Capital Notes 2 in the Bookbuild to be conducted on 30 October 2017.

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

### 7.4.3 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.

If you are an Eligible CPS2 Holder and are an Australian resident retail or high net worth client of a Syndicate Broker, you may apply to reinvest your CPS2 in Capital Notes 2 through your Syndicate Broker (refer to Section 6.3 for further detail). Eligible CPS2 Holders who apply to reinvest through a Syndicate Broker will receive their allocation from their Syndicate Broker.

Generally, you will lodge your Application with your Syndicate Broker. Applications under the Broker Firm Offer (whether lodged through a Syndicate Broker or as otherwise directed) must be received by your Syndicate Broker in sufficient time for your Syndicate Broker to process your Application on your behalf by the Closing Date.

The Closing Date for Applications in respect of the Reinvestment Offer is 5:00pm (Sydney time) on 17 November 2017. Applications for additional Capital Notes 2 under the Broker Firm Offer must be received by 10:00am (Sydney time) on 23 November 2017.

### 7.4.4 Applying under the Securityholder Offer

Suncorp may make the Securityholder Offer available to Eligible Securityholders depending on the level of demand.

To be an Eligible Securityholder, you must:

- be a registered holder of Ordinary Shares, CPS2, CPS3, Capital Notes 1, SML Floating Rate Notes or SGL Subordinated Notes at 7:00pm (Sydney time) on 19 October 2017;
- be shown on the applicable register as having an address in Australia; and
- not be in the United States or acting for the account or benefit of a person in the United States.

If you wish to apply for Capital Notes 2, we encourage you to apply as soon as possible after the Opening Date, as the Offer may close early, without notice.

If you are an Eligible Securityholder, you may apply for Capital Notes 2 under the Securityholder Offer (should it proceed) by either:

- applying online at [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg), providing your Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**), or if you are a Suncorp Group employee, your Employee U Number, and following the instructions in relation to your Application Payment. When applying online, you will be required to pay for Capital Notes 2 using BPAY® (you will not be required to submit a personalised Application Form if applying online);
- completing the personalised paper Application Form attached to, or accompanying, this Prospectus, or downloaded from [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg), providing your SRN or HIN, or if you are a Suncorp Group employee, your Employee U Number, 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 Capital Notes 2 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 (should it proceed) is expected to be 5:00pm (Sydney time) on 17 November 2017.

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.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg) or telephone the Suncorp Capital Notes 2 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).

#### **7.4.5 Applying to reinvest CPS2 under the Reinvestment Offer**

The Reinvestment Offer is available to Eligible CPS2 Holders. To be an Eligible CPS2 Holder, you must:

- be a registered holder of CPS2 at 7:00pm (Sydney time) on 19 October 2017;
- be shown on the CPS2 register as having an address in Australia; and
- not be in the United States or acting for the account or benefit of a person in the United States.

If you are an Eligible CPS2 Holder and are an Australian resident retail or high net worth client of a Syndicate Broker, you may apply to reinvest your CPS2 in Capital Notes 2 through your Syndicate Broker (refer to Section 6.3 for further detail).

If instead you wish to apply for Capital Notes 2 directly, we encourage you to apply as soon as possible after the Opening Date, as the Offer may close early, without notice.

If you are an Eligible CPS2 Holder, you may apply for Capital Notes 2 under the Reinvestment Offer by either:

- applying online at [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg), providing your SRN or HIN and following the instructions; or
- completing the personalised paper Application Form attached to, or accompanying, this Prospectus, or downloaded from [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg), providing your SRN or HIN and lodging your personalised paper Application Form.

Your completed personalised paper Application in respect of the Reinvestment Offer must be received by the Registry, or your online Application in respect of the Reinvestment Offer must be received by 5:00pm (Sydney time) on 17 November 2017.

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.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg) or telephone the Suncorp Capital Notes 2 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).

## 7.5 Completing and lodging your Application

### 7.5.1 Delivering Application Forms

#### Application under the Broker Firm Offer or the Reinvestment Offer via a Syndicate Broker

If you are applying under the Broker Firm Offer, or the Reinvestment Offer via a Syndicate Broker, 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.

#### Application under the Securityholder Offer or the Reinvestment Offer

If you are a Securityholder Applicant paying by cheque or money order or an Eligible CPS2 Holder applying under the Reinvestment Offer by completing an Application Form, your completed Application Form must be received online or by the Registry no later than 5:00pm (Sydney time) on 17 November 2017. 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 17 November 2017.

Postal Delivery	Hand Delivery
Suncorp Capital Notes 2 Offer C/O- Link Market Services Limited GPO Box 3560 Sydney NSW 2001	Suncorp Capital Notes 2 Offer C/O- 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.

### 7.5.2 How to pay

#### BPAY®

If you are a Securityholder Applicant and you are applying 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 Capital Notes 2 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 (**CRN**) supplied for each Application;
- enter the total amount to be paid which corresponds to the number of Capital Notes 2 you wish to apply for under each Application (i.e. a minimum of \$5,000 (50 Capital Notes 2) and incremental multiples of \$1,000 (10 Capital Notes 2) 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, you do not need to complete or return the personalised paper Application Form. Simply use the biller code and CRN 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 or money order**

If you are a Securityholder Applicant and you do not wish to pay by BPAY®, Application Payments must be paid by cheque or money order in Australian dollars drawn on an Australian branch of a financial institution. It should be made payable to 'Suncorp Group Limited Capital Notes' and be crossed 'Not Negotiable'.

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

#### **Reinvestment Offer**

If you are an Eligible CPS2 Holder applying under the Reinvestment Offer, you are not required to make an Application Payment in respect of that Application, as the proceeds of the repayment of Reinvestment CPS2 will be applied to the Application Payment.

### **7.5.3 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, if you sell your Capital Notes 2 on ASX after Capital Notes 2 have been quoted on ASX.

### **7.5.4 Application Payments held on trust**

All Application Payments received before Capital Notes 2 are issued will be held by Suncorp on trust in an account established solely for the purposes of depositing Application Payments received. After Capital Notes 2 are issued to successful Applicants, the Application Payments held on trust in respect of those Applicants will be payable to Suncorp.

### **7.5.5 Refunds**

Applicants who are not issued any Capital Notes 2, or are allotted fewer Capital Notes 2 than the number applied and paid for as a result of a scale back, will have all or some (as applicable) of their Application Payments 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.

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## **7.6 Bookbuild and allocation policy**

### **7.6.1 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 Capital Notes 2 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 Capital Notes 2. On the basis of those bids, the Joint Lead Managers and Suncorp, by mutual agreement, determine the Margin and the firm allocations to Syndicate Brokers and to certain Institutional Investors.

The Bookbuild will be conducted in the manner contemplated in this Prospectus and, otherwise, on the terms and conditions agreed to by Suncorp and the Joint Lead Managers in the Offer Management Agreement.

Suncorp reserves the right to increase the size of the Offer following the close of the Bookbuild.

## 7.6.2 What is the allocation policy?

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Institutional Offer	<ul style="list-style-type: none"><li>– Allocations to Institutional Investors will be agreed by the Joint Lead Managers and Suncorp following completion of the Bookbuild.</li></ul>
Broker Firm Offer	<ul style="list-style-type: none"><li>– Allocations to Syndicate Brokers will be agreed by the Joint Lead Managers and Suncorp following completion of the Bookbuild.</li><li>– Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.</li><li>– Suncorp takes no responsibility for any allocation, scale back or rejection that is decided by a Syndicate Broker.</li></ul>
Securityholder Offer	<ul style="list-style-type: none"><li>– Allocations for the Securityholder Offer (should it proceed) will be determined by Suncorp in consultation with the Joint Lead Managers after the Closing Date.</li><li>– Suncorp (at its discretion and in consultation with the Joint Lead Managers) reserves the right to scale back Applications from Securityholder Applicants. Any scale back will be announced on ASX on the Issue Date — expected to be 24 November 2017.</li><li>– 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"><li>– allocate to any Securityholder Applicant all Capital Notes 2 for which they have applied;</li><li>– reject any Application by a Securityholder Applicant; or</li><li>– allocate to any Securityholder Applicant a lesser number of Capital Notes 2 than that applied for, including less than the minimum Application of Capital Notes 2, or none at all.</li></ul></li><li>– No assurance is given that any Securityholder Applicant will receive an allocation.</li></ul>
Reinvestment Offer	<ul style="list-style-type: none"><li>– Allocations to the Eligible CPS2 Holder Applicants under the Reinvestment Offer will be determined by Suncorp in consultation with the Joint Lead Managers after the Closing Date.</li><li>– Suncorp (at its discretion and in consultation with the Joint Lead Managers) reserves the right to scale back Applications from Eligible CPS2 Holder Applicants. Any scale back will be announced on ASX on the Issue Date—expected to be 24 November 2017.</li><li>– Suncorp, after consultation with the Joint Lead Managers, has absolute discretion to determine the method and extent of the allocation.</li><li>– Suncorp (at its discretion and in consultation with the Joint Lead Managers) reserves the right to:<ul style="list-style-type: none"><li>– allocate to any Eligible CPS2 Holder Applicants all Capital Notes 2 for which they have applied;</li><li>– reject any Application by an Eligible CPS2 Holder Applicant; or</li><li>– allocate to any Eligible CPS2 Holder Applicants a lesser number of Capital Notes 2 than that applied for, including less than the minimum Application of Capital Notes 2, or none at all.</li></ul></li><li>– No assurance is given that any Eligible CPS2 Holder Applicants will receive an allocation.</li></ul>

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### 7.6.3 How will the final allocation policy be announced?

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Institutional Offer	– Allocations to Institutional Investors will be advised to those investors following completion of the Bookbuild.
Broker Firm Offer	– Allocations to Syndicate Brokers will be advised to those brokers following completion of the Bookbuild. – Applicants under the Broker Firm Offer will be able to confirm their firm allocation through the Syndicate Broker from whom they received their allocation. – However, if you sell Capital Notes 2 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 and Reinvestment Offer	– Applicants in the Securityholder Offer (should it proceed) or the Reinvestment Offer will be able to telephone the Suncorp Capital Notes 2 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 their allocation. However, if you sell Capital Notes 2 before receiving a Holding Statement, you do so at your own risk, even if you obtained details of your holding by telephoning the Suncorp Capital Notes 2 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).

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## 7.7 Other information

### 7.7.1 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, Capital Notes 2, the Offer or otherwise to permit a public offering of Capital Notes 2 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 Capital Notes 2 nor the Ordinary Shares have been, or will be, registered under the U.S. 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. Capital Notes 2 are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the U.S. Securities Act.

Any offer, sale or resale of Capital Notes 2 in the United States by a dealer may violate the registration requirements of the U.S. Securities Act.

Subject to Suncorp's approval, Capital Notes 2 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 7.7.1 and to have represented and warranted that they are able to apply for and acquire Capital Notes 2 in compliance with those restrictions.

### 7.7.2 Application to ASX for quotation of Capital Notes 2

Suncorp will apply, within seven days after the date of this Prospectus, to ASX for Capital Notes 2 to be quoted on ASX. If ASX does not grant permission for Capital Notes 2 to be quoted within three months after the date of this Prospectus, Capital Notes 2 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

### **7.7.3 CHES and issuer sponsored holdings**

Suncorp will apply for Capital Notes 2 to participate in CHES. No certificates will be issued for Capital Notes 2. Suncorp expects that Holding Statements for issuer sponsored holders and confirmations for CHES holders are expected to be despatched to successful Applicants by 29 November 2017.

### **7.7.4 Deferred settlement trading and selling on market**

It is expected that Capital Notes 2 will begin trading on ASX on a deferred settlement basis on 27 November 2017 under ASX code 'SUNPG'. Trading is expected to continue on that basis until 30 November 2017, when it is anticipated that trading of Capital Notes 2 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 Capital Notes 2. If you are a successful Applicant and sell your Capital Notes 2 before receiving your Holding Statement, you do so at your own risk.

You may telephone the Suncorp Capital Notes 2 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.

### **7.7.5 Provision of bank account details for Distributions**

Suncorp's current policy is that Holders with a registered address in Australia will be paid Distributions by direct credit into nominated Australian financial institution accounts (excluding credit card accounts).

### **7.7.6 Provision of TFN or ABN**

If you are an Applicant who has not already quoted your Tax File Number (TFN) or Australian Business Number (ABN) to Suncorp and are issued any Capital Notes 2, then you may be contacted in relation to quoting your TFN, ABN or both.

The collection and quotation of TFNs and ABNs is authorised and their use and disclosure is strictly regulated by tax laws and the *Privacy Act 1988* (Cth). It is not an offence to not quote your TFN or ABN however, not doing so may result in tax being withheld from Distributions. Please refer to '*Pay as you go withholding tax*' in Section 8 for additional information.

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

Suncorp may also be required to request information from successful Applicants to comply with its obligations under FATCA or CRS. See Section 5.1.26 for further information.

### **7.7.7 Discretion regarding the Offer**

Suncorp reserves the right not to proceed with, and may withdraw, the Offer at any time before the issue of Capital Notes 2 to successful Applicants.

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

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 Capital Notes 2 than applied or bid for. This is at Suncorp's discretion and Suncorp is under no obligation to exercise that discretion in any particular way.

Investors should also note that no cooling off rights (whether by law or otherwise) apply to an Application for Capital Notes 2. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

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## 7.8 Enquiries

### 7.8.1 Securityholder Applicants

You can telephone the Suncorp Capital Notes 2 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 Capital Notes 2;
- require assistance to complete your Application;
- require additional copies of the 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 Capital Notes 2 are a suitable investment for you, you should consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

### 7.8.2 Applicants under the Broker Firm Applicants

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

# 8. Australian taxation summary

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The Directors  
Suncorp Group Limited  
Level 28  
Brisbane Square  
266 George Street  
BRISBANE QLD 4000

23 October 2017

Dear Directors

## **Australian tax consequences of investing in Suncorp Group Limited Capital Notes 2**

We have been instructed by Suncorp Group Limited (**Suncorp**) to prepare a tax summary for inclusion in the Prospectus dated on or about 23 October 2017 in relation to the issue of Capital Notes 2.

### **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 investors (**Resident Holders**) and investors who are not tax residents of Australia (**Non Resident Holders**) who subscribe for Capital Notes 2 under the Offer and hold them on capital account for tax purposes; and
- Australian tax resident Eligible CPS2 Holders within the class of entities specified in Class Ruling CR 2012/112 and who participate in the Reinvestment Offer.

This letter does not consider tax considerations which may arise for Resident Holders or Non Resident Holders who are in the business of securities trading, are dealing in securities or otherwise hold Capital Notes 2 on revenue account, or Non Resident Holders who carry on a business at or through a permanent establishment in Australia.

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 Greenwood & Herbert Smith Freehills involved in preparing this tax summary are not licensed to provide financial product advice in relation to dealing in securities. Accordingly, Greenwood & Herbert Smith Freehills does not seek to recommend, promote or otherwise encourage any party to participate in the issue of Capital Notes 2. 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 in an investment decision.

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 Capital Notes 2 Terms.

Doc 510869583.14

ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia  
GPO Box 4982 Sydney NSW 2001 Australia

Liability limited by a scheme approved under Professional Standards Legislation

T +61 2 9225 5955 F +61 2 9221 6516  
DX 361 Sydney [www.greenwoods.com.au](http://www.greenwoods.com.au)

Greenwoods & Herbert Smith Freehills Pty Limited ABN 60 003 146 852

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

## 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 Australian income 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](http://www.ato.gov.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 Capital Notes 2 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 Capital Notes 2 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 Reinvestment Offer including any Pro Rata Dividend paid on Reinvested CPS2;
- not consider the tax implications of the Exchange of Capital Notes 2 by Redemption or Resale, or Conversion of Capital Notes 2 on a Non-Viability Trigger Event;
- not consider the taxation treatment of Distributions received by partnerships or trustee investors; and
- not consider the tax implications for Resident Holders for whom gains and losses from Capital Notes 2 are subject to the taxation of financial arrangements (TOFA) 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 Capital Notes 2.

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 3.5 below.

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

### 3.1 Status of Capital Notes 2 for tax purposes

Although not expected to be specifically addressed in the Class Ruling, the Capital Notes 2 should be characterised as non-share equity interests for Australian income tax purposes. Accordingly, Distributions on the Capital Notes 2 should be treated as "non-share dividends" that are frankable, as outlined in section 3.2 below.

The Class Ruling will confirm that the Capital Notes 2 are not "traditional securities" for tax purposes. The consequence of this is that gains and losses on the Capital Notes 2 for Applicable Resident Holders should be subject to the CGT rules, as summarised further below, rather than being subject to the specific rules that apply to "traditional securities".

### 3.2 Distributions and gross-up for franking credits on Capital Notes 2

Distributions paid on Capital Notes 2 must be included in the assessable income of an Applicable Resident Holder.

Generally, provided an Applicable Resident Holder is a "qualified person" (see discussion below for further details) in relation to their Capital Notes 2, an Applicable Resident Holder must also "gross-up" a Distribution – i.e. include the amount of any franking credits attached to the Distribution in their assessable income – and will be entitled to a tax offset for those franking credits.

To the extent that the tax offset attributable to the franking credits on a Distribution 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 by the ATO to the Applicable Resident Holder.

It is anticipated that the Commissioner will not seek to apply any of the tax anti-avoidance provisions to deny the whole or any part of the imputation benefits received by Applicable Resident Holders in relation to Distributions payable in respect of Capital Notes 2.

In addition, although not addressed in the Class Ruling, as outlined in section 5.1.21 of the Prospectus, the Government has introduced a Bill into Parliament proposing a staggered reduction of the corporate tax rate for all corporate tax entities. If the corporate tax rate applicable to Suncorp were to change, the cash amount of Distributions and the amount of any franking credits will change. For instance, if the tax rate decreases, the cash amount of any Distribution Suncorp may pay would increase and the franking debits attached to that Distribution would decrease.

### 3.3 CGT cost base and acquisition date for Capital Notes 2

The cost base (or reduced cost base) of each Note acquired by an Applicable Resident Holder should include the \$100 Issue Price of Capital Notes 2. Although it is not expected to be addressed in the Class Ruling, the cost base (or reduced cost base) of each Note should also include certain non-deductible incidental costs (e.g. broker fees, adviser fees) associated with the acquisition and disposal of Capital Notes 2. This will be relevant in determining the capital gain or capital loss resulting on a disposal of Capital Notes 2 (see discussion below for further details).

Each Note will be taken to have been acquired by an Applicable Resident Holder on the date the Capital Notes 2 are allotted and issued.

### 3.4 Conversion of Capital Notes 2

Under specific CGT provisions in the *Income Tax Assessment Act 1997* (Cth) dealing with convertible interests, any gain or loss that would arise on Conversion of Capital Notes 2 into Ordinary Shares should be disregarded.

The value of any Ordinary Shares that are allocated on a Conversion of Capital Notes 2 will not be assessable as dividend income in the hands of Applicable Resident Holders.

In particular, it is anticipated that the Commissioner will not seek to apply any tax anti-avoidance provisions to treat the Ordinary Shares acquired on Conversion of Capital Notes 2 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 Capital Notes 2 of an Applicable Resident Holder across all of the Ordinary Shares allocated to that holder.

The Ordinary Shares will be taken to have been acquired by an Applicable Resident Holder at the time of the Conversion. This means that the 12 month holding period for the purposes of the CGT discount discussed in section 4.2 below will start from the acquisition date of the Ordinary Shares (i.e. on Conversion), and not from the time of acquisition of the Capital Notes 2 (i.e. the issue date).

#### **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 Distributions – “qualified person”**

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

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

In relation to the holding period rule, where there are no “related payments”, the “primary qualification period” applies with the consequence that a Resident Holder must have held their Capital Notes 2 “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 their Capital Notes 2 and ending on the 90th day after the date on which their Capital Notes 2 became “ex dividend”.

Where there are “related payments”, the “secondary qualification period” applies with the consequence that in respect of each Distribution a Resident Holder is required to hold their Capital Notes 2 “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 the Capital Notes 2 became “ex dividend” in relation to that particular Distribution.

Broadly speaking, the related payments rule would apply where a Resident Holder (or an associate) makes a payment which passes the benefit of a Distribution to another person.

Alternatively, a Resident Holder who is an individual is automatically taken to be a qualified person in relation to Distributions 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 (from all sources) 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 Distribution.

In determining whether a Resident Holder has held their Capital Notes 2 “at risk,” all “positions” in respect of their Capital Notes 2 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 should not represent a separate “position” in relation to Capital Notes 2 with the consequence that the Resale facility should 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 Capital Notes 2**

A sale of Capital Notes 2 by a Resident Holder on the ASX will give rise to a capital gain if the sale proceeds exceed the cost base of Capital Notes 2. Conversely, a capital loss will result if the reduced cost base of Capital Notes 2 exceeds the sale proceeds.

If Capital Notes 2 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 Capital Notes 2, 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 Capital Notes 2 within 12 months of acquiring them, or who dispose of Capital Notes 2 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 the Capital Notes 2.

#### **4.3 Redemption or Resale of Capital Notes 2**

Suncorp may elect to Redeem Capital Notes 2 in certain circumstances. For each Capital Notes 2 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 non-share capital account.

Suncorp may also elect to Resell Capital Notes 2 in certain circumstances. For each Capital Notes 2 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 Capital Notes 2 will constitute a CGT event in relation to the Capital Notes 2. Accordingly, a Resident Holder may make a capital gain or a capital loss from the CGT event to the extent to which the Redemption or Resale proceeds are greater than the cost base or are less than the reduced cost base of Capital Notes 2 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.

#### **4.4 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 Distributions.

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 Distributions. The rate of withholding is currently 47%. In this regard, on 17 August 2017, the Coalition Government introduced the *Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 (Cth)* into the House of Representatives. If enacted in its current form, this Bill would increase the Medicare levy from 2% to 2.5%, which would increase the sum of the highest marginal rate plus the Medicare levy from 47% to 47.5%, for the 2019-20 income year and later income years.

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 Distributions in their income tax returns.

#### **4.5 Goods and services tax (GST)**

Holders should not be liable for GST in respect of their investment in Capital Notes 2 or the disposal or Conversion of Capital Notes 2.

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 Capital Notes 2 (e.g. adviser fees).

#### **4.6 Stamp duty**

Holders should not be liable for stamp duty on the issue, sale, transfer or Conversion of Capital Notes 2 under applicable stamp duty law in each State and Territory of Australia provided that they do not hold or acquire an interest of 90% or more in Suncorp (aggregating interests of associated persons and interests acquired under associated transactions) where Suncorp is listed on the ASX.

## 5 Taxation of Financial Arrangements

The TOFA rules 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 Capital Notes 2. However, the TOFA regime should generally not apply to individual Holders in respect of their investment in Capital Notes 2. In addition, the TOFA regime should generally not apply to other Holders in respect of their investment in Capital Notes 2, even if they exceed the relevant asset/turnover thresholds, unless certain specific elections under the TOFA regime are made by the relevant Holder.

It is recommended that 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 Capital Notes 2.

## 6 Non Resident Holders

Below is a summary of the Australian income tax consequences for Non Resident Holders with respect to Distributions received on Capital Notes 2:

- Non Resident Holders should not be subject to dividend withholding tax in respect of fully franked Distributions 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 Distribution 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 may be 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.

For Non Resident Holders, any capital gain or capital loss resulting from a disposal of Capital Notes 2 should generally be disregarded for CGT purposes.

## 7 Tax consequences for Eligible CPS2 Holders who participate in the Reinvestment Offer

### 7.1 Pro Rata Dividend on Reinvestment CPS2

Eligible CPS2 Holders who participate in the Reinvestment Offer may receive a Pro Rata Dividend on their Reinvestment CPS2 on the Reinvestment CPS2 Repayment Date.

The tax treatment of any Pro Rata Dividend should be the same as the treatment of other distributions received on the CPS2, as outlined in Class Ruling CR 2012/112. On this basis, provided that an Eligible CPS2 Holder who participates in the Reinvestment Offer is a "qualified person" (see general comments in section 4.1 and Class Ruling CR 2012/112), an Eligible CPS2 Holder who participates in the Reinvestment Offer should generally include the amount of the Pro Rata Dividend as well as an amount equal to any franking credits attached to the Pro Rata Dividend in their assessable income and should qualify for a tax offset equal to the franking credits.

### 7.2 Repayment of CPS2

Eligible CPS2 Holders who participate in the Reinvestment Offer should be regarded as receiving total capital proceeds of \$100 per Reinvestment CPS2, comprising:

- a capital return of \$99.99999; and
- redemption proceeds of \$0.00001.

Eligible CPS2 Holders who participate in the Reinvestment Offer may make a capital gain or capital loss on the repayment of their Reinvestment CPS2, depending on whether the capital proceeds from the repayment are greater than the cost base or are less than the reduced cost base of their Reinvestment CPS2 respectively.

If Reinvestment CPS2 have been owned for at least 12 months prior to repayment, an Eligible CPS2 Holder who participates in the Reinvestment Offer (other than a company) may be entitled to CGT discount treatment in respect of any gain arising on repayment of Reinvestment CPS2, 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 Eligible CPS2 Holders who participate in the Reinvestment Offer who are individuals and trusts and 33⅓% for Eligible CPS2 Holders who participate in the Reinvestment Offer that are complying superannuation entities.

Eligible CPS2 Holders whose Reinvestment CPS2 are repaid 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 repayment of Reinvestment CPS2.

Yours faithfully

GREENWOODS & HERBERT SMITH FREEHILLS PTY LIMITED

per:



**Tim Kyle**  
Director  
Greenwoods & Herbert Smith Freehills  
+61 2 9225 5934  
+61 414 942 354  
[tim.kyle@greenwoods.com.au](mailto:tim.kyle@greenwoods.com.au)



**Julian Pinson**  
Director  
Greenwoods & Herbert Smith Freehills  
+61 2 9225 5994  
+61 458 729 264  
[julian.pinson@greenwoods.com.au](mailto:julian.pinson@greenwoods.com.au)

## 9. Additional information

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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.





## 9.1 Interests and benefits

### 9.1.1 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
Dr Zygmunt E Switkowski AO	311,599	Nil
Michael A Cameron	175,000	817,230 <sup>1</sup>
Audette E Exel AO	15,065	Nil
Sally Herman	20,000	Nil
Simon C J Machell	30,000	Nil
Christine F McLoughlin	20,000	Nil
Dr Douglas F McTaggart	25,787	Nil

Notes:

1 Shares held by Pacific Custodians Pty Ltd as either LTI Performance Rights or Restricted Shares each subject to vesting preconditions.

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 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 Capital Notes 2 offered under the Offer, without shareholder approval (subject to certain conditions)—see Section 9.10.1.

### 9.1.2 Professionals

UBS has acted as the Arranger for the Offer, and each of ANZ Securities, Morgans, National Australia Bank, UBS and Westpac Institutional Bank have acted as the 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 \$4.1 million (exclusive of GST), making certain assumptions as to the allocations of Capital Notes 2 between the Broker Firm Offer, Institutional Offer and Securityholder Offer (should it proceed). The aggregate fees include an arranger fee payable to UBS and other fees payable to the Joint Lead Managers, determined either on the basis of their Capital Note 2 allocation or split proportionately between each of 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 \$374,000 (excluding disbursements and GST) for work performed by it until the date of this Prospectus. Further amounts may be paid to King & Wood Mallesons in accordance with its time-based charges.

Greenwoods & Herbert Smith Freehills has acted as Suncorp's Australian tax adviser in relation to the Offer and has prepared the Australian taxation summary in Section 8. In respect of this work, Greenwoods & Herbert Smith Freehills will be paid approximately \$90,000 (excluding disbursements and GST) for work performed by it until the date of this Prospectus. Further amounts may be paid to Greenwoods & Herbert Smith Freehills in accordance with its time-based charges.

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd) has acted as Suncorp's accounting adviser and provided due diligence services on certain financial disclosures in relation to the Offer. In respect of this work, KPMG Transaction Services will be paid approximately \$110,000 (excluding disbursements and GST) for work performed by it up until the date of this Prospectus. Further amounts may be paid to KPMG Transaction Services 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.

#### About the Trustee

The Trustee, Australian Executor Trustees Limited, and its directors, employees, officers, affiliates, agents, advisers, intermediaries and related bodies corporate (each a **related person**):

- have not authorised or caused the issue or distribution of this Prospectus, were not involved in preparing this Prospectus and do not make any statement or purport to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based;
- do not assume any responsibility for, or make representations as to the accuracy or completeness of any information contained, in this Prospectus;

- to the maximum extent permitted by law, expressly disclaim all liability in respect of, make no representation or any statement regarding and take no responsibility for any part of this Prospectus, or any statements in or omissions from this Prospectus, other than in the case of the Trustee, only references to its name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with its written consent;
- in the case of the Trustee only, 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 content in which it is named.
- have solely relied on Suncorp for the accuracy of the contents of this Prospectus;
- do not make any representation or warranty as to the performance of Capital Notes 2, the payment of distributions or Exchange of Capital Notes 2 or the value of any Ordinary Shares issued on Conversion (or their proceeds of sale); and
- are not, subject to the Trustee's obligations under the Corporations Act, responsible for monitoring Suncorp's business.

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## 9.2 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.

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## 9.3 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 annually and half-yearly financial statements, 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 when it becomes aware of any information concerning Suncorp which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

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## 9.4 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 2017 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 2017 and before lodgement of this Prospectus with ASIC; and
- the Constitution.

The annual financial report for the year ended 30 June 2017 and copies of continuous disclosure notices lodged with ASX are available at [www.asx.com.au](http://www.asx.com.au) or at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

The Constitution is available at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

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

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## 9.5 Rights and liabilities attaching to Capital Notes 2

The rights and liabilities attaching to Capital Notes 2 are contained in the Terms, which are set out in Appendix A. Rights and liabilities attaching to Capital Notes 2 may also arise under the Corporations Act, the ASX Listing Rules, the Constitution and other laws.

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## 9.6 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 briefly summarises the key rights attaching to 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 9.4.

The key rights attaching to Ordinary Shares are as follows:

- the right to receive notice of, attend and vote at general meetings of Suncorp (either in person or by proxy, attorney or representative) on the basis of one vote on a show of hands or 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, as determined by the Board, in their judgment, as the financial position of Suncorp justifies, in proportion to the capital paid up on the Ordinary Shares held by each shareholder (subject to the rights of holders of securities carrying preferred rights and in accordance with the Constitution and the Corporations Act). Suncorp may also be restricted from paying dividends on Ordinary Shares by prudential standards of APRA or, potentially, in particular circumstances by the terms of certain of its regulatory capital instruments;
- 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 securities carrying preferred rights on winding-up including CPS2, CPS3, Capital Notes 1 and Capital Notes 2).

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## 9.7 Summary of Trust Deed

Suncorp has entered into a Trust Deed dated on or about the date of this Prospectus with the Trustee. A copy of the Trust Deed can be obtained from [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg). The following is a summary only of the principal provisions of the Trust Deed.

### 9.7.1 Appointment of Trustee

The Trustee has been appointed under the Trust Deed and holds on trust for the Holders and itself upon the terms of the Trust Deed:

- the right to enforce Suncorp's obligation to pay amounts payable under Capital Notes 2;
- the right to enforce any other duties or obligations that Suncorp has under the Terms, to the Holders under the Trust Deed or under Chapter 2L of the Corporations Act; and
- the amount of \$10 and any other property held by the Trustee on the trust established under the Trust Deed (including, without limitation, and to the extent such property is held on trust, the benefit of any covenants, undertakings, representations, warranties, rights, powers, benefits or remedies in favour of the Trustee under the Trust Deed).

### **9.7.2 Undertakings**

Suncorp has undertaken to the Trustee (as trustee for the relevant Holder) to, among other things:

- subject to any obligation of Suncorp to Convert or Write-Off the Capital Notes 2, pay the amounts due and payable in respect of that Capital Note 2 under and in accordance with the Trust Deed;
- comply with its obligations under the Terms; and
- comply with its obligations under Chapter 2L and section 318 of the Corporations Act.

### **9.7.3 Sale of Ordinary Shares**

The Trust Deed contains a provision that, where a Non-Viability Trigger Event occurs and the Terms provide for the issue of Ordinary Shares to the Trustee, the Trustee must take delivery of the Ordinary Shares on trust for the relevant Holders and, as required by the Terms, sell (or appoint one or more entities as Sales Agent to sell on its behalf) the Ordinary Shares of the relevant Holders and pay the proceeds net of sale costs to them.

### **9.7.4 Enforcement**

The Trustee is not obliged to take any action contemplated by the Terms or the Trust Deed, unless each of the following conditions are met:

- it is directed as to the manner in which it should exercise a power pursuant to an Ordinary Resolution (unless the Trust Deed or the Terms require a Special Resolution or a different threshold of approval in the particular circumstances);
- its liability is limited in accordance with the Trust Deed;
- it is indemnified, to its reasonable satisfaction, against certain actions or costs; and
- the action is permitted under the Trust Deed or the Terms and by law.

No Holder is entitled to proceed directly against Suncorp to enforce any right or remedy under or in respect of any Note unless the Trustee, having become bound so to proceed, fails to do so within 14 days and the failure is continuing.

### **9.7.5 Liability**

Except to the extent arising as a result of the Trustee's fraud, negligence or wilful default, the Trustee is not liable to Suncorp or any other person in any capacity other than as trustee of the Trust and the Trustee's liability is further limited to the assets of the Trust available to indemnify the Trustee for the liability.

### **9.7.6 Fees and expenses**

Suncorp will pay the Trustee fees as agreed between Suncorp and the Trustee. Suncorp will also pay, on demand, the Trustee's costs, losses and other liabilities incurred in the course of it acting as Trustee of the Trust (except where incurred as a result of the Trustee's default), as well as costs incurred in connection with enforcing or preserving rights under the Trust Deed.

### **9.7.7 Retirement and removal**

The Trustee may retire at any time by giving notice to Suncorp at least 60 days before the date it wants to retire or any shorter period, which is agreed. Suncorp may remove the Trustee at any time by giving notice to the Trustee of at least 60 days (or such other period as Suncorp and the Trustee may agree or required by the Corporations Act) in circumstances, including:

- the Trustee is in breach of its material obligations under the Trust Deed and has not rectified the breach within 10 Business Days of receiving notice from Suncorp requesting the breach be remedied;
- the Trustee has acted fraudulently, has been grossly negligent or is in wilful default or is in breach of section 283DA of the Corporations Act and, where such default is capable of remedy, the Trustee has not remedied the breach within 7 Business Days after receiving notice from Suncorp of its occurrence;

- the Trustee ceases or has ceased or has expressed an intention to cease to carry on business;
- the Trustee ceases to be a person which can act as Trustee under the Corporations Act;
- the Trustee is placed in liquidation or is wound-up or dissolved or a receiver, liquidator, administrator or similar person is appointed to the Trustee; or
- Suncorp is authorised or requested to do so by a meeting of Holders.

The removal or retirement of the Trustee does not take effect until the appointment of a new trustee is effective. Suncorp has the power to appoint a new trustee.

### **9.7.8 Meetings**

A meeting of Holders has the power to, by Ordinary Resolution, give directions to the Trustee as to the performance of its duties under the Trust Deed and the Terms and, by Special Resolution, release the Trustee from liability, approve any act taken by the Trustee or approve any amendment to the Trust Deed or the Terms required to be authorised by a Special Resolution.

Each Holder is entitled to one vote on a show of hands, unless a poll is demanded by the chairperson, the Trustee or Suncorp or by, or on behalf of, one or more Holders holding (in aggregate) Capital Notes 2 representing at least 5% of the aggregate Face Value of the Capital Notes 2 outstanding when the meeting begins. On a show of hands, every Holder who is present has one vote and on a poll, every Holder of Capital Notes 2 who is present has one vote for every Note with respect to which it is the registered holder.

### **9.7.9 No monitoring obligations**

The Trustee is not responsible for monitoring compliance by Suncorp with its obligations under the Trust Deed or any other activities of Suncorp, except as required by law. In this regard, the Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act, including to:

- exercise reasonable diligence to ascertain whether:
  - the property of Suncorp that is, or should be, available will be sufficient to repay the amounts lent by Holders in respect of Capital Notes 2; and
  - Suncorp has breached the Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act; and
- unless the Trustee is satisfied the breach will not materially prejudice the Holders' interests, it must do everything in its power to ensure Suncorp remedies such a breach.

### **9.7.10 Receipt of moneys**

All moneys that are received by the Trustee under the Trust Deed will be applied first in payment of any amounts owing to the Trustee in connection with the Trust Deed and secondly, in or towards, payment of all amounts due but unpaid in respect of Capital Notes 2 to the relevant Holders. The balance (if any) of the money remaining after those payments will be returned to Suncorp.

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## **9.8 Summary of the Offer Management Agreement**

### **9.8.1 Overview**

Suncorp and the Joint Lead Managers signed the Offer Management Agreement on 23 October 2017. Under the Offer Management Agreement, Suncorp appointed ANZ Securities, Morgans, National Australia Bank, UBS and Westpac Institutional Bank 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.

### **9.8.2 Fees**

The estimated aggregate fees payable by Suncorp to the Joint Lead Managers under the Offer Management Agreement are set out in Section 9.1.2. The actual amount payable will not be known until the allocation of Capital Notes 2 under the Offer. In addition, Suncorp must reimburse each Joint Lead Manager for reasonable costs, charges and expenses, including reasonable legal and travel costs, incurred by the Joint Lead Managers in relation to the Offer.

### **9.8.3 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 Capital Notes 2 issue and certain other corporate actions (including an issue of Ordinary Shares under a dividend reinvestment plan), 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.

### **9.8.4 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, losses, costs, expenses, liabilities, damages or actions incurred by them in connection with the Offer (subject to limited exclusions).

### **9.8.5 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 Capital Notes 2 on ASX;
- ASIC withdraws, or otherwise varies relief from the provisions of Division 5A of Part 7.9 of the Corporations Act referred to in Section 9.11 in a manner which would prohibit or restrict the conduct of the Reinvestment Offer;
- the trading of Ordinary Shares is suspended or Ordinary Shares cease to be quoted on ASX;
- any person withdraws their consent to be named in the Prospectus;
- Suncorp withdraws the Prospectus or the Offer;
- a supplementary prospectus is lodged, or in the reasonable opinion of the Joint Lead Managers should be lodged, with ASIC 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 or effect, or any development that is likely to have a material adverse change or effect, in or affecting the general affairs, business, operations, prospects, management, financial position, earnings position, shareholders' equity or results of operations of the Suncorp Group.

Certain of these events, and other events, will only give rise to a right to terminate if the Joint Lead Manager reasonably believes that the event has had or is likely to have a material adverse effect on the success or settlement of 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 joint 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 Capital Notes 2 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 Capital Notes 2.

## 9.9 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.

Greenwoods & Herbert Smith Freehills has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements by it, consisting of the Australian taxation summary in Section 8 in the form and context in which it appears in Section 8.

<b>Role</b>	<b>Consenting parties</b>
Arranger	UBS
Joint Lead Managers	ANZ Securities Morgans National Australia Bank UBS Westpac Institutional Bank
Co-Managers	Crestone Wealth Management JBWere
Auditor	KPMG
Australian legal adviser	King & Wood Mallesons
Australian tax adviser	Greenwoods & Herbert Smith Freehills
Registry	Link Market Services Limited
Trustee	Australian Executor Trustees Limited
Accounting adviser	KPMG Transaction Services



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## 9.10 ASX confirmation

### 9.10.1 The Offer

ASX has classified Capital Notes 2 as 'equity securities' for the purposes of the ASX Listing Rules and has confirmed that:

- ASX Listing Rule 3.20.2 will not apply to the Conversion of the Capital Notes 2 following the occurrence of a Non-Viability Trigger Event;
- the Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- the terms of the APRA constraints on the payment of Distributions do not amount to a removal of a right to a distribution for the purposes of ASX Listing Rule 6.10;
- Conversion, Redemption or Resale of Capital Notes 2, as provided in the Terms, is appropriate and equitable for the purposes of ASX Listing Rule 6.12;
- ASX does not consider Capital Notes 2 to be options or preference securities for the purposes of the Listing Rules;
- for the purposes of ASX Listing Rule 7.1, it is acceptable that the maximum number of Ordinary Shares into which Capital Notes 2 can be Converted in accordance with ASX Listing Rules 7.1 and 7.1B.1 will be calculated by notionally Converting Capital Notes 2 at the market price of Ordinary Shares on the trading day before the date of this Prospectus;
- there is no further requirement for member approval, or further absorption of placement capacity under Listing Rule 7.1, at the time that Capital Notes 2 are Converted in accordance with ASX Listing Rules 7.2 (exception 4) and 10.12 (exception 7);
- ASX Listing Rule 10.11 has been waived to permit Directors (and their associates) to participate in the Offer, without Shareholder approval, on the condition that the Directors (and their associates) are collectively restricted to being issued no more than 0.2% of the total number of Capital Notes 2 issued under the Offer; and
- the timetable for the Offer is acceptable.

ASX has also agreed to allow the Capital Notes 2 to trade on a deferred settlement basis for a short time following the issue of the Capital Notes 2.

### 9.10.2 The Reinvestment Offer

ASX has confirmed in relation to the Reinvestment Offer that:

- the amendments to the CPS2 Terms (to facilitate the repayment of Reinvestment CPS2 and payment of any Pro Rata Dividend) are appropriate and equitable;
- the addition of an early dividend payment right is permitted under ASX Listing Rule 6.10;
- CHES will apply a holding lock to any CPS2 the subject of an Application from a CPS2 Holder Applicant; and
- the timetable for the Reinvestment Offer is acceptable.

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## 9.11 ASIC Modification

ASIC has granted relief from the provisions of Division 5A of Part 7.9 of the Corporations Act relating to unsolicited offers for Suncorp to conduct the Reinvestment Offer (subject to certain conditions).

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## 9.12 Acknowledgments

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

- acknowledged having read and understood the Terms and having had an opportunity to consider the suitability of an investment in Capital Notes 2 with the Applicant's professional advisers;
- agreed to be bound by the Terms and the terms and conditions of the Offer and, on Conversion of Capital Notes 2, agrees to 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;

- consented to the use and disclosure of their personal information as described in Section 9.13 and understood and agreed that the use and disclosure of their personal information applies to any personal information collected by Suncorp and any entity in the Suncorp Group in the course of the Applicant's relationship with Suncorp and any entity in the Suncorp Group;
- declared that the Applicant, if a natural person, is over 18 years of age;
- acknowledged that once Suncorp receives an Application, it may not be withdrawn, except as is permitted by law;
- acknowledged that, in some circumstances, Suncorp may not pay Distributions or any other amount payable on Capital Notes 2;
- applied for the number of Capital Notes 2 at the Australian dollar amount specified in the Application Form submitted or represented by the Application Payment;
- agreed to being allocated the number of Capital Notes 2 applied for (or a lower number allocated in a way described in this Prospectus) or no Capital Notes 2 at all;
- authorised Suncorp and the Joint Lead Managers, and their respective officers or agents, to do anything on the Applicant's behalf necessary for Capital Notes 2 to be allocated to the Applicant, 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 Capital Notes 2 that the Applicant has applied for, or, if there are insufficient funds held in a relevant account to cover a cheque that the Applicant has drawn, then Suncorp may, in consultation with the Joint Lead Managers, determine that you have applied for such lower number of Capital Notes 2 as your cleared Application Payment will pay for (in multiples of 10 Capital Notes 2) 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 Capital Notes 2, Suncorp will round down the dollar amount of Capital Notes 2 that you are applying for to the next lowest multiple of 10 Capital Notes 2;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that Capital Notes 2 are suitable for the Applicant, given the Applicant's investment objectives, financial situation or particular needs;
- declared that the Applicant is an Australian resident or otherwise a person to whom the Offer can be made, and Capital Notes 2 issued, in accordance with Section 7.7.1;
- acknowledged that Capital Notes 2 have not been, and will not be, registered under the U.S. Securities Act or pursuant to the securities laws of any other jurisdiction outside Australia;
- represented and warranted that the Applicant is not in the United States and is not a U.S. Person (as defined in Regulation S of the U.S. Securities Act) (and not acting for the account or benefit of a U.S. Person) and the Applicant will not offer, sell or resell Capital Notes 2 in the United States to, or for the account or benefit of, any U.S. Person;
- represented and warranted that the laws of any other place, including the restrictions set out in Section 7.7.1 of this Prospectus, do not prohibit the Applicant from being given the Prospectus (or any supplementary or replacement Prospectus) or making an Application or being issued with Capital Notes 2; and
- acknowledged that Capital Notes 2 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 Capital Notes 2.

In addition, each person submitting an Application in respect of the Reinvestment Offer will be deemed to have:

- irrevocably agreed to have the number of CPS2 specified in the Application to be repaid in the amount of \$100 per CPS2 and to have the proceeds applied on the Issue Date to the Application Payment for Capital Notes 2;
- warranted that they are the holder of the number of CPS2 specified in the Application;

- warranted that the CPS2 are free and clear of any encumbrances;
- authorised Suncorp and the Joint Lead Managers (or any person acting on their behalf) to complete and execute any documents and take all other actions necessary to effect the repayment of the CPS2 and to have the proceeds applied on the Issue Date to the Application Payment for Capital Notes 2;
- agreed not to transfer or dispose of the number of CPS2 specified the Application;
- agreed to indemnify Suncorp for all costs or losses it incurs as a result of you selling or disposing of the CPS2 the subject of your Application if you do sell or dispose of any of those CPS2 before the Closing Date for the Reinvestment Offer; and
- agreed to the application of a holding lock on the number of CPS2 specified the Application and authorised Suncorp and its related bodies corporate and their respective officers to request the application of a holding lock to those CPS2.

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## 9.13 Privacy

The Registry has been engaged to maintain the Register on behalf of Suncorp. Protecting your privacy and your personal information is important to the Registry.

The Registry will collect your personal information to process your registration for Capital Notes 2, manage and administer your securityholding, provide facilities and services that you may request and carry out appropriate administration, as required by law.

The Corporations Act requires the collection of certain information and for that to be included in the Register. The Register is public and able to be inspected by any person.

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

The Registry 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.

Under the Privacy Act, an Applicant may request access to their personal information held on behalf of Suncorp. To request access or correct your personal information, please contact the Registry via the Suncorp Capital Notes 2 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). The Registry's privacy policy contains further information on how you can access or correct your personal information as well as how to complain about the handling of your personal information. You can read the Registry's privacy policy at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

You can read Suncorp Group's securityholder privacy statement at [www.suncorpgroup.com.au/about-us/governance/securityholder-privacy-statement](http://www.suncorpgroup.com.au/about-us/governance/securityholder-privacy-statement) and Suncorp Group's Privacy Policy at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

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## 9.14 Amendments to the CPS2 Terms

To facilitate the Reinvestment Offer, certain amendments have been made to the CPS2 Terms under clause 15 of those terms. Those amendments have been released to ASX.

The amendments include terms permitting the:

- repayment of the Reinvestment CPS2 on the terms set out in this Prospectus; and
- payment of the Pro Rata Dividend in respect of the Reinvestment CPS2.

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## 9.15 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.

A.  
Capital  
Notes 2  
Terms  
—



## 1. Capital Notes 2

### 1.1 Capital Notes 2

Suncorp Capital Notes 2 (the **Capital Notes**) are perpetual, convertible, subordinated debt obligations in the form of unsecured notes issued by Suncorp, constituted by, and owing under, the Trust Deed. They are issued, and may be Redeemed, Converted or Resold, according to these Capital Notes Terms.

### 1.2 Form

The Capital Notes are in registered form and are issued by entry in the Register.

### 1.3 Issue Price

The Issue Price of each Capital Note is A\$100 and is payable in full on the Issue Date.

### 1.4 CHESS

The Capital Notes will be entered into and dealt with in CHESS. For so long as the Capital Notes remain in CHESS, the rights of a person holding an interest in the Capital Notes are subject to the ASX Settlement Operating Rules but this shall not affect any term which would cause the Capital Notes to cease to be eligible for inclusion as a Relevant Security.

## 2. Status and ranking

### 2.1 Status and ranking

The Capital Notes constitute direct and unsecured subordinated obligations of Suncorp, ranking for payment of the Redemption Price in a winding-up of Suncorp:

- in priority to Ordinary Shares;
- equally among themselves and with all Equal Ranking Instruments; and
- behind claims of Senior Ranking Creditors.

### 2.2 No guarantee, not policies under Insurance Act

The Capital Notes are not:

- policy liabilities of any Suncorp or any Related Entity of Suncorp for the purposes of the Insurance Act;
- protected policies for the purposes of the Financial Claims Scheme established under Part VC of the Insurance Act; or
- guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other party.

### 2.3 Unsecured notes

The Capital Notes are unsecured notes for the purposes of section 283BH of the Corporations Act.

## 3. Distributions

### 3.1 Distributions

Subject to these Capital Notes Terms, Suncorp will pay interest on each Capital Note in arrears on the relevant Distribution Payment Date (a **Distribution**) calculated according to the following formula:

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

where:

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

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

where:

**Bank Bill Rate** (expressed as a percentage per annum) means, for a Distribution Period, the rate for prime bank eligible securities having a tenor of 3 months, which is designated as the "AVG MID" on the Thomson Reuters Screen BBSW Page (or any designation which replaces that designation on that page, or any page which replaces that page) at approximately 10:15am, Sydney time (or such other time at which such rate customarily appears on that page) on the relevant day (**Publication Time**), on the first Business Day of the Distribution Period. However, if such rate does not appear on the Thomson Reuters Screen BBSW Page (or any page which replaces that page) by 10.30am, Sydney time, on that day (or such other time that is 15 minutes after the then prevailing Publication Time), or if it does appear but Suncorp determines that there is an obvious error in that rate, "Bank Bill Rate" means the rate determined by Suncorp having regard to comparable indices then available;

**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 Distribution Payment Date; and

**N** means in respect of:

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

### 3.2 Franking adjustments

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

$$\text{Distribution} = \frac{\text{D}}{1 - [\text{T} \times (1 - \text{F})]}$$

where:

**D** means the Distribution calculated under clause 3.1;

**T** has the meaning given in clause 3.1; and

**F** means the applicable Franking Rate.

### 3.3 Payment of a Distribution

Each Distribution is subject to:

- Suncorp's absolute discretion; and
- no Payment Condition existing in respect of the relevant Distribution Payment Date.

### 3.4 Distributions are non-cumulative

Distributions are non-cumulative. If all or any part of a Distribution is not paid because of clause 3.3 or because of any other reason:

- Suncorp has no liability to pay the unpaid amount of the Distribution;
- 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 Distributions and Holders have no claim or entitlement in respect of interest on any unpaid Distributions.

### 3.5 Distribution Payment Dates

Subject to this clause 3, Distributions will be payable in arrears in respect of a Capital Note on the following dates (each a **Distribution Payment Date**):

- each 17 March, 17 June, 17 September and 17 December commencing on 19 March 2018 until (but not including) the date on which the Capital Notes is Converted or Redeemed in accordance with these Capital Notes Terms; and
- each date on which an Exchange of that Capital Note occurs, other than a Conversion on a Trigger Event Date, in each case in accordance with these Capital Notes Terms.

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

### 3.6 Record Dates

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

### 3.7 Restrictions in the case of non-payment

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

- declare, determine to pay or pay an Ordinary Share Dividend; or
- undertake any Buy-Back or Capital Reduction,

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

### 3.8 Exclusions from restrictions in case of non-payment

The restrictions in clause 3.7 do not apply to:

- (a) a redemption, buy-back or reduction of capital in connection with any employment contract, benefit plan or other similar arrangement; or
- (b) the payment of an Ordinary Share Dividend or completion of a Buy-Back or Capital Reduction which Suncorp had become legally obliged to pay or complete at the time that the Distribution was not paid.

Nothing in these Capital Notes 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).

## 4. Mandatory Conversion

### 4.1 Mandatory Conversion

Subject to clauses 5, 6 and 7, on the Mandatory Conversion Date Suncorp must Convert all (but not some) Capital Notes on issue at that date into Ordinary Shares in accordance with clause 8 and this clause 4.

### 4.2 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 2026 (the **Scheduled Mandatory Conversion Date**); and
- (b) a Distribution Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**).

### 4.3 Mandatory Conversion Conditions

The Mandatory Conversion Conditions for each Relevant Date are:

- (a) the VWAP on the First Test Date 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 these Capital Notes Terms:

<b>Conversion Test Date Percentage</b>	=	101.01% x <b>Relevant Fraction</b> (expressed as a percentage)
<b>First Test Date Percentage</b>	=	110% x <b>Relevant Fraction</b> (expressed as a percentage)

### 4.4 Non-Conversion Notices

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, Suncorp will give notice to the Trustee and 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 the Trustee and 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.

## 5. Non-Viability Conversion

### 5.1 Non-Viability Trigger Event

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 Securities in accordance with their terms or by operation of law is necessary because:

- (a) without the conversion to Ordinary Shares or write off, APRA considers that Suncorp would become non-viable; or
- (b) without a public sector injection of capital into, or equivalent capital support with respect to, Suncorp, APRA considers that Suncorp would become non-viable.  
(such determination a **Non-Viability Determination**)

### 5.2 Conversion on Trigger Event Date

If a Non-Viability Trigger Event occurs:

- (a) on the Trigger Event Date, subject only to clause 5.5, such number of Capital Notes will immediately Convert as is required by the Non-Viability Determination, provided that:

- (i) where such Non-Viability Determination is made on the grounds that, without a public sector injection of capital or equivalent support, Suncorp would become non-viable, all Capital Notes must be Converted; and

- (ii) where clause 5.2(a)(i) does not apply and such Non-Viability Determination does not require all Relevant Securities to be converted or written-off, such number of Capital Notes shall Convert as is sufficient (determined by Suncorp in accordance with clause 5.2(b)) to satisfy APRA that Suncorp is viable without further conversion or write-off;

- (b) in determining the number of Capital Notes which must be Converted in accordance with this clause, Suncorp will:

- (i) Convert Capital Notes; and
- (ii) convert into Ordinary Shares or write-off other Relevant Securities,

in each case on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of Suncorp, fair and reasonable (subject to such adjustment as Suncorp may determine to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and any Capital Notes or other Relevant Securities remaining on issue) and, for the purposes of this clause 5.2(b), where the specified currency of the principal amount of Relevant Securities is not the same for all Relevant Securities, Suncorp may treat them as if converted into a single currency of Suncorp's choice at such rate of exchange for each such currency as, in each case, Suncorp in good faith considers reasonable;

- (c) on the Trigger Event Date Suncorp must determine the Holders whose Capital Notes will be Converted at the time on that date that the Conversion is to take effect and in making that determination may make any decisions with respect to the identity of the Holders at that time and date as may be necessary or desirable to ensure Conversion occurs immediately in an orderly manner, including disregarding any transfers of Capital Notes that have not been settled or registered at that time;
- (d) Suncorp must give written notice of that event (a **Trigger Event Notice**) as soon as practicable to the Trustee and Holders, which notice must specify:
  - (i) the Trigger Event Date;
  - (ii) the number of Capital Notes Converted; and
  - (iii) the relevant number of other Relevant Securities converted or written-off;

(e) from the Trigger Event Date, subject to clause 5.5 and clause 12.1, Suncorp, the Trustee and the Registrar shall treat the Holder of any Capital Note which is required to be Converted as the holder of the relevant number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion.

### 5.3 Immediacy of Conversion

- (a) A Non-Viability Determination takes effect, and Suncorp must perform the obligations in respect of the determination, immediately on the day it is received by Suncorp, whether or not such day is a Business Day.
- (b) None of the following events shall prevent, impede or delay the Conversion of Capital Notes as required by clause 5.2:
- (i) any failure or delay in the conversion or write-off of other Relevant Securities;
  - (ii) any failure or delay in giving a Trigger Event Notice;
  - (iii) any failure or delay in quotation of Ordinary Shares to be issued on Conversion;
  - (iv) any decision as to the identity of Holders whose Capital Notes are to be Converted; and
  - (v) any requirement to select the number of Capital Notes to be Converted in accordance with clause 5.2(b) or 5.2(c).

### 5.4 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 4.3 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 5.2, notwithstanding anything in clauses 4, 6 or 7.

### 5.5 Write-Off

Where Capital Notes are required to be Converted, if Conversion has not been effected within 5 Business Days after the relevant Trigger Event Date for any reason (including an Inability Event), Conversion of those Capital Notes on account of the Non-Viability Trigger Event will not occur and those Capital Notes shall be Written-Off with effect on and from the Trigger Event Date in accordance with this clause 5.5 and the provisions of clauses 5.2(b), 5.2(c) and 5.2(d) shall apply in respect of that Write-Off and those Capital Notes as if each reference in those clauses to "Conversion" or "Convert" were a reference to "Write-Off".

In this clause 5.5, **Written-Off** means that, in respect of a Capital Note and a Trigger Event Date:

- (a) the Capital Note will not be Converted on that date and will not be Converted, Redeemed or Resold under these Capital Notes Terms on any subsequent date; and

(b) the relevant Holders' rights (including to payment of Distributions and Redemption Price) in relation to such Capital Note are immediately and irrevocably terminated and written off, and **Write-Off** has a corresponding meaning.

## 6. Optional Exchange by Suncorp

### 6.1 Optional Exchange by Suncorp

- (a) Suncorp may with APRA's prior written approval by notice to the Trustee and Holders (an **Exchange Notice**) elect to Exchange:
- (i) all or some Capital Notes on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event;
  - (ii) all (but not some only) Capital Notes on an Exchange Date following the occurrence of a Potential Acquisition Event; or
  - (iii) all or some Capital Notes on the Optional Exchange Date.
- (b) An Exchange Notice under this clause 6:
- (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.

### 6.2 Contents of Exchange Notice

An Exchange Notice must specify:

- (a) where clause 6.1(a)(i) or clause 6.1(a)(ii) 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 6.1(a)(iii), 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 6.3;
- (d) if less than all Capital Notes are subject to Exchange, the proportion of the Capital Notes that are to be Exchanged;
- (e) if the Exchange Notice provides that any Capital Notes are to be Resold, the identity of the Nominated Purchaser or Nominated Purchasers for that Resale; and
- (f) whether any Distribution will be paid in respect of the Capital Notes to be Exchanged on the Exchange Date.

### 6.3 Exchange Method

- (a) If Suncorp elects to Exchange Capital Notes in accordance with clause 6.1, it must, subject to clauses 6.3(b), 6.4 and 6.5 and subject to APRA's prior written approval, elect which of the following (or which combination of the following) it intends to do in respect of Capital Notes (the **Exchange Method**):
- (i) Convert Capital Notes into Ordinary Shares in accordance with clause 8;
  - (ii) Redeem Capital Notes in accordance with clause 9; or
  - (iii) Resell Capital Notes in accordance with clause 10.

**Holders should not assume that APRA's approval will be given for any Exchange of Capital Notes under these Capital Notes Terms.**

- (b) Subject to clauses 6.4 and 6.5, in the election under clause 6.3(a), Suncorp may specify which of Conversion, Redemption and Resale applies to a particular Capital Notes. Without limitation to the foregoing:
- (i) Suncorp may select any one or more of Conversion, Redemption or Resale to apply to the Capital Notes held by a Holder; and
  - (ii) Suncorp may select a different combination of Conversion, Redemption and Resale in respect of Capital Notes held by different Holders,

but otherwise Suncorp must endeavour to treat Holders, in the case of an Exchange of only some Capital Notes, on an approximately proportionate basis (although it may discriminate to take account of the effect on marketable parcels and other logistical considerations).

### 6.4 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 6:

- (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) Capital Notes the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the Capital Notes is done under conditions that are sustainable for Suncorp's income capacity; or
- (ii) APRA is satisfied that, having regard to the capital position of the Group, Suncorp does not have to replace the Capital Notes the subject of the Redemption.

## 6.5 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 6 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**).

## 6.6 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 4, 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 Capital Notes Terms:

- (a) the Exchange Date will be deferred until the first Distribution Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Distribution Payment Date were a Relevant Date for the purposes of clause 4 (the **Deferred Conversion Date**);
- (b) Suncorp must Convert the Capital Notes on the Deferred Conversion Date (unless the Capital Notes are Exchanged earlier in accordance with these Capital Notes Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the Capital Notes will continue as if the Exchange Notice had not been given.

Suncorp will notify the Trustee and Holders on or as soon as practicable after an Exchange Date in respect of

which this clause 6.6 applies that Conversion did not occur on that Exchange Date (a **Deferred Conversion Notice**).

## 7. Conversion on Acquisition Event

### 7.1 Notice of Acquisition Event

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

### 7.2 Conversion on occurrence of Acquisition Event

If an Acquisition Event occurs, Suncorp must Convert all (but not some only) Capital Notes on the Acquisition Conversion Date by notice to the Trustee and Holders (an **Acquisition Conversion Notice**) in accordance with this clause 7 and clause 8.

### 7.3 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 Distribution will be paid in respect of the Capital Notes on the Acquisition Conversion Date.

### 7.4 Where Acquisition Conversion Notice not required

Notwithstanding any provision of clause 7.2 or clause 7.3, 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 6 and in this case the provisions of clause 7.5 will apply.

### 7.5 Deferred Conversion on Acquisition Event

If clause 7.4 applies or Suncorp has given an Acquisition Conversion Notice but, if the Acquisition Conversion Date were a Relevant Date for the purposes of clause 4.2, 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 Capital Notes Terms (but without limitation to the operation of clause 5.4):

- (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 the Trustee and 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 7.4 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 Distribution 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 otherwise comply with the requirements in clause 7.3.

If this clause 7.5 applies but:

- (i) clause 7.4 applies in respect of the Distribution 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 7.5; or
- (ii) an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) is given under this clause 7.5 and, if the Acquisition Conversion Date specified in the Acquisition Conversion Notice were a Relevant Date for the purposes of clause 4.2, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date,

then this clause 7.5 will be reapplied in respect of each subsequent Distribution Payment Date until a Conversion occurs.

## 8. Conversion mechanics

### 8.1 Conversion

If Suncorp elects to Convert Capital Notes or must Convert Capital Notes in accordance with these Capital Notes Terms, then, subject to this clause 8, the following provisions shall apply:

- (a) Suncorp will allot and issue on the Mandatory Conversion Date, the Trigger Event Date, the Exchange Date or the Acquisition Conversion Date (as the case may be) a number of Ordinary Shares in respect of each Capital Note held by the Holder equal to 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;
- (b) each Holder's rights (including to payment of Redemption Price and Distributions other than the Distribution, if any, payable on a date (other than a Trigger Event Date) on which Conversion is required to occur) in relation to each Capital Note that is being Converted will be immediately and irrevocably terminated in full for an amount equal to the Issue Price of that Capital Note and Suncorp will apply that amount by way of payment for subscription for the Ordinary Shares to be allotted and issued under clause 8.1. Each Holder is taken to have irrevocably directed that any amount payable under this clause 8.1 is to be applied as provided for in this clause 8.1 and no Holder has any right to payment in any other way;
- (c) if the total number of Ordinary Shares to be allotted and issued to a Holder in respect of that Holder's aggregate holding of Capital Notes upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and
- (d) the rights attaching to Ordinary Shares issued as a result of Conversion 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 Trigger Event Date, the time at which such Conversion occurs on that date.

## 8.2 Adjustments to VWAP

For the purposes of calculating the VWAP in these Capital Notes 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 Capital Notes 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 referable to the franking credit 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 entitlement that is not a dividend or other distribution for which an adjustment is made under clause 8.2(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 Suncorp; and
- (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 Capital Notes will Convert into Ordinary Shares which would be entitled to receive 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.

## 8.3 Adjustments to VWAP for divisions and similar transactions

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 daily VWAP applicable on each 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.

## 8.4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to VWAP will be made in accordance with clauses 8.2 and 8.3 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 8.5 to 8.7 (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.

## 8.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clause 8.5(b) and 8.5(c), 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<sub>o</sub>** 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 8.5(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 8.5(a), an issue will be regarded as a *pro rata* 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 8.5 for any offer of Ordinary Shares not covered by clause 8.5(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 8.5(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 any Holder.

## 8.6 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) 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 of any Holder.

## 8.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 8.5 and 8.6, 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.

## 8.8 Certain provisions relating to adjustments

- (a) Suncorp will notify the Trustee and Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this clause 8 within 10 Business Days of Suncorp determining the adjustment.
- (b) Any adjustment to the VWAP or Issue Date VWAP in accordance with this clause 8 will be effective and binding on Holders under these Capital Notes Terms and these Capital Notes Terms will be construed accordingly.

## 8.9 Ordinary Shares

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

## 8.10 Foreign Holders

Where Capital Notes 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 Ordinary Shares which the Foreign Holder is obliged to accept

will, subject to clause 5.5, be issued to the Trustee or other nominee appointed by Suncorp (which must not be a Related Entity of Suncorp) who will sell those Ordinary Shares and pay a cash amount equal to the Proceeds to the Foreign Holder accordingly.

## 8.11 Conversion where the Holder does not wish to receive Ordinary Shares

If Suncorp has elected or is required to Convert Capital Notes 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 the Trustee or other nominee appointed by Suncorp (which must not be a 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.

## 8.12 FATCA withholding

Where a FATCA Withholding is required to be made in respect of Ordinary Shares issued on Conversion of Capital Notes, or where Suncorp has reasonable grounds to suspect that a FATCA Withholding would be required to be made in respect of Ordinary Shares issued on Conversion of Capital Notes, the Ordinary Shares which the Holder is obliged to accept will be issued to the Holder of the Capital Note only to the extent (if at all) that the issue is net of FATCA Withholding and Suncorp will issue the balance of the Ordinary Shares (if any) to the Trustee or other nominee appointed by Suncorp (which must not be a Related Entity of Suncorp) who will sell those Ordinary Shares and pay a cash amount equal to the Proceeds, net of any FATCA Withholding, to the Holder.

## 8.13 No duty on sale

For the purposes of clauses 8.10 and 8.11:

- (a) the issue of Ordinary Shares to the Trustee or other nominee satisfies the obligation of Suncorp to issue 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 8.10 or 8.11 in respect of those Ordinary Shares are limited to its rights in respect of the Proceeds as provided in, as applicable, clause 8.10 or 8.11; and
- (b) Neither Suncorp nor the Trustee nor other nominee appointed by Suncorp owes any obligations or duties to the Holders in relation to the price for which, or other Capital Notes Terms on which, Ordinary Shares are sold and neither Suncorp nor the Trustee or other nominee appointed by Suncorp has any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares.

## 8.14 Listing Ordinary Shares issued on Conversion

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

# 9. Redemption mechanics

## 9.1 Redemption mechanics to apply to Redemption

If, subject to APRA's prior written approval and compliance with the conditions in clause 6.4, Suncorp elects to Redeem Capital Notes in accordance with these Capital Notes Terms, the provisions of this clause 9 apply to that Redemption.

**Holders should not assume that APRA's approval will be given for any Redemption of Capital Notes under these Capital Notes Terms.**

## 9.2 Redemption

- (a) Capital Notes will be Redeemed by payment on the Exchange Date of an amount equal to the Issue Price (the **Redemption Price**) to the Holder.
- (b) Redemption may occur even if Suncorp, in its absolute discretion, does not pay a Distribution for the final (or any other) Distribution Period.

## 9.3 Effect of Redemption on Holders

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

# 10. Resale mechanics

## 10.1 Resale mechanics

If, subject to APRA's prior written approval, Suncorp elects to Resell Capital Notes in accordance with these Capital Notes Terms, the provisions of this clause 10 apply to that Resale.

## 10.2 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 Capital Notes 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.

### 10.3 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 Capital Note 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.

### 10.4 Irrevocable offer to sell Capital Notes

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

### 10.5 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 Capital Notes (excluding the right to any Distribution payable on that date) will be transferred to the Nominated Purchaser free from Encumbrances.

### 10.6 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) Capital Notes will not be transferred to the Defaulting Nominated Purchaser on the Exchange Date; and
- (c) Holders will continue to hold the Capital Notes referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Capital Notes Terms.

## 11. General rights

### 11.1 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 Distribution when scheduled under these Capital Notes Terms.

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

### 11.2 No security

Capital Notes are unsecured.

### 11.3 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 Capital Notes Terms including, but not limited to, 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.
- (b) The power of attorney given in this clause 11.3 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Capital Notes Terms and is irrevocable.

### 11.4 Holder acknowledgments

Each Holder irrevocably:

- (a) upon Conversion of Capital Notes in accordance with clause 4 and clause 8, 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 Capital Notes 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 Capital Notes;
- (c) acknowledges and agrees that:
  - (i) where clause 5.2 applies:
    - (A) there are no other conditions to a Non-Viability Conversion occurring as and when provided in clauses 5.1 to 5.4 (inclusive);
    - (B) Conversion must occur immediately on the Trigger Event Date and that Conversion or Write-Off may result in disruption or failures in trading or dealings in Capital Notes;
  - (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 6 or a Conversion under clause 7 are the conditions expressly applicable to such Conversion as provided in clauses 6 and 7 of these Capital Notes Terms and no other conditions or events will affect Conversion; and
- (iv) clauses 5.4 and 5.5 are fundamental terms and where clause 5.5 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 Capital Notes on the occurrence of the Conversion; and
- (e) acknowledges and agrees that Suncorp may from time to time, without the consent of any Holder:
  - (i) issue any securities ranking equally with the Capital Notes (on the same terms or otherwise) or ranking in priority or junior to the Capital Notes;
  - (ii) redeem, buy back, return capital on or convert any securities other than Capital Notes at any time except where expressly prevented from doing so under clause 3.7;
  - (iii) subject to APRA's prior written consent, purchase or procure the purchase of Capital Notes from Holders at any time and at any price. Any Capital Note purchased by or on behalf of Suncorp shall be cancelled; and
  - (iv) incur or guarantee any indebtedness upon such terms as it may think fit in its sole discretion; and
- (f) acknowledges and agrees that:
  - (i) a Holder has no right to request a Conversion, Redemption or Resale of any Capital Notes 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 Distribution when scheduled in respect of Capital Notes;
  - (iii) these Capital Notes Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Distribution on a scheduled Distribution 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, the Trustee or other nominee in accordance with these Capital Notes Terms other than (and subject always to clauses 5.4 and 5.5) to seek specific performance of the obligation to issue Ordinary Shares.

## 11.5 No other rights

Capital Notes confer no rights on a Holder:

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

## 12. Voting rights and meetings

### 12.1 No voting rights

Prior to Conversion, Holders will not be entitled to vote at or attend any general meeting of Suncorp.

### 12.2 Meetings of the Holders

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests including certain amendments of these Capital Notes Terms which require the consent of the Holders. Suncorp:

- (a) may convene a meeting at any time; and
- (b) must call a meeting of Holders:
  - (i) on request in writing of the Holders who together hold 10% or more of the aggregate Issue Price of all Capital Notes outstanding (determined disregarding any Capital Notes held beneficially by Suncorp or any member of the Group); and
  - (ii) in any other case required by the Corporations Act.

### 12.3 Resolutions binding

Any resolution passed at any meeting of the Holders or by writing, in each case, in accordance with the Meeting Provisions, is binding on Holders, whether or not they are present at the meeting.

## 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 Capital Notes in accordance with clause 6 or to Convert the Capital Notes in accordance with clause 7; 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 7,

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. Title and transfer of Notes

### 14.1 Title

Title to Capital Notes passes when details of the transfer are entered in the Register.

### 14.2 Effect of entries in Register

Each entry in the Register in respect of a Capital Note constitutes:

- (a) a separate and independent acknowledgment to the relevant Holder of the obligations of Suncorp to the relevant Holder; and
- (b) conclusive evidence that the person so entered is the absolute owner of the Capital Note subject to correction for fraud or error.

### 14.3 Non-recognition of interests

- (a) Except as required by law, Suncorp, the Trustee and the Registrar must treat the person whose name is entered in the Register as the Holder of a Capital Note as the absolute owner of that Capital Note. This clause 14.3 applies whether or not payment has not been made as scheduled in respect of a Capital Note and despite any notice of ownership, trust or interest in the Capital Note.
- (b) No notice of any trust, Encumbrance or other interest in, or claim to any Capital Note will be entered in the Register.

### 14.4 Joint Holders

Where two or more persons are entered in the Register as the joint Holders of a Capital Note then they are taken to hold the Capital Note as joint tenants with rights of survivorship, but the Registrar is not bound to register more than three persons as joint Holders of any Capital Note.

### 14.5 Transfers in whole

Capital Notes may be transferred in whole but not in part.

### 14.6 Transfer

(a) A Holder may transfer a Capital Note:

- (i) while the Capital Note is lodged in CHESS, in accordance with the ASX Settlement Operating Rules;
  - (ii) at any other time:
    - (A) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act; or
    - (B) by any proper or sufficient instrument of transfer of marketable securities under applicable law.
- (b) The Registrar must register a transfer of a Capital Note to or by a person who is entitled to make or receive the transfer as a consequence of:

- (i) death, bankruptcy, liquidation, mental incapacity or winding-up of a Holder; or
- (ii) a vesting order by a court or other body with power to make the order on receiving the evidence that the Registrar or Suncorp requires.

### 14.7 Market obligations

Suncorp must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of a Capital Note.

### 14.8 Suncorp may request holding lock or refuse to register transfer

If Notes are quoted on ASX, and if permitted to do so by the ASX Listing Rules and the Corporations Act, Suncorp may:

- (a) request the operator of CHESS or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Capital Notes approved by and registered on the operator's electronic sub-register or Notes registered on an issuer-sponsored sub-register, as the case may be; or
- (b) refuse to register a transfer of Capital Notes.

### 14.9 Suncorp must request holding lock or refuse to register transfer

- (a) Suncorp must request the operator of CHESS or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Capital Notes approved by and registered on the operator's electronic sub-register or Notes registered on an issuer-sponsored sub-register, as the case may be, if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require Suncorp to do so.
- (b) Suncorp must refuse to register any transfer of Capital Notes if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require Suncorp to do so, and may only refuse to register a transfer if such transfer would contravene or is forbidden by Applicable Regulation or these Capital Notes Terms or it is otherwise permitted to do so under the Trust Deed.
- (c) During a breach of the ASX Listing Rules relating to Restricted Securities, or a breach of a Restriction Agreement, the Holder of the Restricted Securities is not entitled to any interest (or other distribution on), or voting rights in respect of, the Restricted Securities.

## 14.10 Notice of holding locks and refusal to register transfer

If, in the exercise of its rights under clauses 14.8 and 14.9, Suncorp requests the application of a holding lock to prevent a transfer of Capital Notes or refuses to register a transfer of Capital Notes, it must, within 5 Business Days after the date the holding lock is requested or the refusal to register a transfer, give written notice of the request or refusal to the Holder, to the transferee and the broker lodging the transfer, if any. Failure to give such notice does not, however, invalidate the decision of Suncorp.

## 14.11 Delivery of instrument

If an instrument is used to transfer Capital Notes according to clause 14.6, it must be delivered to the Registrar, together with such evidence (if any) as the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Capital Notes.

## 14.12 Effect of transfer

Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under the Trust Deed and these Capital Notes Terms in respect of the transferred Capital Notes and the transferee becomes so entitled.

## 14.13 Transfer of unidentified Notes

Where the transferor executes a transfer of less than all Capital Notes registered in its name, and the specific Capital Notes to be transferred are not identified, the Registrar may register the transfer in respect of such of the Capital Notes registered in the name of the transferor as the Registrar thinks fit, provided the aggregate of the Issue Price of all the Capital Notes registered as having been transferred equals the aggregate of the Issue Price of all the Notes expressed to be transferred in the transfer.

# 15. Payments and other matters

## 15.1 Manner of payment

Monies payable by Suncorp to a Holder in respect of a Capital Note will be paid in dollars in any manner Suncorp decides from time to time, including by any method of direct credit determined by Suncorp to an Australian dollar bank account maintained by the Holder in Australia (or in such other place as Suncorp approves) with a financial institution specified by the Holder to the Registrar by the close of business:

- (a) in the case of a payment of a Distribution, on the Record Date for that payment; and
- (b) in the case of the payment of the Redemption Price, by the time determined by Suncorp and notified to ASX or as required by ASX.

## 15.2 Holders entitled to payment

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

- (a) in the case of a payment of a Distribution, 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.

## 15.3 Unsuccessful attempts to pay

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

- (a) a Holder has not notified the Registrar by the time required in accordance with clause 15.1 of an Australian dollar bank account maintained by the Holder in Australia (or in such other place as Suncorp approves) with a financial institution to which payments in respect of a Capital Note may be made; or
- (b) Suncorp attempts to pay an amount to a Holder by direct credit, electronic transfer of funds or any other means and the transfer is unsuccessful for any reason,

the amount is to be held by or on behalf of Suncorp for the Holder without bearing interest until the first to occur of the following:

- (i) the Holder or any legal personal representative of the Holder notifies Suncorp of a suitable Australian dollar bank account maintained in Australia with a financial institution to which the payment may be credited;
- (ii) claims may no longer be made in respect of that amount, in which case those moneys or equivalent securities shall become the property of Suncorp; or
- (iii) Suncorp becomes entitled or obliged to deal with the amount according to the legislation relating to unclaimed moneys.

## 15.4 Payment to joint Holders

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

## 15.5 Time limit for claims

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

## 15.6 Calculations and rounding of payments

Unless otherwise specified in these Capital Notes Terms:

- (a) all percentages resulting from calculations required under these Capital Notes Terms must be rounded, if necessary, to the nearest ten-thousandth of a percentage point;
- (b) all calculations of amounts payable in respect of a Capital Note will be rounded to four decimal places; and
- (c) for the purposes of making payment to a Holder in respect of the Holder's aggregate holding of Capital Notes, any fraction of a cent will be disregarded.

## 15.7 Deductions

- (a) Suncorp may deduct from any amount payable in respect of Capital Notes 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.

## 15.8 FATCA

Without limiting clause 15.7, Suncorp may withhold or make deductions from payments or from the issue of Ordinary Shares to a Holder or (where clause 8.10 or clause 8.11 apply) to the Trustee or other 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 Capital Notes 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 Trustee or other nominee) or a beneficial owner of Capital Notes 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.

# 16. Winding-up and subordination

## 16.1 Winding-up

If an order of a court of competent jurisdiction is made (other than an order successfully appealed or permanently stayed within 60 days), or an effective resolution is passed, for the winding-up of Suncorp in Australia (but not elsewhere) (a **Winding-up Event**), Suncorp is liable to Redeem each Capital Note for its Redemption Price in accordance with, and subject to, this clause 16.

## 16.2 Subordination

In a winding-up of Suncorp in Australia, subject to clause 5.5 and clause 17:

- (a) the Trustee (and the Holder) shall be entitled to prove for the Redemption Price in respect of a Capital Note only subject to, and contingent upon, the prior payment in full of the Senior Ranking Creditors; and
- (b) the Trustee's (and the Holder's) claim for payment of the Redemption Price ranks equally with, and shall be paid in proportion to, the claims of Holders of other instruments issued as Equal Ranking Instruments,

so that each Holder receives, for the Capital Note, an amount equal to the amount it would have received if, in the winding-up of Suncorp, it had held an issued and fully paid Preference Share.

### 16.3 Agreements of Holders and Trustee as to subordination

Each Holder (and the Trustee, in its capacity as trustee for the Holders) irrevocably agrees:

- (a) that clause 16.2 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;
- (c) that it shall not have, and is taken to have waived, to the fullest extent permitted by law, any right to prove in a winding-up or administration of Suncorp as a creditor in respect of the Capital Notes so as to diminish any distribution of property or assets, dividend or payment that any Senior Ranking Creditor would otherwise receive;
- (d) not to exercise any voting rights or other rights as a creditor in the winding-up or administration of Suncorp in any jurisdiction:
  - (i) until after all Senior Ranking Creditors have been paid in full; and
  - (ii) in a manner to defeat the subordination provided for by clause 2 and clause 16.2;
- (e) that it must pay or deliver to the liquidator or administrator any amount or asset received on account of its claim in the winding-up or administration of Suncorp in respect of the Capital Notes in excess of its entitlement under clause 2 and clause 16.2;
- (f) that it must pay in full all liabilities it owes Suncorp before it may receive any amount or asset on account of its claim in the winding-up or administration in respect of a Capital Note;
- (g) that the debt subordination effected by clause 2 and clause 16.2 is not affected by any act or omission of any person which might otherwise affect it at law or in equity; and
- (h) that it has no remedy for the recovery of the Redemption Price other than to prove in the winding-up in accordance with this clause 16.

### 16.4 Shortfall on winding-up

If, upon a winding-up of Suncorp, there are insufficient funds to pay in full the Redemption Price 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.

### 16.5 No participation in surplus assets

Capital Notes 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 Redemption Price.

### 16.6 No consent of Senior Ranking Creditors

Nothing in clause 2 or this clause shall be taken:

- (a) to require the consent of any Senior Ranking Creditor to any amendment of these Capital Notes Terms; or
- (b) to create a charge or security interest over any right of a Holder or the Trustee.

## 17. Enforcement

### 17.1 Enforcement by Trustee

Subject to clause 17.2, only the Trustee may enforce the provisions of the Trust Deed or these Capital Notes Terms. The Trustee shall not be bound to take any action under these Capital Notes Terms or the Trust Deed to enforce the obligations of Suncorp in respect of the Capital Notes or any other proceedings or action pursuant to or in connection with the Trust Deed or the Capital Notes unless:

- (a) it shall have been so directed by a Special Resolution of Holders or so requested in writing by the Holders holding Capital Notes representing at least 15% of the aggregate Issue Price of all Capital Notes then outstanding; and
- (b) it shall have been indemnified in accordance with clause 6.4 of the Trust Deed.

### 17.2 Holder's right to take action

No Holder shall be entitled to proceed directly against Suncorp to enforce any right or remedy under or in respect of any Capital Note or the Trust Deed (including by way of proving for the Redemption Price in a winding-up of Suncorp) unless the Trustee, having become bound to proceed, fails to do so within 14 days and the failure is continuing, in which case any Holder may itself institute proceedings against Suncorp for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

## 18. Amendment of these Capital Notes Terms

### 18.1 Amendments without consent

Subject to complying with all applicable laws and subject to APRA's prior written approval where required in accordance with clause 18.3, Suncorp may, with the approval of the Trustee (such approval not to be unreasonably withheld or delayed), amend these Capital Notes Terms without the approval of Holders if Suncorp is of the opinion that the amendment:

- (a)
  - (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 Capital Notes 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 Capital Notes;
- (c) is made in accordance with Suncorp's adjustment rights in clause 8;
- (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);
- (e) is made to:
  - (i) alter the terms of any Capital Notes to align them with any Relevant Securities issued after the date of such Capital Notes; or
  - (ii) alter the definition of "Relevant Securities", "Equal Ranking Instruments", "Eligible Capital" or "Eligible Additional Tier 1 Capital" on account of the issue (after the Issue Date) of capital instruments of Suncorp or the Group; or

- (f) 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.

## 18.2 Amendments with consent

Without limiting clause 18.1, Suncorp may, with the approval of the Trustee (such approval not to be unreasonably withheld or delayed), and with APRA's prior written approval where required in accordance with clause 18.3, amend these Capital Notes Terms if the amendment has been approved by a Special Resolution.

## 18.3 Requirement for APRA approval

A requirement in this clause 18 for an amendment to be made with APRA's prior written approval applies only where the amendment may affect the eligibility of Capital Notes as a Relevant Security.

## 18.4 Meaning of amend and amendment

In this clause 18, **amend** includes modify, cancel, alter or add to an **amendment** has a corresponding meaning.

# 19. Notices

## 19.1 Notices to Holders

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

- (a) in writing signed on behalf of Suncorp, the Trustee or the Registrar (as applicable) (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 as shown in the Register;
  - (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.

## 19.2 Delivery of certain notices

Notwithstanding clause 19.1, a Non-Conversion Notice, a Deferred Conversion Notice, a Deferred Acquisition Conversion Notice, an Exchange Notice, an Acquisition Event Notice, an Acquisition Conversion Notice, an Adjustment Notice, a Trigger Event Notice, a Suncorp Details Notice, Trustee Details Notice or a Registrar 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.

## 19.3 When notices to Holders take effect

Notices or other communications from Suncorp, the Trustee or the Registrar to Holders take effect on the day the notice or communication was delivered, sent or published on Suncorp's website (as applicable under clauses 19.1 and 19.2).

## 19.4 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.

## 19.5 Notices to Suncorp

A notice or other communication given to Suncorp, the Trustee or the Registrar in connection with Capital Notes must be:

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

(i) in the case of Suncorp:  
 Attention: Company Secretary  
 Address: Level 28  
 Brisbane Square  
 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 Capital Notes Terms from time to time (a **Suncorp Details Notice**);

(ii) in the case of the Trustee:  
 Attention: Corporate Trust  
 Address: Australian Executor  
 Trustees Limited  
 Level 22  
 207 Kent Street  
 Sydney NSW 2000  
 Australia

Fax: +61 2 9028 5942

or Email:  
 corptrustnotes@aetlimited.com.au  
 or to such other address or email address as the Trustee notifies to Holders as its address or email address (as the case may be) for notices or other communications in respect of these Capital Notes Terms from time to time (a **Trustee Details Notice**); or

(iii) in the case of the Registrar:  
 Attention: Link Market Services  
 Limited  
 Address: PO Box A50  
 Sydney NSW 1235  
 Australia

or Email:  
 suncorp@linkmarketservices.com.au  
 or to such other address or email address as the Registrar notifies to Holders as its address or email address (as the case may be) for notices or other communications in respect of these Capital Notes Terms from time to time (a **Registrar 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 19.5(b).

## 19.6 When notices to take effect

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

## 19.7 Deemed receipt of notices

A letter or email is taken to be received:

- (a) in the case of a posted letter, on the sixth day (or the tenth 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.

# 20. 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 Capital Notes on ASX.

# 21. Governing law and jurisdiction

## 21.1 Governing law

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

## 21.2 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 Capital Notes Terms.

# 22. Interpretation and definitions

## 22.1 Interpretation

- (a) Unless otherwise specified, a reference to a clause is a reference to a clause of these Capital Notes Terms.
- (b) If a calculation is required under these Capital Notes Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (c) The Capital Notes Terms "takeover bid", "relevant interest" and "scheme of arrangement" when used in Capital Notes Terms have the meaning given in the Corporations Act.

- (d) Headings and boldings are for convenience only and do not affect the interpretation of these Capital Notes Terms.
- (e) The singular includes the plural and vice versa.
- (f) 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.
- (g) 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 Capital Notes 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.

- (h) A reference to dollars, AUD, A\$, \$ or cents is a reference to the lawful currency of Australia.
- (i) Any reference to any requirements of APRA or any other prudential regulatory requirements in these Capital Notes 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.
- (j) Any requirement for APRA's consent or approval in any provision of these Capital Notes Terms will apply only if APRA requires that such consent or approval be given at the relevant time.
- (k) A reference to any term defined by APRA (including, without limitation, "Additional Tier 1 Capital" and "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.
- (l) A reference to a term defined by the ASX Listing Rules, the ASX Settlement Operating 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.
- (m) 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 Settlement Operating 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 Capital Notes Terms in such rules (as the case may be).

- (n) So long as the Capital Notes are quoted on ASX and entered into CHES, the Capital Notes Terms are to be interpreted in a manner consistent with the ASX Listing Rules, ASX Settlement Operating Rules and ASX Operating Rules except to the extent that an interpretation consistent with those rules would affect the eligibility of the Capital Notes as Additional Tier 1 Capital.
- (o) Calculations, elections and determinations made by Suncorp under these Capital Notes Terms are binding on Holders in the absence of manifest error.
- (p) Where under these Capital Notes 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.

## 22.2 Definitions for Capital Notes Terms

**Acquisition Conversion Date** has the meaning given in clause 7.3.

**Acquisition Conversion Notice** has the meaning given in clause 7.2.

**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 7.1.

**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 8.8.

**Applicable Regulation** means such provisions of the ASX Listing Rules, the ASX Settlement Operating Rules, the ASX Operating Rules, the Corporations Act and any regulations or rules pursuant under or pursuant to any such provisions as may be applicable to the transfer of a Capital Note.

**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.

**ASX Settlement Operating Rules** means the settlement operating rules of ASX from time to time with any applicable modifications or waivers granted by ASX.

**Attorney** has the meaning given in clause 11.3.

**Bank Bill Rate** has the meaning given in clause 3.1.

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

**Business Day** means:

- (a) a business day as defined in the ASX Listing Rules; and
- (b) for the purposes of determining any Acquisition Conversion Date, Deferred Conversion Date, Mandatory Conversion Date, Exchange Date or Optional Exchange Date, or any Distribution Payment Date or the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Sydney, New South Wales.

**Buy-Back** means a transaction involving the acquisition by Suncorp of Ordinary Shares pursuant to an offer made at Suncorp's discretion in any way permitted by the provisions of Part 2J of the Corporations Act.

**Capital Note** means a perpetual, convertible, subordinated and unsecured debt obligation in the form of an unsecured note of Suncorp constituted by, and owing under, the Trust Deed.

**Capital Notes 1** means the \$375,000,000 perpetual, convertible, subordinated and unsecured notes issued on 5 May 2017 by Suncorp pursuant to a prospectus dated 4 April 2017.

**Capital Notes Terms** means these Capital Notes Terms of issue of Capital Notes.

**Capital Reduction** means a reduction in capital initiated by Suncorp in its discretion in respect of Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

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

**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 Capital Note, the allotment and issue of Ordinary Shares and the termination of the Holder's rights in relation to that Capital Note, in each case in accordance with clause 8, and

**Convert, Converted and Converting** have corresponding meanings.



**Conversion Number** has the meaning given in clause 8.1.

**Conversion Test Date Percentage** has the meaning given in clause 4.3.

**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** means the \$400,000,000 convertible preference shares issued on or about 8 May 2014 by Suncorp pursuant to a prospectus dated 8 April 2014.

**Cum Value** has the meaning given in clause 8.2.

**Defaulting Nominated Purchaser** has the meaning given in clause 10.6.

**Deferred Acquisition Conversion Notice** has the meaning given in clause 7.5.

**Deferred Conversion Date** has the meaning given in clause 6.6.

**Deferred Conversion Notice** has the meaning given in clause 6.6.

**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.

**Distribution** has the meaning given in clause 3.

**Distribution Payment Date** has the meaning given in clause 3.5 whether or not a Distribution is, or is able to be, paid on that date.

**Distribution Period** means in respect of:

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

**Distribution Rate** has the meaning given in clause 3.1.

**Eligible Additional Tier 1 Capital** means "Eligible Additional Tier 1 Capital" as defined in Suncorp's authority to be a non-operating holding company of a general insurer dated 16 March 2016 (as it may be amended) or any successor requirement as designated by APRA.

**Eligible Capital** means "Level 3 Eligible Capital" as defined in Suncorp's authority to be a non-operating holding company of a general insurer dated 16 March 2016 (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, in respect of the repayment or return of capital in a winding-up:

- (a) CPS2;
- (b) CPS3;
- (c) Capital Notes 1;
- (d) each other preference share that Suncorp may issue that ranks or is expressed to rank equally with the foregoing and the Capital Notes in respect of the return of capital in a winding-up of Suncorp; and
- (e) any securities or other instruments that rank or are expressed to rank in respect of repayment or return of capital in a winding-up equally with those preference shares and the Capital Notes.

**Exchange** means:

- (a) Conversion in accordance with and subject to clause 8;
- (b) Redemption in accordance with and subject to clause 9;
- (c) Resale in accordance with and subject to clause 10; or
- (d) a combination of two or more of Conversion, Redemption or Resale in accordance with clause 6.3(b),

and **Exchanged** has a corresponding meaning.

**Exchange Date** has the meaning given in clause 6.2(b).

**Exchange Method** has the meaning given in clause 6.3.

**Exchange Notice** has the meaning given in clause 6.1.

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

**FATCA Withholding** means any deduction or withholding imposed or required pursuant to FATCA.

**First Mandatory Conversion Condition** has the meaning given in clause 4.3.

**First Optional Conversion Restriction** has the meaning given in clause 6.5.

**First Test Date** means, with respect to a Relevant Date, the 25th Business Day immediately preceding (but not including) that Relevant Date, provided that if no trading in Ordinary Shares took place on that date, the First Test Date shall be 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.

**First Test Date Percentage** has the meaning given in clause 4.3.

**Fitch** means Fitch Australia Pty Ltd (ABN 93 081 339 184) and its successors and assigns.

**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 Distribution 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 Capital Note.

**Inability Event** means Suncorp is prevented by applicable law or order of any court or action of any government authority or External Administrator (including regarding the insolvency, winding up or other external administration of Suncorp) or any other reason from converting the Capital Notes.

**Insurance Act** means the *Insurance Act 1973* (Cth).

**Issue Date** means the date on which Capital Notes are issued.

**Issue Date VWAP** means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place on ASX immediately preceding (but not including) the Issue Date, as adjusted in accordance with clauses 8.4 to 8.7 (inclusive).

**Issue Price** has the meaning given in clause 1.3.

**Mandatory Conversion** means the mandatory conversion of Capital Notes to Ordinary Shares on the Mandatory Conversion Date in accordance with clause 4.

**Mandatory Conversion Conditions** has the meaning given in clause 4.3.

**Mandatory Conversion Date** has the meaning given in clause 4.2.

**Margin** has the meaning given in clause 3.1.

**Maximum Conversion Number** has the meaning given in clause 8.1.

**Meeting Provisions** means the provisions for meetings of the Holders set out in schedule 2 to the Trust Deed.

**Moody's** means Moody's Investors Service Pty Limited (ABN 61 003 399 657) and its successors and assigns.

**Nominated Purchasers** means, subject to clause 10.3, one or more third parties selected by Suncorp in its absolute discretion.

**Non-Conversion Notice** has the meaning given in clause 4.4.

**Non-Conversion Test Date** has the meaning given in clause 6.5.

**Non-Viability Conversion** means the Conversion of Capital Notes to Ordinary Shares on the Trigger Event Date in accordance with clause 5.2.

**Non-Viability Determination** has the meaning given in clause 5.1.

**Non-Viability Trigger Event** has the meaning given in clause 5.1.

**Offer** means the invitation under the Prospectus made by Suncorp for persons to subscribe for Capital Notes.

**Optional Conversion Restrictions** has the meaning given in clause 6.5.

**Optional Exchange Date** means 17 June 2024.

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

**Ordinary Share Dividend** means any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution of Suncorp in relation to Ordinary Shares.

a **Payment Condition** will exist with respect to the payment of a Distribution on the Capital Notes on a Distribution Payment Date if:

- (a) unless APRA otherwise approves in writing, paying the Distribution on the Distribution Payment Date would result in Suncorp's Eligible Capital not complying with APRA's then current prudential capital requirements as they are applied to the Group at the time;
- (b) paying the Distribution on the Distribution Payment Date would result in Suncorp becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- (c) APRA objects to the Distribution payment on the Capital Notes on the Distribution Payment Date.

**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.

**Preference Share** means a notional preference share in the capital of Suncorp conferring a claim in the winding-up of Suncorp equal to the Redemption Price and ranking in respect of return of capital in the winding-up ahead only of Ordinary Shares and equally with Equal Ranking Instruments.

**Proceeds** means the net proceeds of a sale of Ordinary Shares attributable to the Holder actually received by the Trustee or other nominee calculated after deduction of any applicable brokerage, stamp duty and other taxes and charges, including the Trustee or other 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 Capital Notes Terms.

**Publication Time** has the meaning given in clause 3.1.

**Record Date** means, for a Distribution:

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

**Redeem** means, in relation to a Capital Note, redeem the Capital Note in accordance with clause 9 and **Redeemed** and **Redemption** have corresponding meanings.

**Redemption Price** has the meaning given in clause 9.2.

**Register** means a register of Capital Notes maintained by or on behalf of Suncorp in accordance with the Trust Deed and including any subregister established and maintained in CHESS under Applicable Regulation.

**Registrar** means Link Market Services Limited (ABN 54 083 214 537) or any other person appointed by Suncorp to maintain the Register and perform any payment and other duties as specified in that agreement.

**Registrar Details Notice** has the meaning given in clause 19.5(b)(iii).

**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 change that has been or will be introduced) in any law or regulation (including prudential standards) or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations or any statement of APRA which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date (and which, on the Issue Date, is not expected by Suncorp to come into effect) (each, a **Regulatory Change**), additional requirements would be imposed on Suncorp in relation to or in connection with Capital Notes which the Directors determine, in their absolute discretion, to be unacceptable; or

- (b) the determination by the Directors that, as a result of a Regulatory Change, Suncorp is not or will not be entitled to treat some or all Capital Notes as a Relevant Security, except where the reason Suncorp is not or will not be entitled to treat some or all Capital Notes as a Relevant Security is because of 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.

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

**Relevant Date** has the meaning given in clause 4.2.

**Relevant Distribution Payment Date** has the meaning given in clause 3.7.

**Relevant Fraction** has the meaning given in clause 8.1.

**Relevant 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 upon the occurrence of a Non-Viability Trigger Event where APRA makes a determination as referred to in clause 5.1; and
- (b) constitutes Eligible Additional Tier 1 Capital of Suncorp or the Group as at the date of its issue,

and includes, for so long as they are on issue, CPS2, CPS3, Capital Notes 1 and the Capital Notes.

**Reorganisation** means, in relation to Suncorp, a division, consolidation or reclassification of Suncorp's share capital not involving any cash payment or other distribution (or consideration) to or by holders of Ordinary Shares.

**Resale** means, in relation to a Capital Note, subject to amendment in accordance with clause 18.1(d), the taking effect of the rights specified in clause 10 in relation to that Capital Notes, and **Resold** and **Resell** have corresponding meanings.

**Resale Price** means, for a Capital Note, a cash amount equal to its Issue Price.

**Restricted Securities** has the same meaning as in the ASX Listing Rules and extends to Notes which are subject to voluntary restrictions by agreement between Suncorp and one or more Holders.

**Restriction Agreement** means an agreement which is required to be concluded under Chapter 9 of the ASX Listing Rules or is voluntarily concluded between Suncorp and one or more Holders.

**Scheduled Mandatory Conversion Date** has the meaning given in clause 4.2.

**Second Mandatory Conversion Condition** has the meaning given in clause 4.3.

**Second Optional Conversion Restriction** has the meaning given in clause 6.5.

**Second Test Period** has the meaning given in clause 4.3.

**Senior Ranking Creditors** means all creditors of Suncorp (present and future), including all investors in Suncorp's senior or subordinated debt whose claims are:

- (a) entitled to be admitted in a winding-up of Suncorp; and
- (c) not in respect of Ordinary Shares or Equal Ranking Instruments,

and includes, for so long as they are on issue, the Suncorp Subordinated Notes.

**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.

**Standard & Poor's** means S&P Global Ratings Australia Pty Ltd (ABN 62 007 324 852) and its successors and assigns.

**Subsequent Mandatory Conversion Date** has the meaning given in clause 4.2.

**Subsidiary** has the meaning given in the Corporations Act.

**Suncorp** means Suncorp Group Limited (ABN 66 145 290 124).

**Suncorp Details Notice** has the meaning given in clause 19.5(b)(i).

**Suncorp Shares** means Ordinary Shares or any other shares in the capital of Suncorp.

**Suncorp Subordinated Notes** means the \$770,000,000 subordinated notes issued on or about 22 May 2013 by Suncorp pursuant to a prospectus dated 18 April 2013.

**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**);
- (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; or
- (d) a challenge asserted or threatened in connection with the Capital Notes in writing,

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change, challenge or Administrative Action is made known, which amendment, clarification, change, challenge 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 Distribution 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 Capital Notes.

**Third Mandatory Conversion Condition** has the meaning given in clause 4.3.

**Tier 1 Capital** means Tier 1 capital as defined by APRA from time to time.

**Trigger Event Date** means the date on which APRA notifies Suncorp of a Non-Viability Trigger Event as contemplated in clause 5.1.

**Trigger Event Notice** has the meaning given in clause 5.2.

**Trustee** means Australian Executor Trustees Limited (ABN 84 007 869 794) and includes any successor.

**Trustee Details Notice** has the meaning given in clause 19.5(b)(ii).

**Trust Deed** means the deed entitled "Suncorp Capital Notes 2 Trust Deed" dated on or about 23 October 2017 between Suncorp and the Trustee.

**VWAP** means, subject to any adjustments under clause 8, 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 on ASX; 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 Trigger Event Date;
- (c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place on ASX immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Capital Notes Terms; or
- (d) otherwise, the period for which VWAP is to be calculated in accordance with these Capital Notes Terms.

**Winding-up Event** means the making of a court order or passing of an effective resolution for the winding-up of Suncorp as described in clause 16.1.

**Written-Off** has the meaning given in clause 5.5 and **Write-Off** has a corresponding meaning.

## B. Glossary

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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 22.2 of the Terms immediately prior to this Glossary.



<b>Term</b>	<b>Meaning</b>
ABN	Australian Business Number.
ACCC	Australian Competition and Consumer Commission.
Acquisition Conversion Date	Has the meaning given in Clause 7.3 of the Terms.
Acquisition Conversion Notice	Has the meaning given in Clause 7.2 of the Terms.
Acquisition Event	Has the meaning given in Clause 22.2 of the Terms.
Acquisition Event Notice	Has the meaning given in Clause 7.1 of the Terms.
Additional Tier 1 Capital	Additional Tier 1 capital as defined by APRA from time to time.
AFSL	Australian Financial Services Licence.
ANZ Securities	ANZ Securities Limited (ABN 16 004 997 111), a division of Australia and New Zealand Banking Group Limited.
Applicant	A person who submits an Application.
Application	A valid application for a specified number of Capital Notes 2 made pursuant to either: <ul style="list-style-type: none"> <li>– the applicable Application Form; or</li> <li>– in respect of the Institutional Offer, a duly completed confirmation letter or by such other procedure advised by the Joint Lead Managers.</li> </ul>
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"> <li>– the personalised paper Application Form provided to Eligible Securityholders for Applications under the Securityholder Offer (should it proceed) or the Reinvestment Offer;</li> <li>– the electronic Application Form provided for online Applications under the Securityholder Offer (should it proceed) or the Reinvestment Offer; and</li> <li>– the orange Application Form in the back of this Prospectus to be used by Broker Firm Applicants under the Broker Firm Offer.</li> </ul>
Application Payment	The monies payable on each Application, calculated as the number of Capital Notes 2 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.
Australian Accounting Standards	The accounting standards as developed and issued by the Australian Accounting Standards Board.
Bank Bill Rate	Has the meaning described in Section 2.1.3. For the full definition – see Clause 3.1 of the 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.
Board or Board of Directors	The board of directors of Suncorp.

<b>Term</b>	<b>Meaning</b>
Bookbuild	The process described in Section 7.6.1 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.
Broker Firm Offer	The offer of Capital Notes 2 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, including under the Reinvestment Offer.
Business Day	Generally, a business day as defined in the ASX Listing Rules and, for certain purposes, a day on which banks are open for general business in Sydney, New South Wales. For the full definition – see Clause 22.2 of the Terms.
Buy-Back	Has the meaning given in Clause 22.2 of the Terms.
Capital Notes 1	The perpetual, convertible, subordinated and unsecured debt obligations in the form of unsecured notes, which will mandatorily convert into Ordinary Shares (subject to certain conditions being satisfied) and which were issued by Suncorp on 5 May 2017 under a prospectus dated 4 April 2017 (which replaced a prospectus dated 27 March 2017) and constituted by the trust deed between Suncorp and Australian Executor Trustees Limited (ABN 84 007 869 794) dated 27 March 2017.
Capital Notes 2	Perpetual, convertible, subordinated and unsecured debt obligations in the form of unsecured notes, which will Mandatorily Convert into Ordinary Shares (subject to certain conditions being satisfied) and which are to be issued by Suncorp on the Issue Date under this Prospectus and constituted by the Trust Deed.
Capital Reduction	Has the meaning given in Clause 22.2 of the Terms.
CGT	Capital gains tax.
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"> <li>– 5:00pm (Sydney time) on 17 November 2017 for the Securityholder Offer (should it proceed), the Reinvestment Offer and applications to reinvest CPS2 under the Broker Firm Offer (unless varied); and</li> <li>– 10:00am (Sydney time) on 23 November 2017 for the Broker Firm Offer (excluding applications to reinvest CPS2) (unless varied).</li> </ul>
Co-Managers	Crestone Wealth Management and JBWere.
Common Equity Tier 1 Capital or CET1 Capital	Common Equity Tier 1 Capital as defined by APRA from time to time.
Constitution	The constitution of Suncorp, as amended from time to time.
Conversion	The conversion of Capital Notes 2 into Ordinary Shares and the termination of the relevant Holders' rights in relation to that Capital Note 2 in accordance with Clause 8 of the Terms. Convert, Converting and Converted have corresponding meanings. For a full definition, see Clause 22.2 of the Terms.
Conversion Number	Has the meaning given in Clause 8.1 of the Terms.
Conversion Test Date Percentage	Has the meaning given in Clause 4.3 of the 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).

<b>Term</b>	<b>Meaning</b>
CPS2 Holder	A person whose name is registered in the register of CPS2 maintained by or on behalf of Suncorp (including any subregister established and maintained in CHESS) as the holder of a CPS2.
CPS2 Terms	Terms and conditions of the CPS2, as amended effective as of 23 October 2017.
CPS3	The convertible preference shares issued by Suncorp in 2014 under a prospectus dated 8 April 2014 (which replaced a prospectus dated 31 March 2014).
Crestone Wealth Management	Crestone Wealth Management Limited (ABN 50 005 311 937).
Deferred Conversion Date	Has the meaning given in Clause 6.6 of the Terms.
Delisting Event	Has the meaning described in Section 2.2.4. For the full definition – see Clause 22.2 of the Terms.
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	Has the meaning given in Clause 3 of the Terms.
Distribution Payment Date	In respect of a Capital Note 2, 19 March 2018 and, after that, each 17 June, 17 September, 17 December and 17 March until the date that the Capital Note 2 is Redeemed or Converted. For the full definition – see Clause 3.5 of the Terms.
Distribution Period	A period from (and including) the Issue Date until (but not including) the first Distribution Payment Date or from (and including) a subsequent Distribution Payment Date until (but not including) the next Distribution Payment Date. For the full definition – see Clause 22.2 of the Terms.
Distribution Rate	The distribution rate on Capital Notes 2 calculated using the formula described in Section 2.1.2. For the full definition – see Clause 3.1 of the Terms.
Distribution Restriction	The restriction is discussed in Section 2.1.8. For the full definition – see Clauses 3.7 and 3.8 of the Terms.
Eligible Additional Tier 1 Capital	'Eligible Additional Tier 1 Capital' as defined in Suncorp's authority to be a NOHC of a general insurer dated 16 March 2016 (as it may be amended) or any successor requirement, as designated by APRA.
Eligible Capital	'Level 3 Eligible Capital' as defined in Suncorp's authority to be a NOHC of a general insurer dated 16 March 2016 (as it may be amended) or any successor requirement as, designated by APRA.
Eligible CPS2 Holder	A CPS2 Holder who is: <ul style="list-style-type: none"> <li>– a registered holder of CPS2 at 7:00pm (Sydney time) on 19 October 2017;</li> <li>– shown on the CPS2 register as having an address in Australia; and</li> <li>– not in the United States or acting for the account or benefit of a person in the United States.</li> </ul>
Eligible CPS2 Holder Applicant	An Eligible CPS2 Holder who applies under the Reinvestment Offer (other than through the Broker Firm Offer).
Eligible Securityholder	A Securityholder who is: <ul style="list-style-type: none"> <li>– a registered holder of Ordinary Shares, CPS2, CPS3, Capital Notes 1, SML Floating Rate Notes or SGL Subordinated Notes at 7:00pm (Sydney time) on 19 October 2017;</li> <li>– shown on the applicable register as having an address in Australia; and</li> <li>– not in the United States or acting for the account or benefit of a person in the United States.</li> </ul>
Employee U Number	Unique identity number assigned to Suncorp Group employees.

<b>Term</b>	<b>Meaning</b>
Equal Ranking Instruments	Means, in respect of the repayment or return of capital in a winding-up: <ul style="list-style-type: none"> <li>– CPS2;</li> <li>– CPS3;</li> <li>– Capital Notes 1;</li> <li>– each other preference share that Suncorp may issue that ranks or is expressed to rank equally with the foregoing and Capital Notes 2 in respect of the return of capital in a winding-up of Suncorp; and</li> <li>– any securities or other instruments that rank or are expressed to rank, in respect of repayment or return of capital in a winding-up, equally with those preference shares and Capital Notes 2.</li> </ul>
Exchange	Means: <ul style="list-style-type: none"> <li>– Conversion in accordance with and subject to Clause 8 of the Terms;</li> <li>– Redemption in accordance with and subject to Clause 9 of the Terms;</li> <li>– Resale in accordance with and subject to Clause 10 of the Terms; or</li> <li>– a combination of two or more of Conversion, Redemption or Resale in accordance with Clause 6.3(b) of the Terms,</li> </ul> and Exchanged has a corresponding meaning.
Exchange Date	The date on which Exchange is to occur. For the full definition—see Clause 6.2(b) of the Terms.
Exchange Method	The means by which Exchange is affected. For the full definition—see Clause 6.3 of the Terms.
Exchange Notice	A notice issued by Suncorp to the Trustee and Holders under Clause 6.1 of the Terms.
Expiry Date	The date which is 13 months after 23 October 2017.
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.
External Administrator	Has the meaning given in Clause 22.2 of the Terms.
FATCA	The Foreign Account Tax Compliance Act provisions, being sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements or intergovernmental agreements entered into or non-U.S. laws enacted with respect to those provisions).
FATCA Withholding	Any deduction or withholding imposed or required pursuant to FATCA.
Financial Claims Scheme	The scheme established under Division 2AA of Part II of the Banking Act.
First Mandatory Conversion Condition	Has the meaning described in Section 2.2.4. For the full definition—see Clause 4.3 of the Terms.
First Test Date Percentage	Has the meaning described in Section 2.3.4. For the full definition—see Clause 4.3 of the Terms.
Foreign Holder	Has the meaning given in Section 2.7.9. For a full definition—see Clause 22.2 of the Terms.
Franking Rate	Has the meaning given in Clause 22.2 of the Terms.
Greenwoods & Herbert Smith Freehills	Greenwoods & Herbert Smith Freehills Pty Limited (ABN 60 003 146 852).
Gross Written Premium or GWP	The total general insurance premiums relating to insurance policies underwritten by a direct insurer or reinsurer during a specified period and measured from the date of attachment of risk and before payment of reinsurance premiums. The attachment date is the date the insurer accepts risk from the insured.



<b>Term</b>	<b>Meaning</b>
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, CPS2 or Capital Notes 2 (when issued) held on the CHESS subregister.
Holder	A person whose name is registered in the Register as the holder of a Capital Note 2.
Holding Statement	A statement issued to Holders by the Registry, which sets out details of Capital Notes 2 issued to them under the Offer.
ICAAP	Suncorp Group's Internal Capital Adequacy Assessment Process.
Inability Event	Suncorp is prevented by applicable law or order of any court or action of any government authority or External Administrator (including regarding the insolvency, winding-up or other external administration of Suncorp) or by any other reason from Converting Capital Notes 2.  Inability Event is discussed in Sections 2.4.9 and 5.1.9.
Institutional Investor	An investor to whom offers or invitations in respect of Capital Notes 2 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 Capital Notes 2 in the Bookbuild, provided that such investor is not in the United States or acting for the account or benefit of a person in the United States.
Institutional Offer	The invitation by the Joint Lead Managers to Institutional Investors to bid for Capital Notes 2 in the Bookbuild.
Insurance Act	<i>Insurance Act 1973</i> (Cth).
Issue Date	The date on which Capital Notes 2 are issued, which is expected to be 24 November 2017.
Issue Date VWAP	The VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place on ASX immediately preceding (but not including) the Issue Date, as adjusted in accordance with Clauses 8.4 to 8.7 (inclusive) of the Terms.
Issue Price	The issue price for each Capital Note 2 under this Prospectus, being \$100 per Capital Note 2.
JBWere	JBWere Limited (ABN 68 137 978 360).
Joint Lead Managers	ANZ Securities, Morgans, National Australia Bank, UBS and Westpac Institutional Bank.
Life Insurance Act	<i>Life Insurance Act 1995</i> (Cth).
Mandatory Conversion	The mandatory conversion of Capital Notes 2 to Ordinary Shares on the Mandatory Conversion Date in accordance with Clause 4 of the Terms.
Mandatory Conversion Conditions	Has the meaning given in Section 2.2.5. For the full definition – see Clause 4.3 of the Terms.
Mandatory Conversion Date	The earlier of 17 June 2026 and the next Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied. For the full definition – see Clause 4.2 of the Terms.
Margin	The margin to be determined under the Bookbuild. For the full definition—see Clause 3.1 of the Terms.
Maximum Conversion Number	The maximum number of Ordinary Shares a Holder can receive upon Conversion. For the full definition—see Clause 8.1 of the Terms.
Morgans	Morgans Financial Limited (ABN 49 010 669 726, AFSL 235410).

<b>Term</b>	<b>Meaning</b>
National Australia Bank	National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686).
NOHC	Non-Operating Holding Company.
Nominated Purchaser	Has the meaning given in Clause 22.2 of the Terms.
Non-Viability Conversion	The Conversion of Capital Notes 2 to Ordinary Shares on the Trigger Event Date as per Section 2.4.
Non-Viability Trigger Event	Non-Viability Trigger Event is discussed in Section 2.4 and 5.1.9. For the full definition—see Clause 5.1 of the Terms.
NPAT	Net profit after tax.
Offer	The offer by Suncorp of Capital Notes 2 under this Prospectus to raise \$250 million with the ability to raise more or less and incorporates the Securityholder Offer (should it proceed), Institutional Offer, Broker Firm Offer and Reinvestment Offer.
Offer Management Agreement	The offer management agreement entered into between Suncorp and the Joint Lead Managers, as described in Section 9.8.
Offer Period	The period from the Opening Date to the Closing Date.
Opening Date	The day the Offer opens, being 31 October 2017 for the Reinvestment Offer, the Securityholder Offer (should it proceed) and the Broker Firm Offer, unless varied.
Optional Conversion Restrictions	Has the meaning given in Section 2.3.4. For the full definition – see Clause 6.5 of the Terms.
Optional Exchange Date	17 June 2024.
Ordinary Resolution	Broadly, a resolution passed at a meeting of Holders by more than 50% of the persons voting on a show of hands (unless a poll is duly demanded, in which case by a majority consisting of more than 50% of the votes cast).
Ordinary Share	A fully paid ordinary share in the capital of Suncorp.
Ordinary Share Dividend	Any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution of Suncorp in relation to Ordinary Shares.
Payment Condition	Has the meaning described in Section 2.1.7. For the full definition – see Clause 22.2 of the Terms.
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 22.2 of the Terms.
Privacy Act	<i>Privacy Act 1988</i> (Cth).
Pro Rata Dividend	The dividend accrued over the period from (and including) 18 September 2017 to (but excluding) the Reinvestment CPS2 Repayment Date, in respect of each Reinvestment CPS2 on issue, expected to be paid on the Reinvestment CPS2 Repayment Date, which is expected to be 24 November 2017.
Prospectus	This document (including the electronic form of this document), and any supplementary or replacement prospectus in relation to this document, including the Terms.
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
Redeem	In relation to a Capital Note 2, redeem the Capital Note 2 in accordance with Clause 9 of the Terms. Redeemed and Redemption have corresponding meanings.

<b>Term</b>	<b>Meaning</b>
Redemption Price	Has the meaning given in Clause 9.2 of the Terms.
Register	Has the meaning given in Clause 22.2 of the Terms.
Registrar or Registry	Has the meaning given to Registrar in Clause 22.2 of the 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 Life Insurance Act or other prudentially regulated entity.
Regulatory Event	<p>Broadly, occurs when:</p> <ul style="list-style-type: none"> <li>– Suncorp receives legal advice that, as a result of a change of law or regulation on or after the Issue Date (not expected by Suncorp on the Issue Date), additional requirements would be imposed on Suncorp in relation to Capital Notes 2, which the Directors determine in their discretion to be unacceptable; or</li> <li>– the Directors determine that, as a result of such change, Suncorp is not or will not be entitled to treat some or all Capital Notes 2 as Eligible Additional Tier 1 Capital, except where this is because of a prudential 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.</li> </ul> <p>For the full definition—see Clause 22.2 of the Terms.</p>
Reinvestment CPS2	CPS2 held by an Eligible CPS2 Holder that are, or are to be, reinvested in Capital Notes 2, under the terms of the Reinvestment Offer.
Reinvestment CPS2 Repayment Date	The Issue Date, which is expected to be 24 November 2017.
Reinvestment Offer	The invitation to Eligible CPS2 Holders to reinvest their CPS2 in Capital Notes 2 under this Prospectus.
Relevant Fraction	<p>Relevant Fraction is discussed in Section 2.2.5.</p> <p>For the full definition—see Clause 8.1 of the Terms.</p>
Relevant Security	<p>A subordinated instrument (other than an Ordinary Share) issued by Suncorp, or another member of the Suncorp Group, with no fixed maturity date, which:</p> <ul style="list-style-type: none"> <li>– in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off following a Non-Viability Trigger Event; and</li> <li>– constitutes Eligible Additional Tier 1 Capital of Suncorp or the Suncorp Group as at the date of its issue,</li> </ul> <p>and includes, for so long as they are on issue, CPS2, CPS3, Capital Notes 1 and the Capital Notes 2.</p>
Resale	<p>Resale is discussed in Section 2.3.7.</p> <p>For the full definition – see Clause 22.2 of the Terms.</p> <p>Resold and Resell have corresponding meanings.</p>
Resale Price	For a Capital Note 2, a cash amount equal to its Issue Price.
Scheduled Mandatory Conversion Date	17 June 2026.
Second Mandatory Conversion Condition	<p>The Second Mandatory Conversion Condition is discussed in Section 2.2.4.</p> <p>For the full definition – see Clause 4.3 of the Terms.</p>
Securityholder	A holder of an Ordinary Share, CPS2, CPS3, Capital Note 1, SML Floating Rate Note or SGL 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 Capital Notes 2 under this Prospectus.

<b>Term</b>	<b>Meaning</b>
Senior Ranking Creditors	All creditors of Suncorp (present and future), including all investors in Suncorp's senior or subordinated debt whose claims are: <ul style="list-style-type: none"> <li>– entitled to be admitted in a winding-up of Suncorp; and</li> <li>– not in respect of Ordinary Shares or Equal Ranking Instruments,</li> </ul> and includes, for so long as they are on issue, the SGL Subordinated Notes.
SGL 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).
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).
SML Floating Rate Notes	The floating rate capital notes issued by SML in 1998 under a prospectus dated 26 October 1998.
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 Capital Notes 2 (when issued) held on the issuer sponsored subregister.
Suncorp	Suncorp Group Limited (ABN 66 145 290 124).
Suncorp Group	The statutory consolidated group comprising Suncorp and its subsidiaries. The Suncorp Group and its activities are described in Section 3.
Syndicate Broker	Any of the Joint Lead Managers, co-managers and brokers invited by the Joint Lead Managers to participate in the Broker Firm Offer.
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 Distribution would not be frankable or that Suncorp would be exposed to a not insignificant increase in its costs in relation to Capital Notes 2 being on issue. For the full definition—see Clause 22.2 of the Terms.
Tax Rate	The Australian corporate tax rate applicable to the franking account of Suncorp as at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30% (but that rate may change).
Terms or Capital Notes 2 Terms	Terms and conditions of Capital Notes 2 as set out in Appendix A, as amended from time to time.
TFN	Tax File Number.
Third Mandatory Conversion Condition	The Third Mandatory Conversion Condition is discussed in Section 2.2.4. For the full definition—see Clause 4.3 of the 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.
Trigger Event Date	The date on which APRA notifies Suncorp of a Non-Viability Trigger Event, as contemplated in Clause 5.1 of the Terms.
Trust	The trust constituted by the Trust Deed.

<b>Term</b>	<b>Meaning</b>
Trust Deed	The deed entitled Suncorp Notes 2 Trust Deed dated on or about the date of this Prospectus between Suncorp and the Trustee.
Trustee	Australian Executor Trustees Limited (ABN 84 007 869 794) and includes any successor.
UBS	UBS AG, Australia Branch (ABN 47 088 129 613, AFSL 231087).
U.S. Securities Act	<i>Securities Act of 1933 (U.S.)</i> .
VWAP	Has the meaning described in Section 2.2.1. For the full definition—see Clause 22.2 of the Terms.
VWAP Period	Broadly, means: <ul style="list-style-type: none"> <li>– in the case of a Conversion resulting from a Potential Acquisition Event or an Acquisition Event, the period of 20 Business Days (or a lesser number of Business Days in certain circumstances) on which trading in Ordinary Shares takes place on ASX immediately preceding (but not including) the Business Day before the Exchange Date or Acquisition Conversion Date in respect of that event;</li> <li>– 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 Trigger Event Date; or</li> <li>– in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place on ASX immediately preceding (but not including) the date on which Conversion is to occur in accordance with the Terms.</li> </ul> For the full definition—see Clause 22.2 of the Terms.
Westpac Institutional Bank	Westpac Institutional Bank, a division of Westpac Banking Corporation (ABN 33 007 457 141).
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.
Winding-up Event	Has the meaning given in Clause 22.2 of the Terms.
Written-Off or Write-Off	Has the meaning described in Section 2.4.9. For the full definition—see Clause 22.2 of the Terms.

### Issuer

#### **Suncorp Group Limited**

Level 28, Brisbane Square  
266 George Street  
Brisbane QLD 4000

### Australian legal adviser

#### **King & Wood Mallesons**

Level 61, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

### Australian tax adviser

#### **Greenwoods & Herbert Smith Freehills**

ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000

### Auditor

#### **KPMG**

Level 16, Riparian Plaza  
71 Eagle Street  
Brisbane QLD 4000

### Accounting adviser

#### **KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd)**

Level 38, Tower Three, International  
Towers Sydney  
300 Barangaroo Avenue  
Sydney NSW 2000

### Trustee

#### **Australian Executor Trustees Limited (part of the IOOF group)**

Level 22  
207 Kent Street  
Sydney NSW 2000

### Arranger

#### **UBS AG, Australia Branch**

Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

### Joint Lead Managers

#### **ANZ Securities Limited**

Level 9  
833 Collins Street  
Docklands VIC 3008

#### **Morgans Financial Limited**

Level 29  
123 Eagle Street  
Brisbane QLD 4000

#### **National Australia Bank Limited**

Level 25, NAB House  
255 George Street  
Sydney NSW 2000

#### **UBS AG, Australia Branch**

Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

#### **Westpac Institutional Bank, a division of Westpac Banking Corporation**

Level 2, Westpac Place  
275 Kent Street  
Sydney NSW 2000

### Registry

#### **Link Market Services Limited**

Level 15  
324 Queen Street  
Brisbane QLD 4000

### Co-Managers

#### **Crestone Wealth Management**

Level 32, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

#### **JBWere**

Level 16  
101 Collins Street  
Melbourne VIC 3000

### How to contact us

Suncorp Capital Notes 2 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)

Website: [www.suncorpgroup.com.au/sunpg](http://www.suncorpgroup.com.au/sunpg)



[suncorpgroup.com.au](http://suncorpgroup.com.au)