



# ASX Announcement

4 November 2010

## **SUNCORP RELEASES NOHC RESTRUCTURE EXPLANATORY MEMORANDUM**

Suncorp-Metway Ltd today announced the Explanatory Memorandum outlining its proposal to restructure the Suncorp Group under a new ASX-listed non-operating holding company, Suncorp Group Limited (SGL), has been registered with the Australian Securities and Investments Commission.

The Explanatory Memorandum, which will be sent to shareholders in mid-November, details how the NOHC restructure would simplify the Suncorp Group's corporate structure and convey to the market a clearer understanding of the quality and value of each of its businesses.

The proposal involves shareholders who hold Suncorp-Metway Ltd (SML) ordinary shares on the record date, expected to be 4 January 2011, exchanging their shares for an equivalent number of SGL shares through a scheme of arrangement. The proposal does not represent a taxable event for ordinary shareholders who are tax resident in Australia.

As part of the NOHC restructure proposal outlined in the Explanatory Memorandum, shareholders will also be asked to approve a buy-back of SML shares. The buy-back will transfer capital within the Suncorp Group – it will not involve a buy-back of shares from, or a return of capital to, existing SML ordinary shareholders.

The Explanatory Memorandum also includes an Independent Expert Report provided by Grant Samuel & Associates which concludes that:

- the scheme and the NOHC restructure are in the best interests of SML's ordinary shareholders;
- the Buy-back is in the best interests of ordinary shareholders and Convertible Preference Share (CPS) holders;
- the Buy-back will not materially prejudice SML's ability to pay its creditors, including Reset Preference Share (RPS) holders and depositors; and
- the NOHC restructure will not materially prejudice the Suncorp Group's policy holders and depositors.

The Suncorp Board unanimously recommends shareholders approve the NOHC restructure proposal by voting in favour of the required resolutions at general meetings to be held on 15 December 2010.

A copy of the Explanatory Memorandum is attached to this announcement, and is available on [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au). Retail shareholders requiring information about Suncorp's NOHC restructure proposal can call the toll-free information line on 1300 882 012.

**Ends**

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# ASX Announcement

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# Explanatory Memorandum Suncorp-Metway Limited (SML)



*One Company. Many Brands*

**This is an important document for the immediate attention of all SML shareholders, who should read it in its entirety. If an SML shareholder is in any doubt about what they should do or anything in this Explanatory Memorandum, they should contact their professional adviser.**

NOHC Restructure proposal to internally reorganise the Suncorp Group into a General Insurance Group, a Banking Group, a Life Group and a Corporate/Shared Services Group under Suncorp Group Limited (**SGL**), a new non-operating holding company (**NOHC**) which will be listed on ASX.

The NOHC Restructure will simplify the Suncorp Group's corporate structure, making it easier to set business objectives and performance targets aligned to the interests of shareholders.

It will convey to the market a clearer understanding of the quality and value of each of the Suncorp Group's businesses.

**Your directors unanimously recommend that you vote in favour of the NOHC Restructure proposal at the Meetings to be held on 15 December 2010 from 2.30 pm at Meeting Rooms M3 and M4, Mezzanine Level, Brisbane Convention & Exhibition Centre, corner of Merivale and Glenelg Streets, South Bank, Brisbane, Queensland.**



## Meetings

The NOHC Restructure proposal requires two general meetings which will be held on Wednesday 15 December 2010 in Meeting Rooms M3 and M4, Mezzanine Level, Brisbane Convention & Exhibition Centre, corner of Merivale and Glenelg Streets, South Bank, Brisbane, Queensland:

- the Scheme Meeting at which Ordinary Shareholders may vote on the Scheme Resolution; and
- the General Meeting at which Ordinary Shareholders, RPS Holders and CPS Holders may vote on the Buy-back Resolution.

**Section B: How to vote** contains further information about the Meetings.

## Key dates

| Event  | Date   |
|--|--|
| Annual General Meeting   | 4 November 2010 at 2.30 pm   |
| Latest time and date for lodgement of Securityholder Voting Forms for the Scheme Meeting   | 13 December 2010 at 2.30 pm  |
| Latest time and date for lodgement of Securityholder Voting Forms for the General Meeting  | 13 December 2010 at 3.00 pm  |
| Time and date for determining eligibility to vote  | 13 December 2010 at 7.00 pm (Sydney time)                            |
| Scheme Meeting   | 15 December 2010 at 2.30 pm  |
| General Meeting  | After the Scheme Meeting, but not before 3.00 pm on 15 December 2010 |
| Second Court Hearing   | 22 December 2010   |
| Last day for trading Ordinary Shares   | 23 December 2010   |
| Last Day for trading RPS, CPS and Floating Rate Capital Notes under their existing ASX codes (see <b>section 1.10</b> )                                | 23 December 2010   |
| Commencement of trading of SGL Shares (on a deferred settlement basis)   | 24 December 2010   |
| Commencement of trading RPS, CPS and Floating Rate Capital Notes under their new ASX codes (on a deferred settlement basis) (see <b>section 1.10</b> ) | 24 December 2010   |
| Record Date  | 4 January 2011   |
| Implementation Date  | 7 January 2011   |
| Commencement of trading of SGL Shares, and of RPS, CPS and Floating Rate Capital Notes under their new ASX codes, on a normal (T+3) settlement basis   | 12 January 2011  |

This timetable is indicative only and SML has the right to vary these times and dates and will announce any variations to Australian Securities Exchange (**ASX**). Certain times and dates and the occurrence of certain events are conditional on SML shareholder, regulatory or Court approval.

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# A: Chairman's letter

28 October 2010

Dear Shareholder

Over the past 12 months, the Suncorp Group has made significant progress in responding to the challenges it faced during the global financial crisis.

Our progress was underscored by a strong result for the financial year ended 30 June 2010, with each of our businesses achieving profitable growth.

We have appointed a highly experienced management team and put in place a clear direction and strategy for each of our businesses. Our balance sheet and capital position have strengthened significantly, providing stability in an environment where uncertainties around regulatory change and global market volatility persist across the financial services sector.

An essential component of the progress during the past 12 months has been the simplification of what had become a complicated corporate structure. The NOHC Restructure proposed in this Explanatory Memorandum will further simplify this structure, and represents a significant phase in our strategic development.

## The NOHC Restructure proposal

The Suncorp Group operates three businesses, general insurance, banking and life (including superannuation and wealth management), with SML as the listed holding company.

Under the Scheme, Suncorp Group Limited (**SGL**) will replace SML as the listed holding company for the Suncorp Group.

Then, each of the Suncorp Group's businesses will be restructured as a separate group under its own non-operating holding company. SGL will hold the shares in those non-operating holding companies and in two service companies which provide services to the Suncorp Group.

This internal restructure will involve a number of steps, including a share Buy-back by SML which requires the approval of SML shareholders at the General Meeting (see **section 1.4(c)** for further information in relation to the Buy-back). The Buy-back will not return capital to existing Ordinary Shareholders, rather it will move capital within the Suncorp Group.

We have previously flagged that it is our intention to return to Ordinary Shareholders capital which is surplus to the requirements of the Suncorp Group, subject to a substantial resolution of the existing uncertainties within external markets and when it is fully prudent to do so having regard to the circumstances of the Suncorp Group. After implementation of the NOHC Restructure, we will continue to assess the opportunities for capital returns to SGL Shareholders, and the NOHC Restructure will not adversely affect those assessments.

## Benefits

Reorganising the Group into clearly defined business groups under SGL as the Suncorp Group holding company has a number of benefits. These include:

### 1. Simplification

Our current corporate structure is the consequence of the major mergers and acquisitions undertaken by the Suncorp Group during the past 14 years. It is complex and unwieldy, and does not reflect our current business model or operating framework. In the interests of efficiency, it is now time to simplify that structure.

### 2. Transparency

The new structure will introduce far greater transparency.

For internal management purposes, it will be easier to set and measure progress against specific business objectives and disciplined performance targets that are aligned to the interests of shareholders.

Externally, the new structure will convey to the market a clearer understanding of the quality and value of each of our businesses.

### 3. Regulation

The financial services sector is subject to strict regulatory supervision. It is in the interests of all stakeholders that this supervision be managed as effectively and efficiently as possible. With the benefits of transparency and simplicity, the proposed NOHC Restructure will facilitate the regulatory supervision of the Suncorp Group, and reflects the anticipated future prudential frameworks of the regulator in respect of financial conglomerates. APRA is supportive of the NOHC Restructure and continues its work with the Suncorp Group to resolve the relevant prudential matters.

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## A: Chairman's letter (continued)

Overall, the Board believes that the NOHC Restructure will improve the way we interact with shareholders, customers and employees, and will facilitate the Suncorp Group's management, governance and regulation.

The Board believes that these benefits will be positive for shareholder value, although the extent cannot be quantified.

### Effect on Shareholdings

By virtue of the Scheme, each existing Ordinary Shareholder of SML (other than Ineligible Foreign Shareholders) will exchange their Ordinary Shares for an equivalent number of SGL Shares. **Section 9.2** sets out information about the treatment of Ineligible Foreign Shareholders under the Scheme.

The CPS will remain on issue by SML and will continue to be quoted on ASX. The CPS Terms will be amended to substitute SGL as the issuer of ordinary shares on conversion of the CPS and to effect certain other related and minor amendments.

The RPS will remain on issue by SML on the existing RPS Terms and will continue to be quoted on ASX (see **section 10** for further information).

The NOHC Restructure proposal does not represent a taxable event for RPS Holders, CPS Holders or for Australian tax resident Ordinary Shareholders (see **section 8.9(b)** for further information).

### Independent Expert

The Board has engaged Grant Samuel & Associates Pty Limited (**Independent Expert**) to prepare an independent expert's report setting out whether, in its opinion, the Scheme and the NOHC Restructure are in the best interests of Ordinary Shareholders, and to state reasons for that opinion in that report. The Independent Expert also considered the impact on creditors, depositors and policy holders.

The Independent Expert has concluded that:

- the Scheme and the NOHC Restructure are in the best interests of Ordinary Shareholders;
- the Buy-back is in the best interests of Ordinary Shareholders and CPS Holders;
- the Buy-back will not materially prejudice SML's ability to pay its creditors, including RPS Holders and depositors; and
- the NOHC Restructure will not materially prejudice the Suncorp Group's policy holders and depositors.

### Directors' Recommendation

The Directors of SML unanimously recommend that shareholders approve the NOHC Restructure by voting in favour of the required resolutions at each of the Meetings.

### Explanatory Memorandum

This Explanatory Memorandum contains important information regarding the NOHC Restructure proposal, including the reasons for the directors' recommendation, a summary of the advantages and risks associated with the proposal and the Independent Expert's Report.

Please read this Explanatory Memorandum carefully before making your decision and voting either by proxy, direct vote or in person at the Meetings on 15 December 2010.

### How to obtain further information

If you have any questions regarding the NOHC Restructure proposal, please call the toll-free information line on 1300 882 012 or +61 2 8280 7450 if calling from outside Australia.

Yours sincerely,



John Story  
Chairman



## B: How to vote

### Your vote is important

It is important that you vote on the resolutions to be considered at the Meetings.

### Scheme Meeting

The persons entitled to vote on the Scheme resolution are those Ordinary Shareholders who hold Ordinary Shares at 7.00 pm (Sydney time) on 13 December 2010.

### General Meeting

The persons entitled to vote on the Buy-back Resolution are those shareholders who hold Ordinary Shares, CPS or RPS at 7.00 pm (Sydney time) on 13 December 2010.

### Attending the Meetings

All persons attending the Meetings must disclose their name at the point of entry to the relevant Meeting. All persons entitled to vote at the relevant Meeting will then be given a voting card and admitted to the relevant Meeting.

Ordinary Shareholders, RPS Holders, CPS Holders, their attorneys or representatives (including proxies and their representatives) who plan to attend a Meeting are asked to arrive at the venue at least 30 minutes prior to the time designated for the commencement of the relevant Meeting, if possible, so that their shareholding may be checked against the share register and their attendance noted.

### Voting in person

To vote in person at a Meeting, you must attend the Meeting at the time and place for the Meeting set out in the relevant notice of meeting (see **appendices B and C** for the notices of the Meetings).

If you appoint an attorney to attend a Meeting, you should lodge the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Meeting with the Suncorp Share Registry before the start of the Meeting, or if the Meeting is adjourned, before the resumption of the Meeting in relation to the resumed part of the Meeting.

If you are a corporation, your authorised corporate representative may attend and vote at the Meeting. You should ensure that your authorised corporate representative brings evidence of their appointment as a corporate representative to the Meeting unless evidence has already been provided to the Suncorp Share Registry.

### Direct voting and voting by proxy

Voting shareholders may either direct vote or appoint a proxy to vote on their behalf at the relevant Meeting, and can do so by:

- completing the personalised Securityholder Voting Form for the relevant Meeting accompanying this Explanatory Memorandum and returning it either:
  - to Suncorp-Metway Limited, PO Box A50, Sydney South, NSW 1235; or
  - in the reply paid envelope provided; or
  - by fax to Link Market Services Limited on: (within Australia)(02) 9287 0309; (outside Australia): +61 2 9287 0309; or
- voting online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

Only those Securityholder Voting Forms lodged with Link Market Services Limited no later than:

- in the case of the Scheme Meeting, 2.30 pm on 13 December 2010; and
- in the case of the General Meeting, 3.00 pm on 13 December 2010,

being 48 hours before the scheduled start of the relevant Meeting or, if the Meeting is adjourned, at least 48 hours before the resumption of the Meeting in relation to the resumed part of the Meeting will be considered valid. For further instructions on voting, please refer to the Securityholder Voting Form.

A person appointed as a proxy does not need to be an SML shareholder and a shareholder can appoint an individual or a body corporate as a proxy. A body corporate appointed as a proxy must also lodge a Certificate of Appointment of a Corporate Representative.

If an SML shareholder who has directly voted or appointed a proxy to vote on their behalf attends the meeting, the direct vote or proxy appointment is suspended in accordance with the provisions of the Corporations Act.

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## C: Important notices

### What is this document?

This Explanatory Memorandum explains the Suncorp Group's proposed NOHC Restructure and the terms of the Scheme and Buy-back which are key parts of it.

It contains the explanatory statement under:

- Part 5.1 of the Corporations Act in relation to the Scheme; and
- Division 2 of Part 2J.1 of the Corporations Act in relation to the Buy-back.

### Defined terms

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary.

Unless stated otherwise, all references to times in this Explanatory Memorandum are references to the time in Brisbane, Queensland, Australia.

### Read this document

This document is important. You should carefully read this entire document before making a decision as to how to vote on the resolutions to approve the Scheme and the Buy-back (as applicable).

### Regulatory information

#### ASIC

A draft copy of this Explanatory Memorandum has been examined by the Australian Securities & Investments Commission (ASIC) pursuant to section 411(2) of the Corporations Act and this Explanatory Memorandum has been registered by ASIC pursuant to section 412(6) of the Corporations Act. ASIC has been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act that it has no objection to the Scheme. If ASIC provides that statement it will be produced to the Court at the Second Court Hearing.

#### **Important notice associated with Court Order under section 411(1) of the Corporations Act**

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved this Explanatory Memorandum required to accompany the notice of the Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Ordinary Shareholders should vote (on this matter Ordinary Shareholders must reach their own decision); or
- has prepared, or is responsible for the content of, this Explanatory Memorandum.

#### ASX

A final copy of this Explanatory Memorandum has been provided to ASX. The fact that ASX may admit SGL to the official list of ASX is not to be taken in any way as an indication by ASX of the merits of SGL, the NOHC Restructure or the Suncorp Group.

None of ASIC, ASX and their respective officers take any responsibility for the contents of this Explanatory Memorandum.

#### APRA

A copy of this Explanatory Memorandum has been provided to APRA. Neither APRA nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

### No offer

This Explanatory Memorandum does not constitute an offer to sell you, or a solicitation of an offer to buy from you, any securities in any jurisdiction in which such an offer or solicitation would be illegal.

### Not investment advice

#### ***This Explanatory Memorandum does not constitute investment advice.***

It is important that you read the entire document before making any decision about how to vote in relation to the NOHC Restructure.

If you are in any doubt, you should consult your investment adviser or other professional adviser before deciding how to vote in relation to the NOHC Restructure.

### Material changes to information

If material changes to the information in this Explanatory Memorandum occur before the date of the Meetings, updated information will be made available to SML shareholders as set out in **section 12.12**.

### Date

This Explanatory Memorandum is dated 28 October 2010.

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## 1 Details of the NOHC Restructure



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# 1 Details of the NOHC Restructure

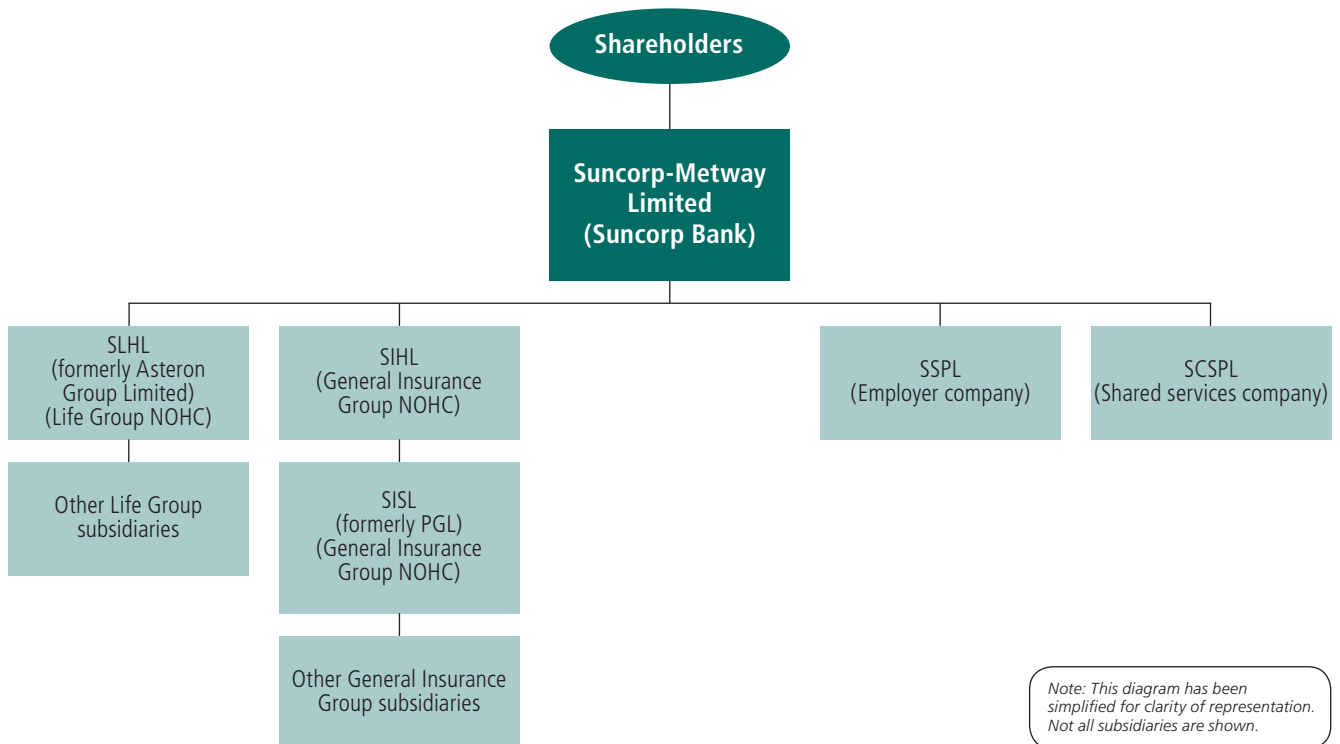
## 1.1 What is a NOHC?

A NOHC is a company which does not conduct its own business, but has subsidiaries that conduct their own businesses.

## 1.2 Background to the NOHC Restructure proposal

The Suncorp Group comprises Suncorp-Metway Limited (**SML**) and its subsidiaries. The Suncorp Group is a diversified financial services group with five operating divisions in three key business areas – general insurance, banking and life, including superannuation and wealth management.

**Figure 1 – Suncorp Group structure before the NOHC Restructure**



The Suncorp Group's current organisational structure has evolved through major mergers, acquisitions and in response to regulatory requirements over time. This structure is complex and unwieldy and does not reflect the Suncorp Group's current business model or operating framework.

## 1.3 What is the NOHC Restructure proposal?

The NOHC Restructure proposal involves the internal reorganisation of the Suncorp Group into a General Insurance Group, a Banking Group, a Life Group and a Corporate/Shared Services Group under a new non-operating holding company, SGL, which will be listed on ASX.

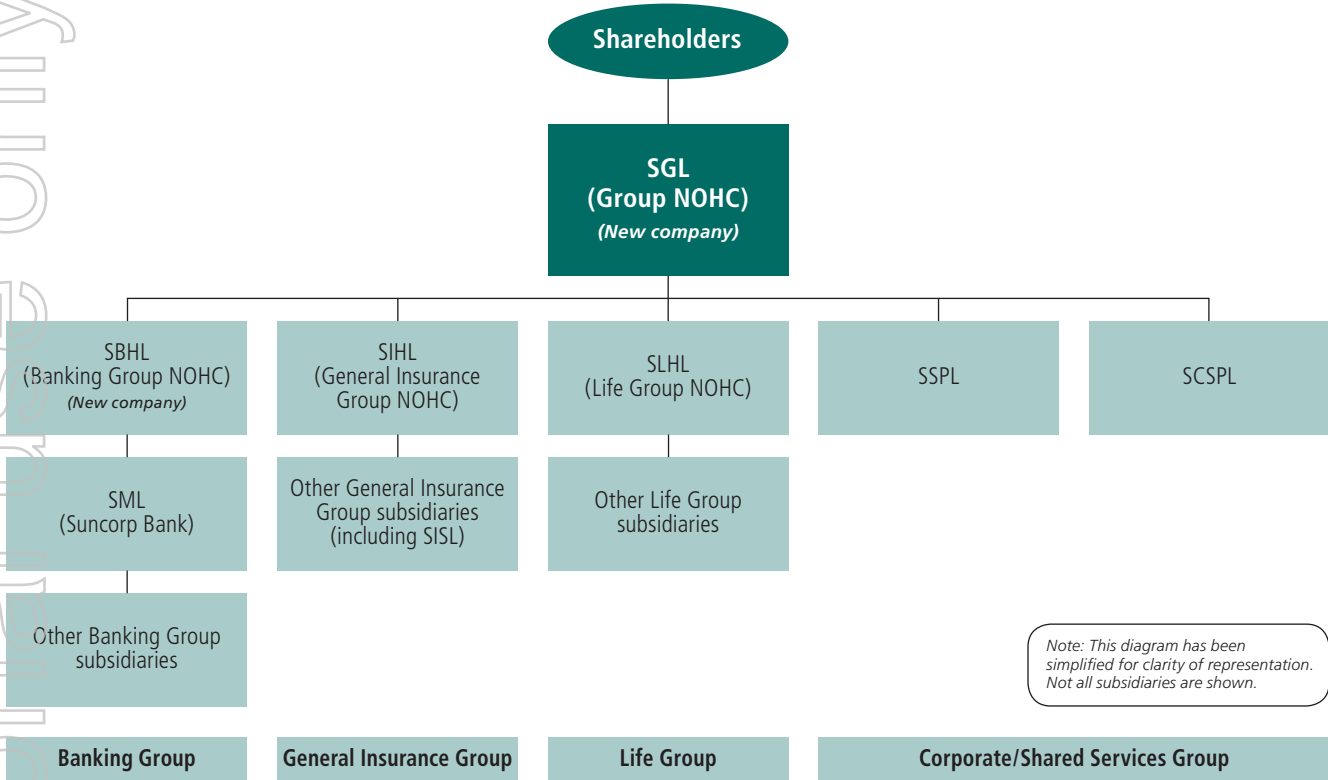
After the NOHC Restructure is implemented, the Suncorp Group's legal structure will be aligned with its business model and operating structures.

The NOHC Restructure will not require any capital raising from outside the Suncorp Group.

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## 1 Details of the NOHC Restructure (continued)

Figure 2 – Suncorp Group structure after the NOHC Restructure



Information about the effect of the NOHC Restructure on the Suncorp Group is set out in **section 2**.

Information about the rationale and benefits, and the disadvantages and risks, of a NOHC structure to the Suncorp Group and its stakeholders is set out in **section 3**.

Information about the Suncorp Group after implementation of the NOHC Restructure is set out in **section 4**.

#### 1.4 How will the NOHC Restructure be implemented?

There are several main steps involved in implementing the NOHC Restructure.

##### (a) Scheme – SGL becomes the listed holding company of the Suncorp Group

The first step in the NOHC Restructure is to make SGL the listed holding company of the Suncorp Group in place of SML. This will be achieved through the Scheme.

Under the Scheme, Ordinary Shareholders will have their Ordinary Shares transferred to SGL in exchange for the same number of SGL Shares.

Immediately following implementation of the Scheme, SGL will hold all of the Ordinary Shares, and the Ordinary Shareholders will hold SGL Shares.

Ordinary Shareholders will continue to have the same interest in the Suncorp Group's current businesses, through their shareholding in SGL.

However, Ineligible Foreign Shareholders will not receive SGL Shares under the Scheme (see **sections 1.5 and 9**).

Further details of the Scheme are set out in **section 8** and the full Scheme is contained in **appendix A**.



## (b) Internal restructure

The effect of the Scheme is to make SGL the listed holding company of the Suncorp Group.

It is also proposed that the Suncorp Group's three businesses – general insurance, banking and life (including superannuation and wealth management) – will be reorganised. Each of these businesses will be structured as a separate group under its own non-operating holding company, the shares in which will be held by SGL.

SML will continue to operate as the bank, but will no longer have an investment in the General Insurance Group or the Life Group, or in two service companies which provide services to the Suncorp Group.

This will achieve the corporate structure outlined in **Figure 2** above.

The internal restructure involves a number of internal share and asset transfers and other internal corporate actions (including the Buy-back). Details of the internal restructure are set out in **section 8.8**.

## (c) The Buy-back

### (i) What is the Buy-back?

The Buy-back is part of the internal restructure.

Under the Buy-back, SML will buy back a certain number of Ordinary Shares from SBHL, the new NOHC for the Banking Group. Those shares will then be cancelled.

The Buy-back is the only part of the internal restructure which requires a separate approval of SML shareholders at the General Meeting.

### (ii) Will Ordinary Shares be bought back from existing Ordinary Shareholders and will existing Ordinary Shareholders receive a return of capital?

No. These Ordinary Shares will not be bought back from existing Ordinary Shareholders. The Buy-back will occur when most of the NOHC Restructure is implemented, at a time when SBHL owns all of the Ordinary Shares.

### (iii) What is the total Buy-back price?

The total Buy-back price will not exceed \$10.95 billion and is expected to be no less than \$10.8 billion. The formula for calculating the actual Buy-back price is contained in **section 12.4(c)**.

### (iv) What is the effect of the Buy-back and the NOHC Restructure on SML?

After the internal restructure, SML will no longer hold an interest in the General Insurance Group, the Life Group or certain corporate service companies and assets. Therefore, it no longer needs to hold capital to support those businesses and assets. The Buy-back reduces the capital in SML to the appropriate level required for the banking business and is part of the process under which some of SML's surplus capital will be moved to SGL.

The amount due by SML under the Buy-back will be largely offset against the amounts owing by SBHL to SML for the transfer of the General Insurance Group, Life Group and the corporate and shared services entities and associated assets, with only between \$200 million and \$375 million intended to be settled in cash or through the transfer of investment assets (such as bonds) from SML's existing resources.

Following the Buy-back, the capital adequacy of the Banking Group will remain above internal and prudential targets. All material operations of the Suncorp Group remain subject to APRA's prudential supervision. The Suncorp Group's governance arrangements and policies will remain the same as before the NOHC Restructure. The credit ratings of SML and the Suncorp Group will not be materially affected by the NOHC Restructure.

The Buy-back will not reduce the franking credits available to SGL for franking of future dividends.

### (v) What is the effect of the Buy-back on SML's ability to pay its creditors?

The Independent Expert has concluded that the Buy-back will not materially prejudice SML's ability to pay its creditors, including RPS Holders and depositors (see **section 7**). The Board has also formed that view.

### (vi) What is the effect of the Buy-back on shareholders and creditors?

As between classes of shareholders and creditors of SML, ranking on a winding up of SML for payment of amounts owing and participation in surplus assets of SML does not change as a result of the NOHC Restructure.

However, the assets available to all shareholders and creditors of SML (including RPS Holders, CPS Holders and holders of Floating Rate Capital Notes) immediately **before** implementation of the NOHC Restructure will be reduced by the Buy-back Price (which will not exceed \$10.95 billion) immediately **after** the implementation of the NOHC Restructure.

## 1 Details of the NOHC Restructure (continued)

After implementation of the NOHC Restructure, SBHL, as the holder of all of the Ordinary Shares of SML, will rank behind all other shareholders and creditors of SML on a winding up of SML.

Because current Ordinary Shareholders of SML will exchange their SML Shares for SGL Shares under the Scheme, on a winding up of SGL they will participate, to the extent available, in any distribution of the surplus assets of the whole Suncorp Group, not just SML.

However, creditors of SML prior to the NOHC Restructure (including RPS Holders, CPS Holders and holders of Floating Rate Capital Notes) will not have any legal recourse to SGL in the event that SML is wound up and there are insufficient assets to pay SML's liabilities. If SML and SGL are wound up and there are insufficient assets to pay SML's liabilities, SML creditors will not have a legal right to share in any surplus SGL assets.

SGL, SIHL, SLHL, SSPL and SCSPL (and any of their subsidiaries or controlled entities) do not guarantee the performance of SML's obligations to creditors (including RPS Holders, CPS Holders and holders of Floating Rate Capital Notes).

### (d) Court approval of the Scheme

Subject to the Scheme and Buy-back Resolution being approved, SML is required to publish a notice of the Court hearing to approve the Scheme at least five days before the Court hearing. The notice will advise creditors and members of SML of the manner in which they may oppose the approval of the Scheme if they wish to do so. A copy of the notice of the Court hearing will also be published on the Suncorp website at least five days before the Court hearing.

### 1.5 How are Ordinary Shareholders who are outside Australia treated?

All Ordinary Shareholders with registered addresses in Australia and New Zealand will participate in the Scheme and have their Ordinary Shares exchanged for SGL Shares.

However, Ordinary Shareholders with registered addresses outside Australia will be treated as follows:

#### (a) Eligible Foreign Shareholders

Based on information available to SML at the date of this Explanatory Memorandum, SML expects that Ordinary Shareholders in the places specified in **section 9.1** (including the United States, the United Kingdom, Hong Kong and Singapore) will be able to participate in the Scheme and have their Ordinary Shares exchanged for SGL Shares under the Scheme.

This list is subject to change without notice and no assurance can be given that Ordinary Shareholders in any of these jurisdictions will be able to participate in the Scheme.

#### (b) Ineligible Foreign Shareholders

Ineligible Foreign Shareholders will not receive SGL Shares under the Scheme.

**Section 9.2** describes which Ordinary Shareholders will be Ineligible Foreign Shareholders and how they are treated under the Scheme.

### 1.6 Taxation impact for Ordinary Shareholders

In summary, the NOHC Restructure proposal does not represent a taxable event under Australian tax law for Ordinary Shareholders who are:

- Australian tax residents (including any Ordinary Shareholders who acquired their Ordinary Shares, or rights to acquire such Ordinary Shares, under an SML Share Plan); or
- neither Australian tax residents nor Ineligible Foreign Shareholders.

All the usual Australian income tax (including CGT) consequences associated with holding and disposing of Ordinary Shares will also apply to holding and disposing of SGL Shares acquired under the Scheme.

**Section 8.9** sets out a general outline of the income tax (including CGT) consequences of the NOHC Restructure for Ordinary Shareholders.

Ordinary Shareholders who are:

- Australian tax residents should refer to **section 8.9(b)** for the Australian income tax implications of the Scheme.
- Australian tax residents who acquired their Ordinary Shares under an SML Share Plan should refer to **section 8.9(c)** for the Australian income tax implications of the Scheme.
- Non-residents for Australian tax purposes should refer to **section 8.9(d)(i)** for the Australian income tax implications of the Scheme.
- Tax residents of the United States, the United Kingdom and New Zealand should refer to **section 8.9(d)(ii)** for the tax implications of the Scheme in those jurisdictions.
- Ineligible Foreign Shareholders will need to consider both the Australian tax implications and the tax implications of the Scheme in their home jurisdiction. Ineligible Foreign Shareholders will typically be subject to Australian tax in respect of the disposal of their Ordinary Shares in particular, limited situations (see **section 8.9(e)**).

### 1.7 Will the Dividend Reinvestment Plan still operate?

SGL will offer a Dividend Reinvestment Plan (**DRP**) on materially the same terms as the SML **DRP**.

**Section 12.3** sets out further information in relation to the SML and SGL **DRPs**.

## 1.8 What happens to instructions that Ordinary Shareholders have given to SML about their shareholdings?

All existing notifications or instructions that Ordinary Shareholders have given to SML in relation to their Ordinary Shares, including about:

- the DRP;
- whether dividends or other payments are paid by cheque or into a specific bank account; or
- how notices and other communications will be given,

will continue to apply in relation to their SGL Shares (see **section 8.4** for more information).

If an Ordinary Shareholder does not want their Tax File Number (TFN), TFN exemption or ABN to be disclosed to SGL, they must contact the Suncorp Share Registry and complete the necessary form.

Any outstanding balances in an Ordinary Shareholder's SML dividend reinvestment plan account will be transferred to that Ordinary Shareholder's SGL dividend reinvestment plan account when the Scheme is implemented.

## 1.9 How does the NOHC Restructure affect holders of other SML securities?

In addition to the Ordinary Shares, SML has a number of other classes of security on issue.

### (a) RPS

The RPS will remain on issue by SML and continue to be quoted on ASX following implementation of the Scheme, but their ASX code will change (see **section 1.10** for further information).

Unlike the CPS Terms, the RPS Terms do not provide for substitution of SGL as the issuer of ordinary shares on conversion of the RPS.

Further information about the implications for RPS Holders, including taxation implications, is set out in **section 10**.

### (b) CPS – NOHC Substitution Notice

The CPS will remain on issue by SML and continue to be quoted on ASX following implementation of the Scheme, but their ASX code will change (see **section 1.10** for further information).

In accordance with the CPS Terms, SML will give a NOHC Substitution Notice to CPS Holders to substitute SGL as the issuer of ordinary shares on conversion of the CPS and to effect certain other related and minor amendments, subject to APRA approval. CPS Holders will receive the NOHC Substitution Notice following APRA's approval.

Further information about the implications for CPS Holders, including taxation implications, is set out in **section 11**.

## (c) Floating Rate Capital Notes and other debt securities

The Floating Rate Capital Notes will remain on issue by SML on their existing terms and conditions following implementation of the Scheme.

The Floating Rate Capital Notes will continue to be quoted on ASX after implementation of the NOHC Restructure, but their ASX code will change (see **section 1.10** for further information).

SML, and two other Suncorp Group companies, Suncorp Metway Insurance Limited and Vero Insurance Limited, have certain other debt securities on issue. These debt securities include both senior and subordinated securities.

These will remain as debt securities of their original issuer with no change to their existing terms and conditions following implementation of the Scheme.

Those debt securities which are currently quoted on a stock exchange will continue to be so quoted. However, the ongoing quotation of debt securities will be dependent upon the issuer continuing to comply with the relevant listing rules.

The NOHC Restructure will not impact the relative ranking of the other debt securities in the event of a winding up.

## 1.10 Will the ASX codes for Suncorp Group securities change?

SGL Shares will have the ASX code "SUN", which is the same code that SML currently has in relation to the Ordinary Shares. Ordinary Shareholders will therefore continue to use the "SUN" code in relation to their new SGL Shares.

The ASX code prefix for the RPS, CPS and Floating Rate Capital Notes, which will remain on issue by SML, will change from "SUN" to "SBK".

Accordingly, the ASX codes for the Suncorp Group securities that are quoted on ASX will be as follows:

| Security                    | Existing ASX Code | New ASX Code |
|-----------------------------|-------------------|--------------|
| SML Ordinary Shares         | SUN               |              |
| SGL Shares                  |                   | SUN          |
| RPS                         | SUNPA             | SBKPA        |
| CPS                         | SUNPB             | SBKPB        |
| Floating Rate Capital Notes | SUNHB             | SBKHB        |

It is expected that the last day for trading Ordinary Shares, RPS, CPS and Floating Rate Capital Notes under their existing ASX codes will be the Effective Date (expected to be 23 December 2010).

From the following trading day, each of these securities is expected to trade on a deferred settlement basis under their new ASX codes. It is expected that normal trading will commence on 12 January 2011.

## 1 Details of the NOHC Restructure (continued)

### 1.11 What approvals are required to implement the NOHC Restructure?

For the NOHC Restructure to proceed, the following approvals are required:

#### (a) Shareholder approvals

##### (i) Scheme

The Scheme must be approved at the Scheme Meeting by:

- unless the Court orders otherwise, a majority in number (ie more than 50%) of Ordinary Shareholders voting (in person or by proxy); **and**
- at least 75% of the total number of votes cast on the Scheme resolution.

The Scheme is conditional upon the Buy-back Resolution being passed.

##### (ii) Buy-back

The Buy-back must be approved at the General Meeting by a majority (ie more than 50%) of the total number of votes cast on the Buy-back Resolution.

Ordinary Shareholders, RPS Holders and CPS Holders are all entitled to vote on the Buy-back Resolution.

The Buy-back is conditional on the Scheme. If the Scheme is not approved, the General Meeting will not be held.

#### (b) The Court

If the necessary Scheme Resolution and the Buy-back Resolution are passed, the Court will be asked to approve the Scheme at the Second Court Hearing as required by the Corporations Act.

#### (c) Other

The Scheme is subject to a number of conditions, which must be satisfied before it is implemented (see **sections 8.6** and **12.4(a)(ii)** for further information).

These conditions include obtaining a number of regulatory approvals, such as approvals under the Financial Sector (Shareholding) Act 1998, Financial Sector (Business Transfer and Group Restructure) Act 1999, and the Banking Act 1959.

The Suncorp Group is seeking various other regulatory approvals and exemptions, and making various notifications, which are important, but are not, of themselves, conditions to the Scheme proceeding. More information about these approvals is contained in **section 12.6**.

### 1.12 Independent Expert's Report

The Board appointed an Independent Expert, Grant Samuel & Associates Pty Limited, to provide an independent view of the NOHC Restructure. The Independent Expert has concluded that:

- the Scheme and the NOHC Restructure are in the best interests of Ordinary Shareholders;
- the Buy-back is in the best interests of Ordinary Shareholders and CPS Holders;
- the Buy-back will not materially prejudice SML's ability to pay its creditors, including RPS Holders and depositors; and
- the NOHC Restructure will not materially prejudice the Suncorp Group's policy holders and depositors.

The Independent Expert's Report is contained in **section 7**.

### 1.13 Directors' recommendations and voting intentions

The directors of SML unanimously recommend that shareholders approve the NOHC Restructure by voting in favour of the required resolutions at each of the Meetings.

All directors of SML who hold SML shares intend to vote in favour of the resolutions on which they are entitled to vote.

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## 2 Effect of the NOHC Restructure on the Suncorp Group



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## 2 Effect of the NOHC Restructure on the Suncorp Group

### 2.1 Effect on the Suncorp Group's strategies and policies

The NOHC Restructure involves an internal reorganisation of the Suncorp Group's current businesses.

This will not materially change the Suncorp Group's current strategies or policies, although a clear objective of the NOHC Restructure is to enhance the effectiveness of their implementation.

### 2.2 Governance

SML believes the effectiveness of its governance model will be enhanced by moving to a NOHC structure, as the Suncorp Group's corporate structure will be more closely aligned with its operating model and management accountabilities.

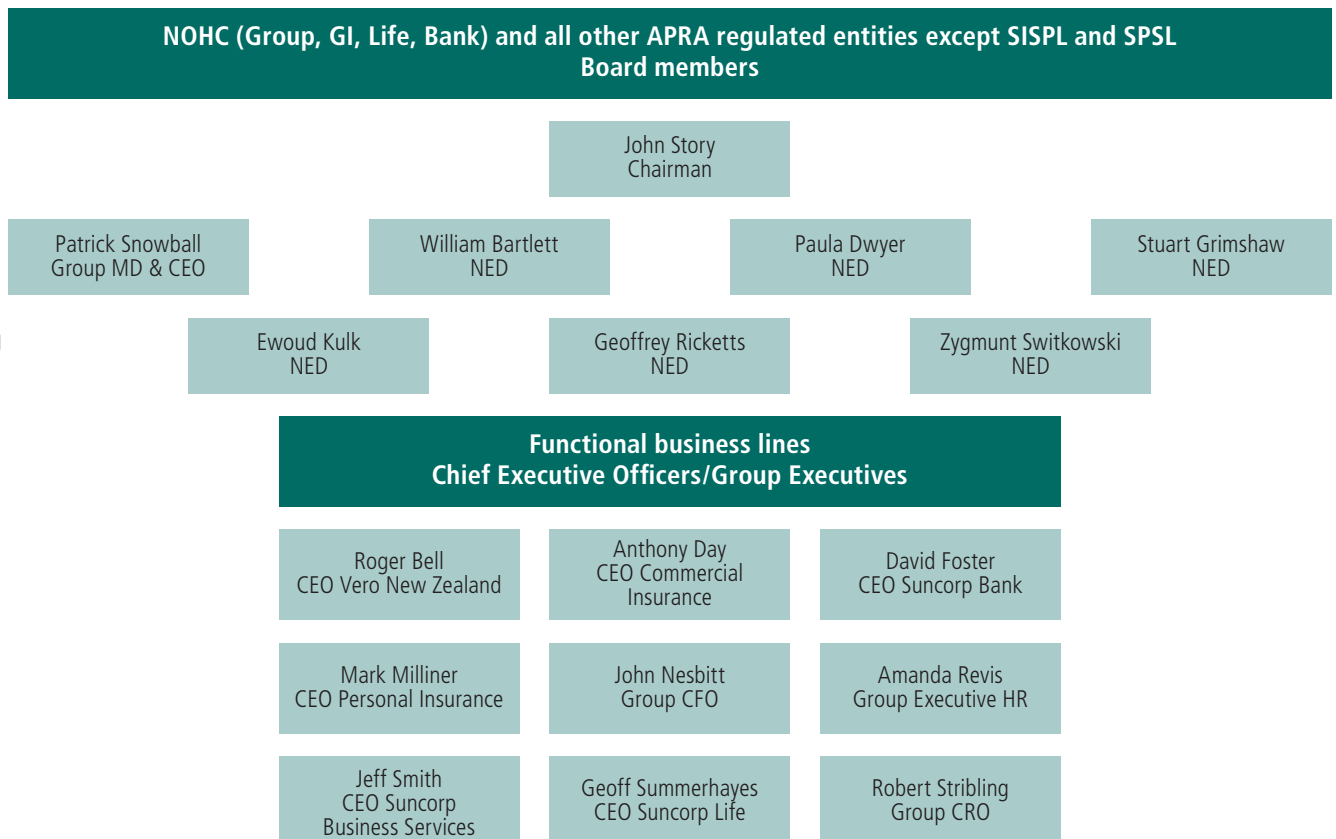
For the Board and management, the alignment of the corporate structure with accountabilities will enhance management of each business' performance and risks, including more effective management of the interests of different stakeholder groups such as shareholders, depositors and policy holders.

The simplified organisational structure should assist internal and external stakeholders to better understand the performance of the Suncorp Group's different businesses. For example, it will be easier to see the capital allocated to each business and the returns generated on that capital.

Overall, however, the actual governance model following the NOHC Restructure will be similar to that currently in place for the Suncorp Group. The directors and executives who currently have responsibility for governance and management of the Suncorp Group would remain the same following the implementation of the NOHC Restructure.

The Suncorp Group will continue to rely on the experience and professionalism of its directors in being aware of their obligations to the shareholders of SGL, policy holders and depositors, and on the majority of the directors of SGL being classified as independent directors under the ASX Corporate Governance Council Guidelines and APRA's governance Prudential Standards.

**Figure 3 – Governance structure after implementation of the NOHC Restructure**



## 2 Effect of the NOHC Restructure on the Suncorp Group (continued)

### 2.3 APRA regulatory capital

The Suncorp Group includes companies licensed under the Banking Act, Insurance Act and Life Insurance Act. These companies are currently subject to the prudential supervision of APRA and will continue to be so following the NOHC Restructure.

Prudential supervision is not limited to the licensed companies. Business groups with licensed companies must meet prudential requirements, particularly in relation to capital adequacy. There are currently prudential requirements for the Banking Group and the General Insurance Group. Following the NOHC Restructure, the Suncorp Group's structure will closely align with these prudential reporting groups.

It is APRA's intention to extend capital adequacy requirements to conglomerate groups containing licensed companies. The consultation process to develop new Prudential Standards for conglomerate groups is currently underway. The Suncorp Group is a conglomerate that will be subject to the new requirements and it will continue to be so following the NOHC Restructure.

The two corporate service companies, SCSPL and SSPL, are currently owned by SML and are part of the banking prudential reporting group. The NOHC Restructure will see these companies moved out of the Banking Group to be directly owned by SGL in the Corporate/Shared Services Group. They will be part of the conglomerate reporting group.

Following the NOHC Restructure, the Suncorp Group will hold capital against the risk associated with the corporate service companies based on an internal assessment of that risk. The capital to be held will be no less than what is held prior to the NOHC Restructure under prudential requirements.

The regulatory capital base of the Suncorp Group and of the licensed companies includes eligible hybrid securities and subordinated debt.

The NOHC Restructure will not affect the Suncorp Group's regulatory capital base.

However, the implementation of the NOHC Scheme will be a "Control Event" under the RPS Terms which will give RPS Holders the right to request exchange of their RPS (see **section 10.5** for further information). The Suncorp Group's regulatory capital will be reduced to the extent that RPS Holders request exchange of their RPS.

### 2.4 Impact on credit ratings

The Suncorp Group has provided details of the proposed NOHC Restructure to the major credit rating agencies.

Standard and Poor's (**S&P**) and Moody's have each indicated that the credit ratings of the Suncorp Group companies, including SML, will not be materially affected by the NOHC Restructure.

It is anticipated that SGL will be assigned an 'A' rating by S&P and an 'A2' rating by Moody's.

Into the future, the credit ratings of Suncorp Group companies, including SML and SGL, will be affected by a range of factors including the Suncorp Group's profitability, financial metrics, risk appetite, policies and procedures, as well as the global and domestic economic environment.

### 2.5 Financial impact of the NOHC Restructure

A pro-forma statement of financial position and pro-forma income statement have been prepared to show the impact of the NOHC Restructure on the Suncorp Group based on SML's audited consolidated financial statements for the year ended 30 June 2010. The pro-forma financial information also provides an indicative breakdown of the financial position of the General Insurance Group, Banking Group, Life Group, SGL and Corporate/Shared Services Group.

The Pro-forma Financial Information and adjustments are explained in detail in **sections 5** and **6**. The following is a summary.

#### **Pro-forma Statement of Financial Position (summary)**

| A\$ million<br>As at 30 June 2010 | General<br>Insurance Group | Bank Group | Life Group | SGL    | Corporate / Shared<br>Services | Consolidation<br>Adjustments | SGL Pro-Forma<br>Consolidated |
|-----------------------------------|----------------------------|------------|------------|--------|--------------------------------|------------------------------|-------------------------------|
| Total assets                      | 21,223                     | 65,303     | 9,561      | 13,787 | 880                            | (15,413)                     | 95,341                        |
| Total liabilities                 | 13,507                     | 62,181     | 7,017      | 103    | 823                            | (2,239)                      | 81,392                        |
| Equity                            | 7,716                      | 3,122      | 2,544      | 13,684 | 57                             | (13,174)                     | 13,949                        |



**Pro-forma Income Statement (summary)  
for the year ended 30 June 2010**  
**A\$ million**

|  |            |
|--|------------|
| General Insurance profit after tax                       | 562        |
| Bank profit after tax                                    | 44         |
| Life profit after tax                                    | 195        |
| <b>Profit after tax from business lines</b>              | <b>801</b> |
| Other group expenses (net)                               | (16)       |
| <b>Profit after tax before non-controlling interests</b> | <b>785</b> |
| Non-controlling interests                                | (9)        |
| <b>Net profit after tax</b>                              | <b>776</b> |

One-off costs associated with the NOHC Restructure are expected to total approximately \$4 million after income tax and are included in "Other group expenses (net)" above.

## 2.6 Tax impact on the Suncorp Group

No material tax impact should arise for the Suncorp Group because of the NOHC Restructure.

In this regard, private tax ruling requests have been lodged with the ATO seeking confirmation that:

- the Suncorp income tax consolidated group will continue after the NOHC Restructure;
- certain tax attributes that might otherwise be compromised by a change of ownership (such as tax losses, capital losses, unrealised losses and bad debt deductions) will not be affected by the NOHC Restructure; and
- the tax rulings obtained by the Suncorp Group prior to the NOHC Restructure remain valid and continue to bind the Commissioner of Taxation after the NOHC Restructure.

## 2.7 Dividend policy

The Suncorp Group targets an ordinary dividend payout ratio of 50% to 60% of cash earnings. Any dividend guidance is subject to the capital requirements of the business, regulatory approvals and general business and economic conditions.

The NOHC Restructure will not affect this policy.

## 2.8 Employee and director share plans

The SML Group has a number of employee and director Share Plans in place.

SGL will continue the existing plans, making any amendments necessary as a result of the NOHC Restructure (see **section 12.5** for further information).

## 2.9 Impact on Suncorp Group's business operations

The Suncorp Group has conducted a review of the effect of the NOHC Restructure on the operations of its general insurance, banking and life businesses, the current business plans and key commercial agreements and concluded that it does not expect that there will be any material adverse impact for the Suncorp Group.

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### 3 Rationale, benefits, disadvantages and risks



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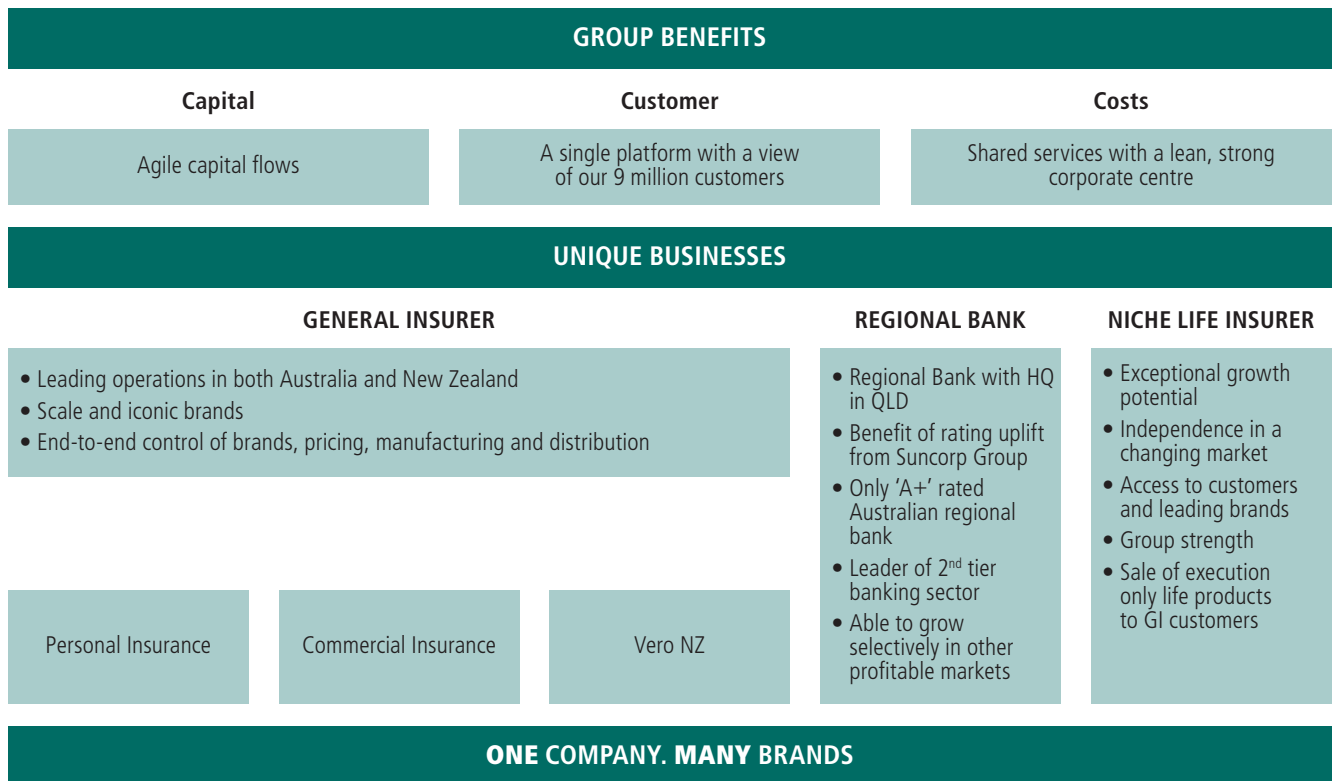
## 3 Rationale, benefits, disadvantages and risks

### 3.1 Rationale for, and potential benefits of, the NOHC Restructure

The Board believes that reorganising the Suncorp Group into clearly defined corporate groups and businesses under the NOHC Restructure offers clear benefits for the Suncorp Group and its shareholders, as well as for other stakeholders. These include:

#### (a) Simplification

The NOHC Restructure proposal is consistent with the Suncorp Group's strategic focus on implementing its 'One Company. Many Brands' business model.



Following the merger with PGL in March 2007, significant internal restructures formed the General Insurance Group and the Life Group.

However, the Suncorp Group's legal structure is still not completely aligned with its business model and operating structures. The NOHC Restructure will achieve that alignment.

For the directors and management of the Suncorp Group, the alignment of the Suncorp Group's corporate structure with accountabilities will enhance management and oversight of business performance and risks. This includes more effective management of the interests of different stakeholder groups such as shareholders, depositors and policy holders.

The simplified organisational structure will enhance strategic flexibility as excess capital will be held at the SGL (Group NOHC) level. This will allow targeted and efficient capital flows in support of organic and inorganic strategies.

#### (b) Transparency

Under a NOHC structure, there will be improved visibility of the performance of the Suncorp Group's individual businesses.

This will enhance management's ability to address the interests of different stakeholder groups, access capital markets and give external stakeholders such as regulators improved oversight of the Suncorp Group's businesses.

It will be easier, for example, to ascertain the capital allocated to each business and the returns generated on that capital.

### 3 Rationale, benefits, disadvantages and risks (continued)

#### (c) Regulation

Anticipated changes to external regulatory regimes, including APRA prudential frameworks, are expected to support the operation of conglomerates (such as the Suncorp Group) under a NOHC structure. The NOHC Restructure proposal should assist the Suncorp Group to manage these expected regulatory changes efficiently and cost-effectively. APRA is supportive of the NOHC Restructure and continues its work with the Suncorp Group to resolve the relevant prudential matters.

#### (d) Transfer of Australian employees

As a result of evolution of the Suncorp Group through major mergers and acquisitions over time, there are currently a number of Suncorp Group companies which employ the Suncorp Group's employees.

SML is seeking approval to use certain powers under the Restructure Act (see **section 12.9**) in connection with the transfer of the employment (and associated employee entitlements) of certain Australian Suncorp Group employees from their current employer to SSPL. Should that application be approved, it is expected that this transfer will occur after all of the other restructure steps, on or about 30 June 2011.

The introduction of a single employer company reflects the Suncorp Group's commitment to the "One Company. Many Brands" strategy. It will facilitate the deployment of employees across the Suncorp Group's businesses, enhancing opportunities for career progression. It will also align the management and accountability for human resources with the organisational structure and will allow for simplification of back office processes and associated systems.

The transfer of employment will not, of itself, affect the terms and conditions of such employment, but will considerably simplify the employment arrangements of the Suncorp Group in alignment with the "One Company. Many Brands" strategy.

Should the approval under the Restructure Act not be obtained, the Suncorp Group will seek to effect the transfer of employees to SSPL under a process to be confirmed. It is intended that any such alternative process would be substantially completed by 30 June 2012.

**SML believes that the NOHC Restructure will result in better decisions being made about the underlying businesses.**

**The Board believes that these benefits will be positive for shareholder value, although the extent cannot be quantified.**

#### 3.2 No material disadvantages of the NOHC Restructure

The Suncorp Group has not identified any material disadvantages associated with the implementation of a NOHC structure.

However, it is noted that:

- the one-off cost of implementing the NOHC Restructure is approximately \$6 million (approximately \$4 million after income tax). The majority of this cost has already been incurred and will not be greatly reduced if the NOHC Restructure does not proceed;
- there will be some modest incremental ongoing costs associated with regulatory compliance, rating costs for SGL and maintaining SML's listing on ASX;
- whilst Ineligible Foreign Shareholders will not receive SGL Shares under the Scheme, they will receive the net proceeds of sale of the SGL Shares that would otherwise have been issued to them; and
- whilst it is expected that the Suncorp Group will be required to comply with elements of APRA's discussion paper in relation to Supervision of Conglomerate Groups before the relevant Prudential Standards are finalised and come into effect, it considers this to be merely an acceleration of requirements which the Suncorp Group will have to meet in 2012 rather than a disadvantage of the NOHC Restructure.

#### 3.3 Risks of the NOHC Restructure

The Board has assessed that the Suncorp Group's overall risk profile will not be adversely affected as a result of the NOHC Restructure. This is primarily because the Suncorp Group's:

- underlying businesses will remain relatively unchanged;
- Board and senior management will remain the same; and
- existing strategy, capital and risk management frameworks will continue to apply.

#### 3.4 Implications of the NOHC Restructure not proceeding

Since the Promina merger was completed in 2007, SML has successfully completed significant restructuring to provide greater transparency and accountability for its businesses.

The NOHC Restructure is the next step in this process.

Should the NOHC Restructure not proceed, the Suncorp Group has appropriate management, governance and risk frameworks in place to continue to effectively manage the Suncorp Group.

However, there will be added costs associated with addressing expected regulatory changes and providing a level of transparent performance and capital allocation to the Suncorp Group's stakeholders.

The Suncorp Group will also have less flexibility to take advantage of strategic opportunities and to efficiently address requirements resulting from changes in the business and regulatory environments.

## 4 The Suncorp Group after the NOHC Restructure



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## 4 The Suncorp Group after the NOHC Restructure

### 4.1 The Suncorp Group

Immediately after the NOHC Restructure, SGL will be the sole shareholder in each of SBGH Limited (**SBHL** – the Banking Group NOHC), Suncorp Insurance Holdings Limited (**SIHL** – the General Insurance Group NOHC) and Suncorp Life Holdings Limited (**SLHL** – the Life Group NOHC).

### 4.2 SGL (Group NOHC)

SGL is currently a wholly owned subsidiary of SML.

Immediately after implementation of the NOHC Restructure, SGL will have only SGL Shares on issue, and SGL's shareholders will be:

- the Ordinary Shareholders (except for Ineligible Foreign Shareholders) on the Record Date; and
- the Sale Agent, holding the SGL Shares which would otherwise have been issued to Ineligible Foreign Shareholders.

SGL will be admitted to the official list of ASX and the SGL Shares will be quoted on ASX.

It is proposed that SGL will perform the following activities for the Suncorp Group:

- holding investments in subsidiaries (Banking Group, General Insurance Group and Life Group);
- providing governance and risk management;
- determining the Suncorp Group's strategic direction;
- setting Suncorp Group policy;
- setting budget and other performance targets;
- managing the Suncorp Group portfolios; and
- allocating resources, including capital.

### 4.3 General Insurance Group

SIHL will be the NOHC of the General Insurance Group and its role will be to hold investments in the companies that comprise the General Insurance Group.

The General Insurance Group will continue to comprise:

- General Insurance (Personal) – including the provision of home and contents insurance, motor insurance, boat insurance, travel insurance, and personal effects cover to customers in Australia;
- General Insurance (Commercial) – including the provision of commercial motor insurance, commercial property insurance, marine insurance, public liability and professional indemnity insurance, workers' compensation insurance and compulsory third party insurance to customers in Australia; and
- General Insurance (Vero New Zealand) – including the provision of home and contents insurance, business insurance, rural insurance, construction and engineering insurance, travel insurance, public liability and professional indemnity, directors' and officers' liability to customers in New Zealand.

Debt securities issued by companies within the General Insurance Group which are currently quoted on a stock exchange will continue to be so quoted (see **section 1.9(c)**).

### 4.4 Banking Group

SBHL will be the NOHC for the Banking Group and will be the direct holding company of SML.

The Banking Group will continue to provide commercial banking, agribusiness, home, personal and small business loans, savings and transaction accounts and treasury services to customers in Australia.

SML will continue to be listed on ASX and the CPS, RPS and Floating Rate Capital Notes will continue to be quoted on ASX. Debt securities issued by SML which are currently quoted on a stock exchange will continue to be so quoted (see **section 1.9(c)**).

### 4.5 Life Group

SLHL will remain as the NOHC of the Life Group and its role will be to hold investments in companies that comprise the Life Group.

As part of the internal restructure following implementation of the Scheme, SISPL will become a subsidiary of SLHL in order to align the superannuation business operations of SISPL with the Life Group.

The Life Group will continue to comprise life insurance, superannuation administration services, funds management, financial planning and funds administration in Australia and New Zealand.

### 4.6 Corporate/Shared Services Group

The Corporate/Shared Services Group will provide services for the Suncorp Group, including risk management, information technology, real estate management, procurement and human resources.

Following the alignment of legal entities, certain assets and liabilities and the employment of certain employees will be transferred between Suncorp Group companies.

Assets and liabilities which are assessed to be "corporate" or "shared services" in nature will be held in SCSPL, an existing service company.

The principal Australian employer company of the Suncorp Group will become SSPL, an existing employer company. It is proposed to transfer the employment of all Australian employees who are not currently employed by it to SSPL in order to simplify the Suncorp Group's employment arrangements (see **sections 3.1(d)** and **8.8**).

## 4 The Suncorp Group after the NOHC Restructure (continued)

It is intended to implement formal services agreements between the Corporate/Shared Services Group and other Suncorp Group companies. The NOHC Restructure will simplify the service accountabilities.

As part of the internal restructure following implementation of the Scheme, SML will sell the shares in SCSPL and SSPL to SGL, so SCSPL and SSPL will be direct, wholly owned subsidiaries of SGL.

### 4.7 The Suncorp Group's capital structure

The NOHC Restructure will redistribute capital within the Suncorp Group. The most significant change is that SML will no longer be required to hold capital associated with its investments in the General Insurance Group and the Life Group. This capital will be moved, along with the investments in those subsidiaries, to SGL.

The NOHC Restructure is capital neutral for the Suncorp Group other than the \$4 million cost (after income tax) associated with it. If RPS Holders elect to exchange their RPS as a result of the "Control Event" associated with the NOHC Restructure, the Suncorp Group's capital will be reduced by the cash paid on exchange (see **section 10.5**). The Suncorp Group's current intention is to replace any such capital through its dividend reinvestment programme.

The Suncorp Group will continue to manage capital in accordance with internal capital targets and there will be no overall reduction in the internal capital targets. However, some of the capital held to meet the current internal targets may be held by SGL rather than the operating entities. It is intended that regulatory capital in excess of internal targets will be mostly held by SGL.

Holding capital at the SGL level will improve the Suncorp Group's capital flexibility, as this capital can be rapidly deployed throughout the Suncorp Group as required. For example, this might occur to meet the requirements of organic business growth, changes in Prudential Standards, in response to a strategic opportunity or to support an entity in a distressed situation.

Following the NOHC Restructure, the capital requirements for risks associated with the service companies, SSPL and SCSPL, will be assessed with reference to an internal risk-based model. This internal assessment of the capital required will be no less than that currently required by the Prudential Standards.

**Figure 4 – Capital structure before the NOHC Restructure**

| As at 30 June 2010                       | Banking Group | General Insurance Group | Life Group | Consolidated | Group  |
|--|---------------|-------------------------|------------|--------------|--------|
|  | \$m           | \$m                     | \$m        | \$m          | \$m    |
| Net Tier 1 capital                       | 4,964         | 3,042                   | 1,564      | (1,254)      | 8,316  |
| Net Tier 2 capital                       | 554           | 778                     | -          | 1,428        | 2,760  |
| Total capital                            | 5,518         | 3,820                   | 1,564      | 174          | 11,076 |
| Capital Ratios                           | 14.82%        | 1.91x                   |            |              |        |
| Adjusted Fundamental Tier 1 core capital | 2,657         | 3,042                   | 1,564      | 174          | 7,437  |
| Adjusted Fundamental Tier 1 ratios       | 7.14%         | 1.52x                   |            |              |        |

**Figure 5 – Pro-forma capital structure after the NOHC Restructure**

| As at 30 June 2010                                    | SGL and Corporate/Shared Services Group | Banking Group | General Insurance Group | Life Group | Consolidated | Group  |
|---|---|---------------|-------------------------|------------|--------------|--------|
|   | \$m                                     | \$m           | \$m                     | \$m        | \$m          | \$m    |
| Net Tier 1 capital                                    | 568                                     | 3,387         | 2,619                   | 1,559      | 179          | 8,312  |
| Net Tier 2 capital                                    | -                                       | 1,991         | 778                     | -          | (9)          | 2,760  |
| Total capital   | 568                                     | 5,378         | 3,397                   | 1,559      | 170          | 11,072 |
| Capital Ratios  |   | 14.46%        | 1.71x                   |            |              |        |
| Adjusted Fundamental Tier 1 core capital <sup>1</sup> | 568                                     | 2,517         | 2,619                   | 1,559      | 170          | 7,433  |
| Adjusted Fundamental Tier 1 ratios <sup>1</sup>       |   | 6.77%         | 1.32x                   |            |              |        |

<sup>1</sup> The reduction in the adjusted fundamental Tier 1 ratios in the Banking Group and General Insurance Group reflects the capital redistributions discussed above.

The directors of SML believe that, after implementation of the NOHC Restructure, each business will be adequately capitalised for their risk profiles having regard to the relevant Prudential Standards.

#### 4.8 No impact on SGL's ability to pay dividends

There is no impact on SGL's capacity to pay dividends following the NOHC Restructure.

The Corporations Act permits SGL to pay a dividend if:

- SGL's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- it is fair and reasonable to SGL's shareholders as a whole; and
- it does not materially prejudice SGL's ability to pay its creditors.

#### 4.9 APRA regulation

The Suncorp Group will continue to operate as a diversified financial services provider in Australia in three key business segments – general insurance, banking and life (including superannuation and wealth management).

These businesses are subject to substantial regulatory and supervisory oversight. APRA is supportive of the NOHC Restructure and continues its work with the Suncorp Group to resolve the relevant prudential matters.

This section provides a description of the APRA regulatory and supervisory environment in which the Suncorp Group operates in Australia.

##### (a) Role and powers of APRA relevant to the Suncorp Group's business

APRA is responsible for the prudential supervision of authorised deposit-taking institutions (**ADIs**, commonly referred to as banks), general insurance and life companies and superannuation funds in Australia.

APRA has issued a number of harmonised Prudential Standards or requirements that apply to ADIs, life insurance and general insurance companies. These Prudential Standards and associated Guidelines establish the minimum standards that such supervised entities must observe.

The Suncorp Group has in place systems, policies and procedures to comply with these APRA standards. The Suncorp Group does not expect any significant changes will be required as a result of the implementation of the NOHC Restructure.

##### (b) Application of APRA regulations following implementation of the NOHC Restructure

###### (i) SGL

SGL will hold a NOHC authorisation under the Insurance Act, and will be regulated by APRA according to relevant Prudential Standards and any special conditions APRA may impose as part of that authorisation. It is expected that these conditions will reflect elements of APRA's discussion paper in relation to Supervision of Conglomerate Groups. Prudential Standards for conglomerate groups are expected to be finalised in 2011, and to commence in 2012.

###### (ii) Banking Group

APRA has advised that SGL will not require a NOHC authority under the Banking Act, but has not yet advised whether SBHL will require such an authority.

SML will continue to be authorised as an ADI by APRA and regulated by APRA according to the Banking Act and associated Prudential Standards.

###### (iii) General Insurance Group

SIHL will hold a NOHC authorisation under the Insurance Act. It will be the NOHC of the General Insurance Group and will be regulated by APRA according to the Insurance Act and associated Prudential Standards.

SISL (formerly PGL) has applied for revocation of its existing NOHC authorisation under the Insurance Act, conditional on approval of the applications by SGL and SIHL.

The authorised General Insurers within the General Insurance Group (Suncorp Metway Insurance Limited, GIO General Limited, Vero Insurance Limited, Australian Alliance Insurance Limited and Australian Associated Motor Insurers Limited) will continue to be authorised General Insurers and regulated by APRA according to the Insurance Act and associated Prudential Standards.

###### (iv) Life Group

APRA has advised that SGL will not require NOHC registration under the Life Insurance Act, but has not yet advised whether SLHL will require such an authority.

SLSL and ALL will continue to be registered life insurers and will continue to be regulated by APRA according to the Life Insurance Act and associated Prudential Standards.

SISPL and SPSL will continue to operate as APRA-regulated superannuation trustee companies and comply with the relevant Act and other prudential requirements.

#### 4.10 New Zealand regulation

The New Zealand regulatory environment is undergoing a significant change with the introduction and implementation of key pieces of legislation including in relation to prudential supervision. These will impact the Suncorp Group's New Zealand operations.

The Suncorp Group has a process in place to monitor, assess and implement those changes where relevant. It is not expected that these changes will have any impact on the implementation of the NOHC Restructure.

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## 5 Financial information



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## 5 Financial information

### 5.1 Introduction

#### (a) Overview

This section presents the following financial information:

- a pro-forma consolidated statement of financial position as at 30 June 2010 as if the NOHC Restructure occurred on that date;
- a pro-forma consolidated income statement for the year ended 30 June 2010 assuming that the NOHC Restructure occurred on 1 July 2009;

(collectively the “**Pro-forma Financial Information**”),

- explanations of the adjustments made to the historical financial information to derive the Pro-forma Financial Information; and
- a reconciliation of the Pro-forma Financial Information to the Suncorp-Metway Limited Consolidated Financial Report for the year ended 30 June 2010,

(collectively the “**Financial Information**”).

This Financial Information is provided for illustrative purposes only. It does not represent what the Suncorp Group’s financial results actually would have been if the NOHC Restructure had in fact occurred on the dates above. It is not intended to be representative of the financial results for any future period.

The Pro-forma Financial Information has been reviewed by KPMG whose Investigating Accountant’s Report relating to this information is included in **section 6**.

#### (b) Basis of preparation

The Financial Information set out in this Explanatory Memorandum has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, the Corporations Act, the Corporations Regulations and the historical cost convention except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments;
- financial instruments held for trading;
- financial instruments held to back general insurance liabilities and life policy liabilities;
- financial instruments classified as available-for-sale;
- investment property;
- certain short-term offshore borrowings; and
- life investment contract liabilities.

The Financial Information is presented in an abbreviated form and therefore it does not comply with all presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

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

The accounting policies adopted by entities within the Suncorp Group after implementation of the NOHC Restructure are unchanged from those policies adopted by SML and its subsidiaries as reported in Note 3 to the financial statements of the Suncorp-Metway Limited Consolidated Financial Report for the year ended 30 June 2010.

The Suncorp Group’s accounting policies specific to the NOHC Restructure include:

- investments in subsidiaries – SGL accounts for its investment in SML as an acquisition in exchange for issuing new SGL Shares. SGL initially recognises its investment in subsidiaries at an amount equal to the carrying value of total equity outstanding at the Implementation Date;
- subsequent to the NOHC Restructure, SGL’s investment in subsidiaries continues to be carried at cost; and
- reverse acquisition – the NOHC Restructure is accounted for as a reverse acquisition in SGL’s consolidated financial statements, with SML identified as the acquirer in accordance with AASB 3: Business Combinations. While SGL reflects its investment in subsidiaries at carrying value at the date of acquisition in its parent entity financial statements, SGL’s consolidated financial statements are presented as a continuation of the Suncorp Group that includes SGL, the General Insurance Group, the Banking Group, the Life Group, and the Corporate/Shared Services Group.

## 5 Financial information (continued)

### (c) Approach used to determine the Pro-forma Financial Information.

SGL will be established as the ultimate parent entity of the Suncorp Group comprising separate groups:

- a General Insurance Group;
- a Banking Group;
- a Life Group; and
- a Corporate/Shared Services Group.

**Section 4** sets out a more detailed description of the Suncorp Group following the NOHC Restructure, including the activities of the General Insurance Group, the Banking Group, the Life Group, SGL and the Corporate/Shared Services Group.

It is proposed that Australian employees, and their associated employment costs and provisions, will be assigned to the Corporate/Shared Services Group.

Suncorp Group-wide service costs, including employment costs and other operating expenses will be appropriately on-charged to the General Insurance Group, the Banking Group and the Life Group on a representative basis (i.e. based on usage).

The Pro-forma Financial Information is based on the proposed transfer of subsidiaries and assets (described in **section 8.8**), and the proposed arrangements with respect to employment and other operating costs.

### 5.2 Pro-forma consolidated statement of financial position as at 30 June 2010

The pro-forma consolidated statement of financial position has been prepared to illustrate the restructure of the Suncorp Group, disclosing separately the assets, liabilities and equity of the General Insurance Group, the Banking Group, the Life Group, SGL and the Corporate/Shared Services Group and the consolidated Suncorp Group as at 30 June 2010 assuming the NOHC Restructure had occurred on that date.

The pro-forma consolidated statement of financial position has been prepared as follows:

- the consolidated statement of financial position for the Suncorp Group at 30 June 2010 has been disaggregated into the General Insurance Group, the Banking Group, the Life Group, SGL and the Corporate/Shared Services Group as if the NOHC Restructure had occurred at 30 June 2010;
- the service entities which provide Suncorp Group-wide services to the General Insurance Group, the Banking Group and the Life Group have been included within the Corporate/Shared Services Group;

- the impact of the one-off costs of implementing the NOHC Restructure have been included in the pro-forma statement of financial position, increasing deferred tax assets by \$2 million, increasing payables and other liabilities by \$6 million and decreasing retained earnings by \$4 million (the estimated implementation costs after income tax);
- other equity transactions occurring after 30 June 2010 have not been included in the pro-forma consolidated statement of financial position on the basis that they are not connected with the NOHC Restructure. These include the SML directors' declaration and subsequent payment of Suncorp Group's 2010 final dividend of \$256 million paid on 1 October 2010 out of retained profits as at 30 June 2010; and
- recognition of SGL's investment in the General Insurance Group, the Banking Group, the Life Group and the Corporate/Shared Services Group at cost in its parent entity statement of financial position will be eliminated on consolidation.

The pro-forma SGL standalone statement of financial position has been prepared as follows:

- SGL has recognised the issue of SGL Shares to Ordinary Shareholders under the Scheme at their cost as at 30 June 2010;
- SGL initially records its investment in the General Insurance Group, the Banking Group, the Life Group and the Corporate/Shared Services Group at cost; and
- surplus capital will be repaid to SGL by the General Insurance Group, the Banking Group and the Life Group subsequent to the NOHC Restructure. Assuming the NOHC Restructure occurred on 30 June 2010, a repayment of capital of \$441 million has been recognised in the amounts due from subsidiaries in SGL.

The information that follows has been extracted from the audited financial information of SML and its subsidiaries contained within the Suncorp-Metway Limited Consolidated Financial Report for the year ended 30 June 2010, adjusted for the pro-forma transactions and disaggregated between the Suncorp Group that includes SGL, the General Insurance Group, the Banking Group, the Life Group and the Corporate/Shared Services Group.



### Pro-forma Statement of Financial Position

| As at 30 June 2010  | SML<br>Consol<br>Statutory | General<br>Insurance<br>Group | Banking<br>Group | Life<br>Group | SGL           | Corporate<br>/ Shared<br>Services | Consolidation<br>Adjustments | SGL<br>Pro-Forma<br>Consolidated | Pro-forma<br>Adjustments | Note    |
|---|----------------------------|-------------------------------|------------------|---------------|---------------|-----------------------------------|------------------------------|----------------------------------|--------------------------|---------|
|   | \$m                        | \$m                           | \$m              |               | \$m           | \$m                               | \$m                          | \$m                              | \$m                      |         |
| <b>Assets</b>   |                            |                               |                  |               |               |                                   |                              |                                  |                          |         |
| Cash and cash equivalents                                 | 883                        | 156                           | 329              | 575           | -             | 42                                | (219)                        | 883                              | -                        |         |
| Receivables due from other banks                          | 232                        | -                             | 232              | -             | -             | -                                 | -                            | 232                              | -                        |         |
| Trading securities  | 8,233                      | -                             | 8,233            | -             | -             | -                                 | -                            | 8,233                            | -                        |         |
| Derivatives   | 833                        | 36                            | 784              | 13            | -             | -                                 | -                            | 833                              | -                        |         |
| Investment securities                                     | 21,091                     | 11,151                        | 3,133            | 7,364         | 13,047        | 54                                | (13,658)                     | 21,091                           | -                        |         |
| Loans, advances and other receivables                     | 53,724                     | 2,273                         | 51,147           | 305           | -             | -                                 | (1)                          | 53,724                           | -                        |         |
| Reinsurance and other recoveries                          | 1,878                      | 1,550                         | -                | 328           | -             | -                                 | -                            | 1,878                            | -                        |         |
| Deferred insurance assets                                 | 748                        | 726                           | -                | 18            | -             | -                                 | 4                            | 748                              | -                        |         |
| Investments in associates and joint ventures              | 62                         | 60                            | -                | 1             | -             | -                                 | 1                            | 62                               | -                        |         |
| Due from subsidiaries                                     | -                          | (389)                         | 638              | (5)           | 622           | 339                               | (1,205)                      | -                                | -                        |         |
| Property, plant and equipment                             | 358                        | 8                             | 68               | 8             | -             | 274                               | -                            | 358                              | -                        |         |
| Deferred tax assets                                       | 101                        | -                             | 207              | 11            | 17            | 92                                | (224)                        | 103                              | 2                        | 5.4 (a) |
| Investment property                                       | 144                        | 144                           | -                | -             | -             | -                                 | -                            | 144                              | -                        |         |
| Other assets  | 425                        | 127                           | 275              | 6             | 101           | 19                                | (103)                        | 425                              | -                        |         |
| Goodwill and intangible assets                            | 6,627                      | 5,381                         | 257              | 937           | -             | 60                                | (8)                          | 6,627                            | -                        |         |
| <b>Total assets</b>                                       | <b>95,339</b>              | <b>21,223</b>                 | <b>65,303</b>    | <b>9,561</b>  | <b>13,787</b> | <b>880</b>                        | <b>(15,413)</b>              | <b>95,341</b>                    | <b>2</b>                 |         |
| <b>Liabilities</b>  |                            |                               |                  |               |               |                                   |                              |                                  |                          |         |
| Deposits and short-term borrowings                        | 34,098                     | 1                             | 34,311           | 72            | -             | -                                 | (286)                        | 34,098                           | -                        |         |
| Derivatives   | 2,461                      | 49                            | 2,409            | 3             | -             | -                                 | -                            | 2,461                            | -                        |         |
| Payables due to other banks                               | 28                         | -                             | 28               | -             | -             | -                                 | -                            | 28                               | -                        |         |
| Payables and other liabilities                            | 1,874                      | 690                           | 835              | 240           | 6             | 148                               | (39)                         | 1,880                            | 6                        | 5.4 (a) |
| Current tax liabilities                                   | 1                          | 6                             | -                | -             | -             | -                                 | (5)                          | 1                                | -                        |         |
| Employee benefit obligations                              | 280                        | 30                            | -                | 8             | -             | 242                               | -                            | 280                              | -                        |         |
| Due to subsidiaries                                       | -                          | 331                           | 286              | 58            | 97            | 433                               | (1,205)                      | -                                | -                        |         |
| Unearned premium liabilities                              | 3,672                      | 3,670                         | -                | 2             | -             | -                                 | -                            | 3,672                            | -                        |         |
| Outstanding claims liabilities                            | 8,028                      | 7,886                         | -                | 142           | -             | -                                 | -                            | 8,028                            | -                        |         |
| Gross policy liabilities                                  | 5,583                      | -                             | -                | 5,583         | -             | -                                 | -                            | 5,583                            | -                        |         |
| Unvested policyowner benefits                             | 404                        | -                             | -                | 404           | -             | -                                 | -                            | 404                              | -                        |         |
| Deferred tax liabilities                                  | -                          | 140                           | 1                | 83            | -             | -                                 | (224)                        | -                                | -                        |         |
| Managed funds units on issue                              | 437                        | 15                            | -                | 422           | -             | -                                 | -                            | 437                              | -                        |         |
| Securitisation liabilities                                | 4,710                      | -                             | 4,905            | -             | -             | -                                 | (195)                        | 4,710                            | -                        |         |
| Debt issues   | 16,759                     | -                             | 17,044           | -             | -             | -                                 | (285)                        | 16,759                           | -                        |         |
| <b>Total liabilities excluding loan capital</b>           | <b>78,335</b>              | <b>12,818</b>                 | <b>59,819</b>    | <b>7,017</b>  | <b>103</b>    | <b>823</b>                        | <b>(2,239)</b>               | <b>78,341</b>                    | <b>6</b>                 |         |
| <b>Loan capital</b>                                       |                            |                               |                  |               |               |                                   |                              |                                  |                          |         |
| Subordinated notes  | 2,182                      | 689                           | 1,493            | -             | -             | -                                 | -                            | 2,182                            | -                        |         |
| Preference shares   | 869                        | -                             | 869              | -             | -             | -                                 | -                            | 869                              | -                        | 5.4 (a) |
| <b>Total loan capital</b>                                 | <b>3,051</b>               | <b>689</b>                    | <b>2,362</b>     | <b>-</b>      | <b>-</b>      | <b>-</b>                          | <b>-</b>                     | <b>3,051</b>                     | <b>-</b>                 |         |
| <b>Total liabilities</b>                                  | <b>81,386</b>              | <b>13,507</b>                 | <b>62,181</b>    | <b>7,017</b>  | <b>103</b>    | <b>823</b>                        | <b>(2,239)</b>               | <b>81,392</b>                    | <b>6</b>                 |         |
| <b>Net assets</b>   | <b>13,953</b>              | <b>7,716</b>                  | <b>3,122</b>     | <b>2,544</b>  | <b>13,684</b> | <b>57</b>                         | <b>(13,174)</b>              | <b>13,949</b>                    | <b>(4)</b>               |         |
| <b>Equity</b>   |                            |                               |                  |               |               |                                   |                              |                                  |                          |         |
| Share capital   | 12,618                     | 7,665                         | 2,143            | 2,220         | 12,781        | 59                                | (12,250)                     | 12,618                           | -                        |         |
| Reserves  | 74                         | (76)                          | 133              | 257           | 907           | -                                 | (1,147)                      | 74                               | -                        |         |
| Retained profits  | 1,241                      | 110                           | 846              | 64            | (4)           | (2)                               | 223                          | 1,237                            | (4)                      |         |
| <b>Total equity attributable to owners of the Company</b> | <b>13,933</b>              | <b>7,699</b>                  | <b>3,122</b>     | <b>2,541</b>  | <b>13,684</b> | <b>57</b>                         | <b>(13,174)</b>              | <b>13,929</b>                    | <b>(4)</b>               |         |
| Non-controlling interests                                 | 20                         | 17                            | -                | 3             | -             | -                                 | -                            | 20                               | -                        |         |
| <b>Total equity</b>                                       | <b>13,953</b>              | <b>7,716</b>                  | <b>3,122</b>     | <b>2,544</b>  | <b>13,684</b> | <b>57</b>                         | <b>(13,174)</b>              | <b>13,949</b>                    | <b>(4)</b>               |         |

## 5 Financial information (continued)

### 5.3 Pro-forma consolidated income statement for the year ended 30 June 2010

The pro-forma consolidated income statement has been prepared to illustrate the financial performance of the General Insurance Group, the Banking Group, the Life Group, SGL and the Corporate/Shared Services Group, and the consolidated Suncorp Group for the year ended 30 June 2010, assuming that the NOHC Restructure had occurred on 1 July 2009.

The pro-forma consolidated income statement has been prepared as follows:

- the consolidated income statement for SGL for the year ended 30 June 2010 has been reorganised into the General Insurance Group, the Banking Group, the Life Group, SGL and the Corporate/Shared Services Group as if the NOHC Restructure had occurred on 1 July 2009; and
- the impact of the one-off costs of implementing the NOHC Restructure has been included in the pro-forma consolidated income statement (these costs are estimated to total \$4 million after income tax).

All costs of SGL and the Corporate/Shared Services Group (excluding integration costs and NOHC Restructure implementation costs) are fully recharged to the General Insurance Group, the Banking Group and the Life Group as appropriate.

**Pro-forma Income Statement**

| for the year ended 30 June 2010                       | SML<br>Consol<br>Statutory | General<br>Insurance<br>Group | Banking<br>Group | Life<br>Group | SGL        | Corporate/<br>Shared<br>Services/<br>Other | Consolidation<br>Adjustments | SGL<br>Pro-forma<br>Consolidated | Pro-forma<br>Adjustments | Note    |
|---|----------------------------|-------------------------------|------------------|---------------|------------|--|------------------------------|----------------------------------|--------------------------|---------|
|   | \$m                        | \$m                           | \$m              | \$m           | \$m        | \$m  | \$m                          | \$m                              | \$m                      |         |
| <b>General Insurance</b>                              |                            |                               |                  |               |            |  |                              |                                  |                          |         |
| Gross written premium                                 | 7,027                      | 7,027                         |                  |               |            |  |                              | 7,027                            | -                        |         |
| Net earned premium                                    | 6,310                      | 6,310                         |                  |               |            |  |                              | 6,310                            | -                        |         |
| Net incurred claims                                   | (4,637)                    | (4,637)                       |                  |               |            |  |                              | (4,637)                          | -                        |         |
| Operating expenses                                    | (1,670)                    | (1,670)                       |                  |               |            |  |                              | (1,670)                          | -                        |         |
| Investment income – insurance funds                   | 602                        | 602                           |                  |               |            |  |                              | 602                              | -                        |         |
| Insurance trading result                              | 605                        | 605                           | -                | -             | -          | -  | -                            | 605                              | -                        |         |
| Managed schemes net income                            | 4                          | 4                             |                  |               |            |  |                              | 4                                | -                        |         |
| Joint venture and other income                        | 53                         | 53                            |                  |               |            |  |                              | 53                               | -                        |         |
| Investment income – shareholders funds                | 194                        | 194                           |                  |               |            |  |                              | 194                              | -                        |         |
| Profit before tax and capital funding                 | 856                        | 856                           | -                | -             | -          | -  | -                            | 856                              | -                        |         |
| Capital funding                                       | (82)                       | (82)                          |                  |               |            |  |                              | (82)                             | -                        |         |
| Profit before tax                                     | 774                        | 774                           | -                | -             | -          | -  | -                            | 774                              | -                        |         |
| Income tax  | (217)                      | (217)                         |                  |               |            |  |                              | (217)                            | -                        |         |
| <b>General Insurance profit after tax</b>             | <b>557</b>                 | <b>557</b>                    | -                | -             | -          | -  | -                            | <b>557</b>                       | -                        |         |
| <b>Banking</b>  |                            |                               |                  |               |            |  |                              |                                  |                          |         |
| Net interest income                                   | 928                        |                               | 928              |               |            |  |                              | 928                              | -                        |         |
| Non-interest income                                   | 175                        |                               | 175              |               |            |  |                              | 175                              | -                        |         |
| Operating expenses                                    | (546)                      |                               | (546)            |               |            |  |                              | (546)                            | -                        |         |
| Profit before tax and impairment losses               | 557                        | -                             | 557              | -             | -          | -  | -                            | 557                              | -                        |         |
| Impairment losses on loans and advances               | (479)                      |                               | (479)            |               |            |  |                              | (479)                            | -                        |         |
| Profit before tax                                     | 78                         | -                             | 78               | -             | -          | -  | -                            | 78                               | -                        |         |
| Income tax  | (34)                       |                               | (34)             |               |            |  |                              | (34)                             | -                        |         |
| <b>Bank profit after tax</b>                          | <b>44</b>                  | -                             | <b>44</b>        | -             | -          | -  | -                            | <b>44</b>                        | -                        |         |
| <b>Life</b>   |                            |                               |                  |               |            |  |                              |                                  |                          |         |
| Underlying profit after tax                           | 192                        |                               |                  | 192           |            |  |                              | 192                              | -                        |         |
| Market adjustments after tax                          | 30                         |                               |                  | 30            |            |  |                              | 30                               | -                        |         |
| <b>Life profit after tax</b>                          | <b>222</b>                 | -                             | -                | <b>222</b>    | -          | -  | -                            | <b>222</b>                       | -                        |         |
| <b>PROFIT AFTER TAX FROM BUSINESS LINES</b>           | <b>823</b>                 | <b>557</b>                    | <b>44</b>        | <b>222</b>    | -          | -  | -                            | <b>823</b>                       | -                        |         |
| <b>Other</b>  |                            |                               |                  |               |            |  |                              |                                  |                          |         |
| Contribution from LJ Hooker                           | 4                          | -                             | -                | -             | -          | 4  | -                            | 4                                | -                        |         |
| Sale of subsidiary and investment in joint ventures   | 215                        | 165                           | -                | -             | -          | 50   | -                            | 215                              | -                        |         |
| Consolidation adjustments                             | 9                          | 7                             | -                | -             | -          | -  | 2                            | 9                                | -                        |         |
| Amortisation of Promina acquisition intangible assets | (210)                      | (173)                         | -                | (37)          | -          | -  | -                            | (210)                            | -                        |         |
| Integration costs                                     | (59)                       | -                             | -                | -             | -          | (59)                                       | -                            | (59)                             | -                        |         |
| NOHC implementation costs                             | -                          | -                             | -                | -             | (6)        | -  | -                            | (6)                              | 6                        | 5.4 (b) |
| Profit/(loss) before tax                              | (41)                       | (1)                           | -                | (37)          | (6)        | (5)  | 2                            | (47)                             | 6                        |         |
| Income tax benefit                                    | 7                          | 6                             | -                | 10            | 2          | 2  | (11)                         | 9                                | (2)                      | 5.4 (b) |
| <b>Profit/(loss) on other items</b>                   | <b>(34)</b>                | <b>5</b>                      | -                | <b>(27)</b>   | <b>(4)</b> | <b>(3)</b>                                 | <b>(9)</b>                   | <b>(38)</b>                      | <b>4</b>                 |         |
| Profit after tax before non-controlling interests     | 789                        | 562                           | 44               | 195           | (4)        | (3)  | (9)                          | 785                              | 4                        |         |
| Non-controlling interests                             | (9)                        | (5)                           | -                | (4)           | -          | -  | -                            | (9)                              | -                        |         |
| <b>NET PROFIT AFTER TAX</b>                           | <b>780</b>                 | <b>557</b>                    | <b>44</b>        | <b>191</b>    | <b>(4)</b> | <b>(3)</b>                                 | <b>(9)</b>                   | <b>776</b>                       | <b>4</b>                 |         |

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## 5 Financial information (continued)

### 5.4 Adjustments to pro-forma consolidated statement of financial position and income statement compared to Suncorp-Metway Limited Consolidated Financial Report for the year ended 30 June 2010

#### (a) Consolidated statement of financial position

As outlined in **section 5.2**, the adjustments comprise the following:

- the impact of the one-off costs of implementing the NOHC Restructure has been included in the pro-forma statement of financial position, increasing deferred tax assets by \$2 million, increasing payables and other liabilities by \$6 million and decreasing retained earnings by \$4 million (the estimated implementation costs after income tax).

#### (b) Income statement

As outlined in **section 5.3**, the adjustments comprise the following:

- the impact of the one-off costs of implementing the NOHC Restructure has been included in the pro-forma consolidated income statement (these costs are estimated to total \$4 million after income tax).

### 5.5 No material changes to SML's financial position since 30 June 2010

Within the knowledge of the directors of SML, the financial position of SML has not materially changed since 30 June 2010.

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## 6 Investigating Accountant's Report



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## 6 Investigating Accountant's Report



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The Due Diligence Committee, each of its members  
 and their representatives

Contact Robert S Jones (07) 3233 3128

Board of Directors  
 Suncorp-Metway Limited  
 GPO Box 1453  
 Brisbane Qld 4001

27 October 2010

Dear members of the Board and Due Diligence Committee

### Investigating Accountant's Report and Financial Services Guide

#### Investigating Accountant's Report

##### Introduction

KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services") has been engaged by Suncorp-Metway Limited ("SML") to prepare this report for inclusion in the Explanatory Memorandum to be dated 28 October 2010 ("the Public Document"), and to be issued by SML, in respect of the proposed restructure of the Suncorp group ("the Group") under a non-operating holding company, Suncorp Group Limited ("SGL").

Expressions defined in the Public Document have the same meaning in this report.

##### Scope

KPMG Transaction Services has been requested to prepare a report covering the Pro-forma Financial Information described below and disclosed in the Public Document.

The Pro-forma Financial Information is presented in an abbreviated form in the Public Document insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

The Historical Financial Information, as set out in sections 5.2 and 5.3 of the Public Document, comprises the Group's audited consolidated income statement for the year ended 30 June 2010 and audited consolidated statement of financial position as at 30 June 2010 (together the "Historical Financial Information").

The Historical Financial Information set out in sections 5.2 and 5.3 of the Public Document has been extracted from the audited financial statements of SML for the year ended 30 June 2010.

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## 6 Investigating Accountant's Report (continued)



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The financial statements of SML for that year were audited by KPMG in accordance with Australian Auditing Standards. The audit opinion issued to the members of SML relating to those financial statements was unqualified.

***Review of Pro-Forma Financial Information***

The Pro-forma Financial Information, as set out in sections 5.2 and 5.3 of the Public Document, comprises the Group's pro-forma statements of financial position as at 30 June 2010 and pro-forma income statements for the year ended 30 June 2010 as they relate to:

- the General Insurance Group, the Banking Group and the Life Group ("the operating divisions");
- SGL;
- the companies in the Group which will provide corporate and shared services to other Group companies ("the corporate/shared services group"); and
- the consolidated SGL group,

together the "Pro-forma Financial Information".

The Pro-forma Financial Information has been derived from the Historical Financial Information, extracted from the audited financial statements of SML for the year ended 30 June 2010, after adjusting for the pro-forma transactions described in section 5.4 of the Public Document.

For the purposes of preparing this report, we have reviewed the Pro-forma Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Pro-forma Financial Information is not prepared or presented fairly, in all material respects, on the basis of the pro-forma transactions described in section 5.4 of the Public Document, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies disclosed in section 5.1(b) of the Public Document.

We have conducted our review in accordance with Australian Auditing Standards applicable to review engagements. We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- a review of the extraction of the Historical Financial Information from the audited financial statements of SML for the year ended 30 June 2010 including:
  - the Group's audited consolidated statement of financial position as at 30 June 2010; and
  - the Group's audited consolidated income statement for the year ended 30 June 2010;
- a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including the Australian Accounting Interpretations), and the accounting policies disclosed in section 5.1(b) of the Public Document;





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- review of the pro-forma transactions reflected in the Pro-forma Financial Information;
- a review of SML's work papers, accounting records and other documents;
- enquiry of Directors, management and others in relation to the Pro-forma Financial Information; and
- analytical procedures on the Pro-forma Financial Information of the SGL group as at 30 June 2010 and for the year ended 30 June 2010.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### **Directors' responsibilities**

The Directors of SML are responsible for the preparation and presentation of:

- the Historical Financial Information; and
- the Pro-forma Financial Information, including the determination of the pro-forma transactions.

#### **Review statements**

##### ***Review statement on the Pro-forma Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro-forma Financial Information, which comprises:

- the pro-forma statements of financial position of the SGL group, the operating divisions, the corporate/shared services group and SGL as at 30 June 2010 as disclosed in section 5.2; and
- the pro-forma income statements of the SGL group, the operating divisions, the corporate/shared services group and SGL for the year ended 30 June 2010 as disclosed in section 5.3,

is not prepared or presented fairly, in all material respects, on the basis of the pro-forma transactions described in section 5.4 of the Public Document, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including the Australian Accounting Interpretations), and accounting policies disclosed in section 5.1(b) of the Public Document.

#### **Independence**

KPMG Transaction Services does not have any interest in the outcome of the proposed scheme of arrangement, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of SML and from time to time, KPMG also provides SML with certain other professional services, for which normal professional fees are received.

## 6 Investigating Accountant's Report (continued)



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**General advice warning**

This report has been prepared, and included in the Public Document, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Public Document in the form and context in which it is so included, but has not authorised the issue of the Public Document. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Public Document.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Robert S. Jones', written over a large, stylized circular flourish.

Robert S Jones  
Director

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 Australia

## Financial Services Guide

Dated 27 October 2010

**KPMG Transaction Services (Australia) Pty Limited ABN 65 003 891 718**, Australian Financial Services Licence Number 245402 (**KPMG** or **we** or **us** or **our** as appropriate) has been engaged by Suncorp-Metway Limited (**Company**) to provide an Investigating Accountant's Report (**Report**) in relation to the proposed restructure of the Suncorp-Metway Limited group (**Transaction**) for inclusion in the Explanatory Memorandum dated 28 October 2010 (**Document**) prepared by the Company.

### Purpose of this Guide

This Guide is designed to help retail clients to decide how to use our Report. It includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our licence;
- how we and our staff are paid;
- any relevant associations or relationships we have;
- how complaints are dealt with; and
- the compensation arrangements we have in place.

The Document contains information about significant benefits, risks, fees and other charges and other information about the Transaction.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- interests in managed investments schemes (excluding investor directed portfolio services); and

- securities (such as shares and debentures).

### Our responsibility to you

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. You have not engaged us directly but have received a copy of the Report because of your connection to the Transaction.

We are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in our Report.

### General Advice

Our report only contains general advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in our Report having regard to your circumstances before you act on our Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

### Fees we may receive

We charge fees for preparing reports. These fees will usually be agreed with, and paid by, the financial product issuer. Fees are agreed on either a fixed fee or a time cost basis. In this instance, Suncorp-Metway Limited has agreed to pay us fees in the range of \$75,000 to \$100,000 for preparing the Report.

KPMG and its officers, employees, representatives, related entities and associates

## 6 Investigating Accountant's Report (continued)



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will not receive any other fee or benefit in connection with the provision of the Report.

#### **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

#### **Associations and relationships**

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). Our directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have, over the past two years, provided a range of audit, tax and advisory services to Suncorp-Metway Limited for which professional fees have been received. No KPMG entity has any interest in the Company or any other interested party to the Transaction.

#### **Remuneration or other benefits received by our representatives**

KPMG officers, employees and representatives receive a salary or a partnership distribution from the KPMG Partnership. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

#### **Complaints resolution**

##### Internal complaints resolution process

If you have a complaint, please let us know. Formal complaints should be sent in writing to

The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 5 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise you in writing of our response to your complaint.

##### External complaints resolution process

If we cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**) of which we are a member. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at:

Address:  
 Financial Ombudsman Service Limited, GPO  
 Box 3, Melbourne Victoria 3001  
 Telephone: 1300 78 08 08  
 Facsimile: (03) 9613 6399  
 Email: [info@fos.org.au](mailto:info@fos.org.au).

The Australian Securities and Investment Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

##### Compensation arrangements

KPMG has professional indemnity insurance cover as required by the Corporations Act.

#### **Contact details**

You may contact us using the contact details set out at the top of the letterhead on the first page of this Guide.

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## 7 Independent Expert's Report



*One Company. Many Brands*



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## 7 Independent Expert's Report

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**Financial Services Guide  
and  
Independent Expert's Report  
in relation to the Proposed Restructure of  
Suncorp-Metway Limited**

**Grant Samuel & Associates Pty Limited**  
(ABN 28 050 036 372)

**29 October 2010**

## 7 Independent Expert's Report (continued)

## GRANT SAMUEL



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## Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Suncorp-Metway Limited ("SML") in relation to the NOHC Restructure ("the Suncorp Group Report"), Grant Samuel will receive a fixed fee of \$350,000 plus reimbursement of out-of-pocket expenses for the preparation of the Suncorp Group Report (as stated in Section 7.3 of the Suncorp Group Report).

No related body corporate of Grant Samuel, or any of the Directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Suncorp Group Report.

Grant Samuel is required to be independent of the Entity in order to provide a Suncorp Group Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 October 2007. The following information in relation to the independence of Grant Samuel is stated in Section 7.3 of the Suncorp Group Report:

*"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with SML that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the NOHC Restructure.*

*Grant Samuel advises that it was retained by Promina Group Limited in relation to the proposed merger with SML in 2006. In addition, Grant Samuel group executives hold parcels of less than 3,500 shares in SML in aggregate.*

*Grant Samuel commenced analysis for the purposes of this report in August 2010 prior to the announcement of the NOHC Restructure. This work did not involve Grant Samuel participating in the setting the terms of, or any negotiations leading to, the NOHC Restructure.*

*Grant Samuel had no part in the formulation of the NOHC Restructure. Its only role has been the preparation of this report.*

*Grant Samuel will receive a fixed fee of \$350,000 for the preparation of this report. This fee is not contingent on the outcome of the NOHC Restructure. Grant Samuel's out-of-pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*

*Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 October 2007."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the Suncorp Group Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the Suncorp Group Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.



GRANT SAMUEL



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## GRANT SAMUEL



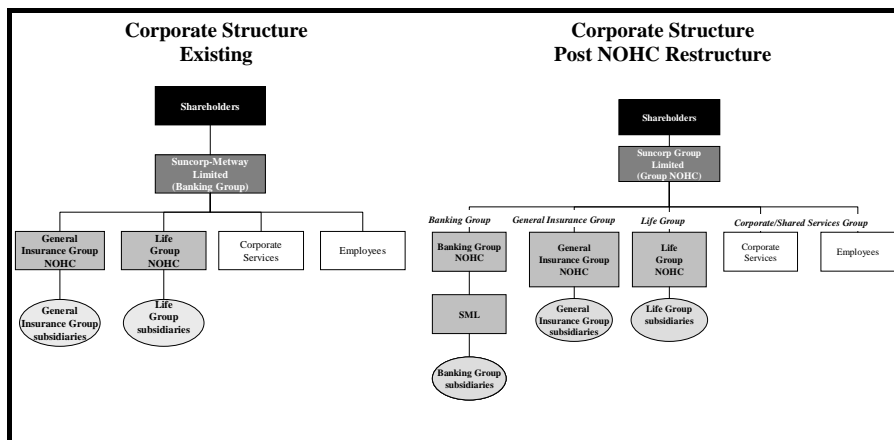
## 1 Summary

On 28 October 2010, Suncorp-Metway Limited (“SML”), the parent entity of the Suncorp Group, announced its intention to implement a non-operating holding company structure (“NOHC Restructure”). The NOHC Restructure involves the establishment of Suncorp Group Limited (“SGL”), which will become the parent of the Suncorp Group. Under a scheme of arrangement (“Scheme”), SML ordinary shareholders will receive one share in SGL for every share held in SML. The shares will be listed on the Australian Securities Exchange (“ASX”). The Suncorp Group will continue to operate its Banking, General Insurance and Life businesses. The Banking Group, General Insurance Group and Life Group will each be headed by a NOHC, which will in turn be a subsidiary of SGL. SGL will also have a Corporate/Shared Services Group which will comprise entities responsible for the employment of staff in Australia and for the provision of corporate or shared services.

As part of the NOHC Restructure, SML will undertake an internal restructure involving internal share and asset transfers (including certain employees and liabilities) to align assets and liabilities with the new corporate structure. This will include a share buy-back to effect the transfer of the general and life insurance subsidiaries to the NOHCs that will hold Suncorp Group’s General Insurance and Life Groups (“Share Buy-back”).

The convertible preference shares (“CPS”), reset preference shares (“RPS”), perpetual capital notes (“Capital Notes”) and other debt securities issued by SML will remain with SML. The terms of the CPS will be amended such that SGL (rather than SML) will be the issuer of the ordinary shares receivable by CPS holders on conversion. The CPS, RPS and Capital Notes will remain listed on the ASX.

The proposed change to the corporate structure of the Suncorp Group pursuant to the NOHC Restructure is illustrated below:



Source: Suncorp Group

The Directors of SML have engaged Grant Samuel & Associates Pty Limited (“Grant Samuel”) to prepare an independent expert’s report setting out its opinion in relation to various elements of the NOHC Restructure and to state reasons for that opinion.

The NOHC Restructure will have no impact on the business operations, aggregate capital, strategy, risk exposures or management of the Suncorp Group. However, the NOHC Restructure will enhance the capital flexibility of the Suncorp Group. The Group NOHC (ie. SGL) will hold group capital in excess of that directly required to support the individual business operations. SGL will have the capacity to provide additional capital to any of the NOHC subsidiaries as required. This will improve Suncorp Group’s ability to respond to financial stress. It will also provide the capacity to respond to any capital intensive opportunities that become available. The Suncorp Group also expects that the NOHC Restructure will

## 7 Independent Expert's Report (continued)

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deliver benefits associated with the alignment of Suncorp Group's corporate structure and capital allocation with the operating structure, such as improved transparency, strategic flexibility and simplified regulatory compliance. The benefits of the NOHC Restructure are not quantifiable. Even if assessed collectively, they are unlikely to be compelling. On the other hand, the NOHC Restructure has few disadvantages, other than immaterial transaction costs of approximately \$4 million after tax (which have largely already been incurred) and trivial ongoing incremental costs that will be incurred if the NOHC Restructure proceeds.

In Grant Samuel's opinion:

- the Scheme and the NOHC Restructure are in the best interests of SML's ordinary shareholders;
- the Share Buy-back is in the best interests of SML's ordinary shareholders and CPS holders;
- the Share Buy-back will not materially prejudice SML's ability to pay its creditors, including RPS holders and deposit holders; and
- the NOHC Restructure will not materially prejudice policy holders and deposit holders.

## GRANT SAMUEL



## 2 Details of the NOHC Restructure

The Suncorp Group is proposing a restructure that will involve the establishment of a new Group NOHC, SGL, which will become the parent of the Suncorp Group. SGL will be a publicly listed company with three businesses – Banking Group, General Insurance Group and Life Group - each headed by a NOHC, which will in turn be a subsidiary of SGL. SGL will also have separate subsidiaries for the employment of staff in Australia and for corporate or shared services.

The Banking, General Insurance and Life Groups will continue to be subject to the full range of Australian Prudential Regulation Authority (“APRA”) regulation. SGL will be an authorised general insurance NOHC and will also be regulated for APRA purposes.

The NOHC Restructure is to be effected by a scheme of arrangement between SML and its ordinary shareholders (Scheme). Pursuant to the Scheme, ordinary shareholders (except for ineligible foreign ordinary shareholders) will receive one new share in SGL for every share currently held in SML. Immediately following implementation of the Scheme, SML will undertake an internal restructure involving internal share and asset transfers (including certain employees and liabilities) to align them with the new corporate structure. This will include a Share Buy-back to effect the transfer of the general and life insurance subsidiaries to the NOHCs that will hold Suncorp Group’s General Insurance and Life Groups.

Ineligible foreign ordinary shareholders will not be entitled to receive SGL shares. The SGL shares that would otherwise have been issued to them will be issued to a sale agent and sold on ASX, with the proceeds remitted to the ineligible shareholders.

The CPS, RPS, Capital Notes and other debt securities issued by SML will remain with SML. The terms of the CPS will be amended such that SGL (rather than SML) will be the issuer of the ordinary shares receivable by CPS holders on conversion. The CPS, RPS and Capital Notes will remain listed on the ASX.

The NOHC Restructure requires a number of approvals, including the following:

- approval of the Scheme by the majority in number (ie. at least 50%) of SML ordinary shareholders present and voting (either in person or by proxy) at the Scheme meeting and by SML ordinary shareholders representing at least 75% of the votes cast on the resolution;
- approval of the Share Buy-back by SML ordinary shareholders, CPS holders and RPS holders at a general meeting;
- approval by the Supreme Court at a hearing following the Scheme meeting;
- approval of the Federal Treasurer in accordance with the Financial Sector (Business Transfer and Group Restructure) Act, 1999, the Banking Act, 1959 and the Financial Sector (Shareholdings) Act 1998; and
- an exemption under the New Zealand Overseas Investment Act, 2005.

The resolutions to approve the Scheme and Share Buy-back are interdependent. Failure to approve either of these resolutions will result in the NOHC Restructure not proceeding.

## 7 Independent Expert's Report (continued)

GRANT SAMUEL



### 3 Scope of the Report

#### 3.1 Purpose of the Report

The NOHC Restructure is subject to the approval of SML ordinary shareholders, CPS holders and RPS holders in accordance with:

- Sections 257A, 257B and 257C of the Corporations Act, 2001 ("Corporations Act") ("Sections 257A, 257B and 257C"); and
- Section 411 of the Corporations Act ("Section 411").

Sections 257A, 257B and 257C and Section 411 govern buy-backs of shares and schemes of arrangement respectively. They require the prior approval of shareholders before a share buy-back or scheme of arrangement can be effected. Sections 257A, 257B and 257C do not require an independent expert's report to be prepared.

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411. Part 3 of Schedule 8 requires an independent expert's report in relation to a scheme of arrangement to be prepared when a party to a scheme of arrangement has a prescribed shareholding in the company subject to the scheme, or where any of its Directors are also Directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether the scheme of arrangement is in the best interests of shareholders subject to the scheme and must state reasons for that opinion.

The Directors of SML have engaged Grant Samuel to prepare an independent expert's report setting out whether, in its opinion the NOHC Restructure is in the best interests of SML ordinary shareholders and to state reasons for that opinion.

Grant Samuel has also been requested to consider whether the:

- Share Buy-back is in the best interests of SML's ordinary shareholders and CPS holders;
- Share Buy-back would materially prejudice SML's ability to pay its creditors, including RPS holders and deposit holders; and
- NOHC Restructure would materially prejudice policy holders and deposit holders.

A copy of the report will form a part of the Explanatory Memorandum ("Explanatory Memorandum") to be sent to SML ordinary shareholders, CPS holders and RPS holders.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual SML ordinary shareholders, CPS holders and RPS holders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Explanatory Memorandum issued by SML in relation to the NOHC Restructure.

Voting for or against the NOHC Restructure is a matter for individual shareholders. Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in SML or SGL. This is an investment decision upon which Grant Samuel does not offer an opinion and is independent of a decision on whether to vote for or against the NOHC Restructure. Shareholders should consult their own professional adviser in this regard.

## G R A N T S A M U E L



### 3.2 Basis of Evaluation

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, “in the best interests” must be capable of a broad interpretation to meet the particular circumstances of each transaction. However, there is no legal definition of the expression “in the best interests”.

The Australian Securities & Investments Commission (“ASIC”) has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert’s reports. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), it comments on the meaning of “fair and reasonable” and continues earlier regulatory guidelines that created a distinction between “fair” and “reasonable”. A proposal that, under takeover analysis, was “fair and reasonable” or “not fair but reasonable” would be in the best interests of shareholders. For most other transactions the expert is to weigh up the advantages and disadvantages of the proposal for shareholders. This involves a judgement on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the shareholders are likely to be better off if the proposal is implemented than if it is not.

In Grant Samuel’s opinion, the NOHC Restructure is not a control transaction and therefore the most appropriate basis on which to evaluate the NOHC Restructure is to assess the overall impact on the shareholders of SML and to form a judgement as to whether the expected benefits outweigh any disadvantages and risks that might result.

In forming its opinions, Grant Samuel has considered the following:

- the impact of the NOHC Restructure on the business activities, strategy and governance of the Suncorp Group;
- the effect on earnings and dividends attributable to existing ordinary shareholders;
- the effect of the NOHC Restructure on the financial position of SML;
- the impact of the NOHC Restructure on capital requirements and risk management;
- the impact of the NOHC Restructure on the credit ratings of SML and its subsidiaries;
- the potential taxation consequences of the NOHC Restructure for SML and SGL as well as for existing SML ordinary shareholders;
- the advantages and benefits arising from the NOHC Restructure; and
- the costs, disadvantages and risks of the NOHC Restructure.

### 3.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

***Publicly Available Information***

- the Explanatory Memorandum (including earlier drafts);
- annual reports for SML for the years ended 30 June 2009 and 30 June 2010;
- half year announcement of SML for the six months ended 31 December 2009;

## 7 Independent Expert's Report (continued)

## GRANT SAMUEL



- press releases, public announcements, media and analyst presentation material and other public filings by SML including information available on its website; and
- brokers' reports relating to SML.

*Non Public Information provided by SML*

- various papers and presentations prepared for the purpose of regulatory approvals;
- various rating agency background papers and presentations;
- submission to the Australian Taxation Office ("ATO") for a Class Ruling in relation to the taxation implications for ordinary shareholders from the proposed interposition of SGL between SML and the SML shareholders;
- submission to the ATO for a Private Ruling in relation to the taxation implications for SML and SGL from the proposed interposition of the NOHC structure;
- submission to the ATO for a Private Ruling in relation to the continuity of ownership test;
- applications to Treasury in relation to relief sought; and
- other confidential documents, board papers, presentations and working papers relating to the NOHC Restructure.

In preparing this report, Grant Samuel has held discussions with, and obtained information from, senior management of SML and its legal advisers.

**3.4 Limitations and Reliance on Information**

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by SML and its advisers. Grant Samuel has considered and relied upon this information. SML has represented in writing to Grant Samuel that to its knowledge the information provided by it was complete and not incorrect or misleading in any material aspect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the NOHC Restructure is in the best interests of shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.



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An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of SML. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included pro forma financial accounts and capital position for SGL for the year ended 30 June 2010 and forecast capital position for SGL and its subsidiaries for the years ending 30 June 2011 to 2013. SML is responsible for this financial information.

The pro forma financial information was subject to review by the Investigating Accountant, KPMG Transaction Services (Australia) Pty Limited ("KPMG Transaction Services"). The Investigating Accountant's Report is set out in Section 6 of the Explanatory Memorandum. On this basis, Grant Samuel considers that there are reasonable grounds to believe that the pro forma financial information on SGL as presented in the Explanatory Memorandum has been prepared on a reasonable basis.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Explanatory Memorandum sent by SML to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the NOHC Restructure will be implemented in accordance with its terms; and
- the legal mechanisms to implement the NOHC Restructure are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

## 7 Independent Expert's Report (continued)

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#### 4 Overview of Suncorp-Metway Limited

##### 4.1 Overview

The Suncorp Group is a diversified financial services provider operating in the banking, general insurance and life sectors. The parent entity of the Suncorp Group is SML. SML carries out the banking business while the general insurance and life businesses are carried out by wholly owned subsidiaries. SML is listed on the ASX and had a market capitalisation of \$11.5 billion as at 8 October 2010. As at 30 June 2010, the Suncorp Group had assets of \$95.3 billion, funds under management of \$24.9 billion and approximately 9 million customers in Australia and New Zealand.

The Suncorp Group was formed in December 1996 through the merger of two Queensland Government owned businesses, Suncorp Insurance & Finance and QIDC, with ASX listed Metway Bank.

Suncorp Insurance & Finance originally commenced operations in 1916 as the (Queensland) State Accident Insurance Office and later changed its name to State Government Insurance Office (SGIO), extending its operations into life insurance, general insurance and CTP insurance. Over the years, superannuation, building society and finance operations were also added.

The Queensland Agricultural Bank, QIDC, was originally a Queensland Government owned finance company principally engaged in rural and commercial lending. Metway Bank was Queensland's largest locally based bank. Its operations were concentrated in Queensland, with some activities in New South Wales and Victoria. It had been a publicly listed company since July 1988 and had assets of approximately \$7.1 billion at the time of the merger.

As consideration for the sale of Suncorp Insurance & Finance and QIDC into Metway Bank (which was later rebranded Suncorp-Metway), the Queensland Government received a shareholding in the combined group of approximately 68% (in ordinary shares and capital notes), which it subsequently sold down to the public. All three entities had significant brand presence in the Queensland market within their respective business lines.

Significant events in the history of the Suncorp Group since its 1996 formation include:

- the acquisition of certain parts of the general insurance businesses of AMP, which primarily consisted of the GIO group of companies ("GIO") but excluded inwards reinsurance and other large corporate business, in July 2001, making Suncorp Group (at the time) the second largest general insurer in Australia;
- the acquisition of AMP's 50% interests in the Royal Automobile Club of Queensland ("RACQ") and the Royal Automobile Association of South Australia ("RAA") motoring club joint venture insurance businesses in January 2002;
- the acquisition of RACT Insurance in Tasmania in March 2004; and
- the merger with Promina Group Limited ("Promina") in March 2007.

Suncorp Group's merger with Promina significantly expanded Suncorp Group's product offering in general insurance and wealth management across Australia and New Zealand. The consideration was approximately \$7.9 billion, comprising \$1.9 billion in cash and the issue of 280 million ordinary shares in SML to Promina shareholders.

In October 2009, Suncorp Group announced that it had sold Hooker Corporation Limited for approximately \$82 million, which included the LJ Hooker real estate franchise business and the LJ Hooker mortgage broking business. In February 2010, Suncorp Group exercised its options to divest its 50% joint venture stakes in the insurance arms of the RACQ and the RAA for a combined total of \$348 million. The combined pre-tax profit from these transactions was \$215 million.

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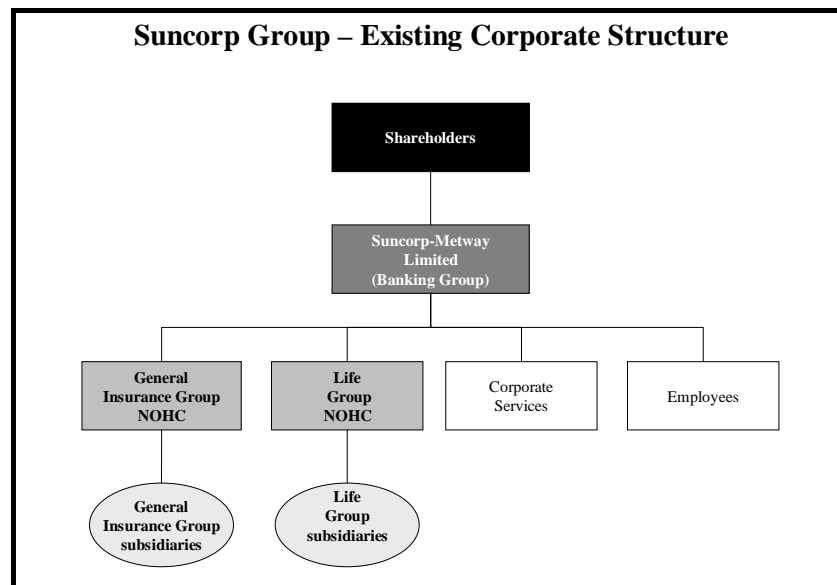


#### 4.2 Corporate Structure

Following the merger with Promina in 2007, the Suncorp Group embarked on a legal restructuring process to simplify the complex legal structure that had evolved through major mergers and acquisitions and in response to regulatory changes over time. This two phase process involved the establishment of a:

- General Insurance Group, through consolidation of the general insurance subsidiaries under a single holding company (General Insurance Group NOHC); and
- Life Group, through the alignment of the life subsidiaries under a single life holding company (Life Group NOHC).

The current corporate structure of the Suncorp Group has the Banking Group (SML) as the holding company for subsidiaries operating the general insurance, life and other businesses. The corporate structure of Suncorp Group is summarised below:



Source: Suncorp Group

A brief overview of each of Suncorp Group's businesses is provided below.

##### **Banking**

Suncorp Bank operates nationally under the "Suncorp" brand and has a major market position in Queensland. It is the only 'A+' rated retail bank in Australia. The Banking Group provides commercial banking, agribusiness, home, personal and small business loans, savings and transaction accounts and treasury services to customers in Australia. As at 30 June 2010, the Banking Group had assets of approximately \$75.7 billion.

##### **General Insurance**

The General Insurance Group provides general insurance in Australia and New Zealand. It has three operating businesses:

## 7 Independent Expert's Report (continued)

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- **Personal Insurance:** provides products such as home and contents and motor personal insurances;
- **Commercial Insurance:** provides products for small to medium sized businesses and workers compensation insurance and compulsory third party insurances; and
- **Vero NZ:** provides a range of personal and commercial insurance products in New Zealand.

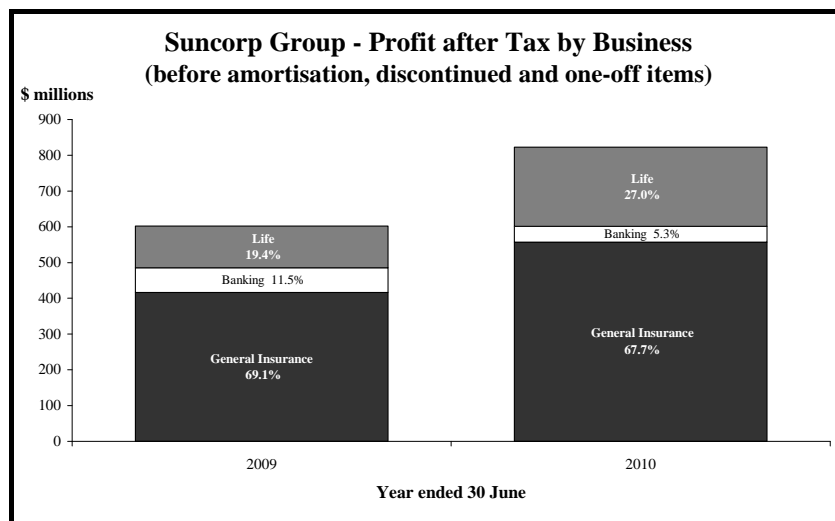
Insurance products are sold under a number of brands including AAMI, GIO, Suncorp, Vero, Apia and Shannons. In the year ended 30 June 2010, the General Insurance Group provided general insurance products to approximately 6 million customers across Australia and New Zealand and generated premium revenue of \$7.0 billion. The product mix of the General Insurance Group is predominantly personal lines, with motor and home insurance representing 59.4%, commercial lines contributing 24.3% and compulsory third party insurance representing 11.9% of gross premiums in the 2010 financial year.

*Life*

The Life Group provides life insurance, superannuation and investment, asset management and financial advice to 456,000 individual and small business customers in Australia and New Zealand. The Life Group sells life insurance and superannuation through two channels - independent financial advisers and direct (through Suncorp-owned channels). The products and services of the Life Group are provided under brands including Asteron (life insurance), Suncorp (life insurance, superannuation and investments) and Tyndall (investment management). Financial advice brands include Guardian Financial Planning and Cameron Walshe. As at 30 June 2010, total funds under management were \$24.9 billion.

**4.3 Financial Performance and Position**

In the year ended 30 June 2010, the Suncorp Group generated net profit after tax of approximately \$823 million from its continuing businesses before amortisation, discontinued businesses and one-off items. The profit contributions from each of its major businesses in the 2009 and 2010 financial years are summarised as follows:



Source: Suncorp Group

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The net profit after tax of the Suncorp Group for the 2010 financial year after amortisation, discontinued and one-off items was \$780 million.

The Suncorp Group paid a fully franked interim dividend of \$0.15 per share and a fully franked final dividend of \$0.20 per share for the 2010 financial year. The Suncorp Group targets a dividend payout ratio of 50-60% of cash earnings.

The Suncorp Group had total assets of \$95.3 billion, total liabilities of \$81.4 billion and net assets of \$13.9 billion as at 30 June 2010:

| Suncorp Group – Financial Position as at 30 June 2010 (\$ millions) |               |                   |              |                           |                            |
|---|---------------|-------------------|--------------|---------------------------|----------------------------|
|   | Banking       | General Insurance | Life         | Consolidation adjustments | Consolidated Suncorp Group |
| Total assets  | 75,742        | 21,891            | 9,565        | (11,859)                  | 95,339                     |
| Total liabilities   | 62,080        | 13,515            | 7,017        | (1,226)                   | 81,386                     |
| <b>Net assets</b>   | <b>13,662</b> | <b>8,376</b>      | <b>2,548</b> | <b>(10,633)</b>           | <b>13,953</b>              |
| Intangible assets   | 82            | 5,616             | 937          | (8)                       | 6,627                      |
| Net tangible assets   | 13,580        | 2,760             | 1,611        | (10,625)                  | 7,326                      |

Source: Suncorp Group

#### 4.4 Regulation and Capital

The Suncorp Group and its subsidiaries are subject to minimum prudential capital requirements imposed by APRA. APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies and large members of the superannuation industry. Revised prudential standards reflecting the Basel II Accord principles took effect in Australia from 1 January 2008. Prior to 1 January 2008, Suncorp Group reported capital adequacy under the prudential requirements derived from the Basel I framework.

APRA's prudential standards aim to ensure that the Suncorp Group maintains adequate capital to support the risks associated with its activities on both a standalone and group basis. The framework of prudential regulation addresses the inherent risks faced by businesses, the controls adopted to manage and mitigate those risks, and the level of capital required by each business to withstand unexpected losses.

The capital policy of the Suncorp Group is to hold surplus capital in SML as it is the holding company of the Suncorp Group as well as being the licensed bank. The Suncorp Group's three businesses each have different regulatory requirements for capital. SML is an authorised deposit-taking institution ("ADI"), ie. a licensed bank under the Banking Act, 1959, and is subject to APRA's banking regulations. The General Insurance and the Life Groups are regulated by APRA as insurers.

The statutory capital of the Suncorp Group consists of share capital, reserves and retained earnings. Regulatory capital differs from statutory capital due to the inclusion of some liabilities such as preference shares and subordinated notes, and the deduction of intangible assets such as goodwill and software assets.

For its supervisory purposes APRA classifies regulatory capital into two tiers, which are referred to as Tier 1 capital and Tier 2 capital. APRA requires at least half of regulatory capital to be in the form of Tier 1 capital.

Tier 1 capital consists of paid up ordinary shares, general reserves, retained earnings, non-cumulative preference shares and other hybrid capital securities not redeemable at the holder's option (as approved by APRA) together with minority interests. It is reduced by the deduction of intangible assets and residual investment in non-business line subsidiaries.

## 7 Independent Expert's Report (continued)

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The minimum regulatory capital requirements for Suncorp Group's three businesses comprise:

- **Banking**, the minimum prudential capital requirement is calculated as a capital adequacy ratio percentage (the ratio of regulatory capital to risk-weighted assets). The Banking Group is required to hold regulatory capital in excess of its regulatory capital adequacy ratio;
- **General Insurance**, the minimum capital requirement (MCR) is the minimum level of capital that the regulator deems must be held to meet policyholder obligations having regard to the risks inherent in the business. The General Insurance Group is required to hold regulatory capital in excess of its MCR; and
- **Life**, the minimum amount of capital to be held depends on the policy liabilities, investments and reinsurance assets held on the statement of financial position. The Life Group is required to hold regulatory capital in excess of its minimum capital requirement.

APRA requires regulated entities to also have internal capital targets. The Suncorp Group's internal capital targets as at 30 June 2010 were:

- a capital adequacy ratio of 12.5-13.0% for the Banking Group (SML);
- MCR coverage of 1.55-1.70 times for the General Insurance Group; and
- a target surplus equivalent to coverage of 1.29 times for the Life Group.

As at 30 June 2010, the Banking Group's capital adequacy ratio was 14.71%, the MCR coverage for the General Insurance Group was 1.89 times and the coverage for the Life Group was 1.29 times. These capital levels exceed APRA's requirements and the internal targets of the Suncorp Group. However, the Board of the Suncorp Group has determined that it is prudent to retain appropriate capital buffers while financial markets remain volatile and as Australian regulators finalise their response to global regulatory change.

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The following table summarises the consolidated capital position of the Suncorp Group as at 30 June 2010:

| Suncorp Group – Consolidated Capital Position as at 30 June 2010 (\$ millions) |              |                   |              |                           |                            |
|--|--------------|-------------------|--------------|---------------------------|----------------------------|
|  | Banking      | General Insurance | Life         | Consolidation adjustments | Consolidated Suncorp Group |
| <b>Capital Base</b>  |              |                   |              |                           |                            |
| Fundamental Tier 1   | 13,669       | 8,675             | 2,500        | (10,617)                  | 14,227                     |
| Residual Tier 1  | 879          | -                 | -            | -                         | 879                        |
| Tier 1 deductions  | (9,585)      | (5,632)           | (936)        | 9,363                     | (6,790)                    |
| <b>Net Tier 1</b>  | <b>4,964</b> | <b>3,042</b>      | <b>1,564</b> | <b>(1,254)</b>            | <b>8,317</b>               |
| Upper Tier 2   | 523          | -                 | -            | -                         | 523                        |
| Lower Tier 2   | 1,458        | 778               | -            | -                         | 2,237                      |
| Tier 2 investments   | (1,428)      | -                 | -            | 1,428                     | -                          |
| <b>Net Tier 2</b>  | <b>554</b>   | <b>778</b>        | <b>-</b>     | <b>1,428</b>              | <b>2,760</b>               |
| <b>Total Capital Base</b>  | <b>5,518</b> | <b>3,821</b>      | <b>1,564</b> | <b>173</b>                | <b>11,076</b>              |
| Regulatory assessed risk   | 37,234       | 1,996             | 1,209        | -                         | -                          |
| Capital adequacy ratio (or cover)  | 14.82%       | 1.91x             | 1.29x        |                           |                            |
| Net Tier 1 ratio (or cover)  | 13.33%       | 1.52x             | 1.29x        |                           |                            |
| Adjusted FT1 ratio (or cover)  | 7.14%        | 1.52x             | 1.29x        |                           |                            |
| Target capital base <sup>1</sup>   | 4,840        | 3,393             | 1,559        | -                         | 9,792                      |
| Excess/(deficiency)  | 678          | 428               | 5            | 173                       | 1,284                      |

Source: Suncorp Group

Note: <sup>1</sup> Based on internal capital targets of 13% (Banking), 1.7x (General Insurance) and 1.29x (Life)

#### 4.5 Taxation Position

Under the Australian tax consolidation regime, SML and its wholly owned Australian resident entities have elected to be taxed as a single entity.

At 30 June 2010, SML had \$637 million of accumulated franking credits after payment of the proposed final dividend.

#### 4.6 Capital Structure and Ownership

##### 4.6.1 Capital Structure

As at 30 September 2010, SML had the following securities on issue:

- 1,281,390,524 ordinary shares;
- 1,698,008 floating rate perpetual Capital Notes of \$100 each;
- 1,440,628 RPS of \$100 each; and
- 7,350,000 CPS of \$100 each.

In December 1998, SML completed an issue of subordinated perpetual floating rate Capital Notes, raising \$200 million. The Capital Notes carry an interest rate of 0.75% over the 90-day bank bill rate (which is reset each quarter). On a winding up of SML, Capital Notes rank ahead of ordinary shares, RPS and CPS, but behind depositors and other creditors.

## 7 Independent Expert's Report (continued)

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The Capital Notes are perpetual and are traded on the ASX. The Capital Notes are included in upper Tier 2 capital.

In September 2001, SML completed the issue of 2.5 million RPS under a non-retail offer for total value of \$250 million. Initially, the RPS paid fully franked dividends on a semi-annual basis at a fixed rate of 6.25%. On 14 September 2006, the terms of these securities were reset by SML, and the dividends became fully franked semi-annual floating rate dividends, based on the five-year swap rate plus 100 basis points (adjusted for franking). At the time of the reset, approximately \$106 million of the reset preference shares were exchanged into SML ordinary shares. The next reset date is 14 September 2011. Holders of RPS are entitled to vote in limited circumstances in which case holders will have the same rights as ordinary shareholders with one vote per RPS. On a winding up of SML, RPS rank ahead of ordinary shares, equal with CPS and any other equal ranking securities, but behind depositors, creditors and subordinated noteholders. The RPS are perpetual and are traded on the ASX. The RPS qualify as Tier 1 capital.

In June 2008, SML completed the issue of 7.35 million CPS to raise \$735 million. Dividends on CPS are preferred, non-cumulative, based on a floating rate and paid quarterly. The dividends are based on the bank bill rate plus a margin of 3.20% per annum. The dividends are expected to be fully franked. The CPS have a five year term, and will convert into a variable number of ordinary shares on 14 June 2013, unless the mandatory conversion conditions are not satisfied or SML arranges for a nominated third party purchaser to acquire all CPS from holders for \$100 each. Holders of CPS are entitled to vote in limited circumstances, in which case holders will have the same rights as ordinary shareholders with one vote per CPS. On a winding up of SML, CPS rank ahead of ordinary shares, equal with RPS and any other equal ranking securities, but behind depositors, creditors and subordinated noteholders. The CPS are traded on the ASX. The CPS qualify as Tier 1 capital.

#### 4.6.2 Ownership

At 30 September 2010 there were 196,005 registered ordinary shareholders in SML. The top ten shareholders accounted for approximately 62% of the ordinary shares on issue:

| Suncorp Group - Major Ordinary Shareholders as at 30 September 2010 |                      |                |
|---|----------------------|----------------|
| Name  | Number               | %              |
| HSBC Custody Nominees (Australia) Limited                           | 238,280,133          | 18.60%         |
| National Nominees Limited   | 211,554,769          | 16.51%         |
| JPMorgan Nominees Australia Limited                                 | 192,009,125          | 14.99%         |
| Citicorp Nominees Pty Limited                                       | 62,833,889           | 4.90%          |
| Cogent Nominees Pty Limited   | 26,359,509           | 2.06%          |
| Citicorp Nominees Pty Limited                                       | 18,294,980           | 1.43%          |
| AMP Life Limited  | 15,778,704           | 1.23%          |
| JPMorgan Nominees Australia Limited                                 | 12,249,901           | 0.96%          |
| Queensland Investment Corporation                                   | 8,586,537            | 0.67%          |
| Australian Reward Investment Alliance                               | 6,720,044            | 0.52%          |
| <b>Subtotal - Top 10 Shareholders</b>                               | <b>792,667,591</b>   | <b>61.86%</b>  |
| Other shareholders  | 488,650,839          | 38.14%         |
| <b>Total</b>  | <b>1,281,318,430</b> | <b>100.00%</b> |

Source: Suncorp Group

The top ten registered shareholders are principally institutional nominee or custodian companies. SML ordinary shareholders are predominantly Australian based investors (over 98% of registered shareholders and 99% of securities on issue).



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SML received a notice from Commonwealth Bank of Australia Limited on 11 August 2010 disclosing that it is a substantial shareholder of SML with a 5.02% interest.

At 30 September 2010 there were:

- 18,087 registered CPS holders in SML. The top ten shareholders accounted for approximately 16% of the CPS on issue;
- 1,662 registered RPS holders in SML. The top ten shareholders accounted for approximately 40% of the RPS on issue; and
- 2,455 registered holders of Capital Notes in SML. The top ten Capital Noteholders accounted for approximately 35% of the Capital Notes on issue.

## 7 Independent Expert's Report (continued)

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## 5 NOHC Restructure

### 5.1 Transaction Process

The NOHC Restructure represents the next phase of a legal restructuring of Suncorp Group that has been progressively implemented over the past two years. Upon completion of the acquisition of Promina in 2007, the Suncorp Group embarked on a process to simplify its complex legal structure. The first phase of restructuring involved the formation of the General Insurance Group through consolidation of the General Insurance entities under one holding company (General Insurance Group NOHC), which is owned by SML. This phase was completed in December 2008. The second phase involved the formation of the Life Group through the alignment of the life subsidiaries under a single holding company (Life Group NOHC), which is also owned by SML. This phase was completed in October 2009.

The Suncorp Group now proposes to complete the restructure process by forming a new parent Group NOHC, SGL, and establishing a holding company for the Banking Group (Banking Group NOHC) which will be a subsidiary of the Group NOHC. The Group NOHC will have three subsidiary businesses that will each be headed by a NOHC (Banking Group NOHC, General Insurance Group NOHC and Life Group NOHC).

The NOHC Restructure involves establishing a new listed entity, SGL, as the ultimate parent of the current Suncorp Group of companies. The key steps to implement the NOHC Restructure are:

- the incorporation of SGL as a wholly owned subsidiary of SML, and the Banking Group NOHC as a wholly owned subsidiary of SGL;
- the transfer of all SML ordinary shares to SGL in consideration for the issue of an equal number of SGL shares (except for shares held by ineligible foreign shareholders), with the effect that SML becomes a wholly owned subsidiary of SGL. SGL will buy-back and cancel the original share held by SML;
- the sale by SGL of the shares in SML to the Banking Group NOHC, in consideration for the issue of Banking Group NOHC shares; and
- an internal restructure involving a number of internal share and asset transfers (including certain employees and liabilities) to align them with the new corporate structure. This will include the sale of the General Insurance Group and Life Group by SML to the Banking Group NOHC (which will then transfer the entities and assets to SGL), with the consideration to be met via a Share Buy-back in SML.

The Share Buy-back will have the effect of reducing SML's consolidated capital base. The aggregate Share Buy-back price will be between \$10.80 billion and \$10.95 billion, with the precise amount to be determined at the time of implementation of the internal restructure in accordance with the formula set out in the Buy-back Agreement. The amount due by SML under the Share Buy-back will be largely offset against the amounts owing by the Banking Group NOHC to SML for the transfer of the General Insurance Group, Life Group and the corporate and shared services entities and associated assets, with only a relatively small residual balance to be cash settled. The outcome of the transfer of the General Insurance and Life Groups and the Share Buy-back is that SML's consolidated capital base will no longer include the capital bases of the General Insurance and Life Groups, representing a reduction in capital from approximately \$11.1 billion to approximately \$5.4 billion.

SML's CPS, RPS and Capital Notes and the debt securities on issue by SML will remain with SML. The terms of the CPS will be amended to provide that SGL will be the issuer of the ordinary shares on conversion of CPS. The terms of the CPS will also be amended so that distribution restrictions will apply to both SML and SGL if a scheduled dividend on the CPS is not paid. There will not be any such restrictions on the payment of dividends by SGL in relation to the RPS (although a restriction will continue to apply to SML). The CPS, RPS and Capital Notes will remain listed on the ASX.

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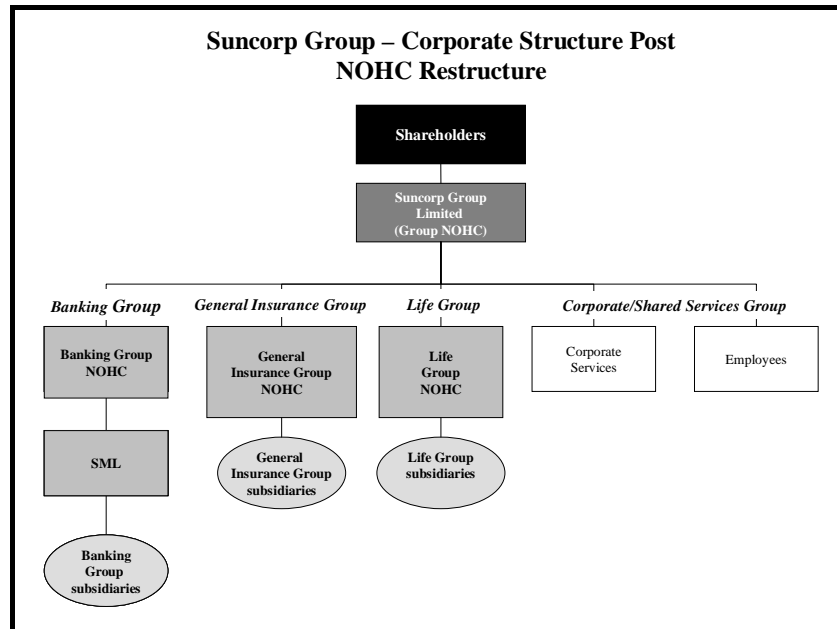
**5.2 Impact on Corporate Structure**

Following the NOHC Restructure, SGL (the Group NOHC), will be the ultimate parent entity of the Suncorp Group’s existing businesses, assets and legal entities, which will be divided into three separate groups:

- Banking (which will contain SML);
- General Insurance; and
- Life.

As illustrated below, SGL (the Group NOHC) will replace SML as the new, listed holding company of the Suncorp Group. Each of the businesses will be headed by a NOHC which will be a wholly owned subsidiary of SGL. The Banking Group NOHC will own SML. The General Insurance Group NOHC and the Life Group NOHC will own the General Insurance entities and the Life entities respectively. There will be a corporate and shared services entity which will provide group-wide services to the businesses of the Suncorp Group. There will also be an employee entity with responsibility for the employment of staff in Australia.

The corporate structure of the Suncorp Group following the NOHC Restructure is illustrated below:



Source: Suncorp Group

**5.3 Corporate Governance**

Under the NOHC Restructure, there will be a Board of SGL (the Group NOHC) and of each of the three other NOHCs (Banking Group NOHC, General Insurance Group NOHC and Life Group NOHC). The composition of the Boards of the NOHCs will be identical and the Group NOHC Chairman will be the Chairman of the Boards of all NOHCs. The membership of the NOHC Boards will be identical to the current membership of the SML Board.

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## 7 Independent Expert's Report (continued)

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Immediately following the NOHC Restructure, the NOHC Boards will comprise the following members:

**Suncorp Group NOHC Boards – Board of Directors**

|                    |   |
|--------------------|---|
| John D Story       | Chairman  |
| Patrick Snowball   | Group Chief Executive Officer and Managing Director |
| William J Bartlett | Non-Executive Director                              |
| Paula Dwyer        | Non-Executive Director                              |
| Stuart Grimshaw    | Non-Executive Director                              |
| Ewoud Kulk         | Non-Executive Director                              |
| Geoffrey Ricketts  | Non-Executive Director                              |
| Zygmunt Switkowski | Non-Executive Director                              |

The NOHC Restructure will not affect Suncorp Group's senior management team. The senior leadership team of the Suncorp Group will continue to be as follows:

**Suncorp Group – Senior Leadership Team**

|                   |                                       |
|-------------------|---------------------------------------|
| Roger Bell        | Chief Executive, Vero New Zealand     |
| Anthony Day       | Chief Executive, Commercial Insurance |
| David Foster      | Chief Executive, Suncorp Bank         |
| Mark Milliner     | Chief Executive, Personal Insurance   |
| Geoff Summerhayes | Chief Executive, Suncorp Life         |
| John Nesbitt      | Group Chief Financial Officer         |
| Robert Stribling  | Group Chief Risk Officer              |
| Jeff Smith        | CEO Suncorp Business Services         |
| Amanda Revis      | Group Executive Human Resources       |

**5.4 Pro Forma Financial Information**

Pro forma financial information is detailed in Section 5 of the Explanatory Memorandum. The table below summarises the pro forma statement of financial position following the NOHC Restructure:

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| Suncorp Group – Pro Forma Statement of Financial Position<br>Post NOHC Restructure as at 30 June 2010 (\$ millions) |                |                      |               |              |               |                             |                              |                          |
|---|----------------|----------------------|---------------|--------------|---------------|-----------------------------|------------------------------|--------------------------|
|   | Current<br>SML | Pro Forma            |               |              |               |                             |                              |                          |
|   |                | General<br>Insurance | Banking       | Life         | SGL           | Corp/<br>Shared<br>Services | Consoli-<br>dation<br>adjust | Consoli-<br>dated<br>SGL |
| <i>Assets</i>   |                |                      |               |              |               |                             |                              |                          |
| Cash and cash equivalents   | 883            | 156                  | 329           | 575          | -             | 42                          | (219)                        | 883                      |
| Other financial assets  | 30,157         | 11,187               | 12,150        | 7,377        | 13,047        | 54                          | (13,658)                     | 30,157                   |
| Loans, advances and receivables   | 53,956         | 2,273                | 51,379        | 305          | -             | -                           | (1)                          | 53,956                   |
| Property, plant and equipment   | 358            | 8                    | 68            | 8            | -             | 274                         | -                            | 358                      |
| Intangible assets   | 6,627          | 5,381                | 257           | 937          | -             | 60                          | (8)                          | 6,627                    |
| Other assets  | 3,358          | 2,218                | 1,120         | 359          | 740           | 450                         | (1,527)                      | 3,360                    |
| <b>Total assets</b>   | <b>95,339</b>  | <b>21,223</b>        | <b>65,303</b> | <b>9,561</b> | <b>13,787</b> | <b>880</b>                  | <b>(15,413)</b>              | <b>95,341</b>            |
| <i>Liabilities</i>  |                |                      |               |              |               |                             |                              |                          |
| Deposits and short term borrowings  | 34,098         | 1                    | 34,311        | 72           | -             | -                           | (286)                        | 34,098                   |
| Outstanding claims, unearned premiums and unexpired risk liabilities  | 11,700         | 11,556               | -             | 144          | -             | -                           | -                            | 11,700                   |
| Gross policy liabilities and unvested policy owner benefits   | 5,987          | -                    | -             | 5,987        | -             | -                           | -                            | 5,987                    |
| Payables and other liabilities  | 4,644          | 775                  | 3,272         | 251          | 6             | 390                         | (44)                         | 4,650                    |
| Due to subsidiaries   | -              | 331                  | 286           | 58           | 97            | 433                         | (1,205)                      | -                        |
| Deferred tax liabilities  | -              | 140                  | 1             | 83           | -             | -                           | (224)                        | -                        |
| Securitisation liabilities  | 4,710          | -                    | 4,905         | -            | -             | -                           | (195)                        | 4,710                    |
| Long-term borrowings and managed funds  | 17,196         | 15                   | 17,044        | 422          | -             | -                           | (285)                        | 17,196                   |
| Subordinated notes  | 2,182          | 689                  | 1,493         | -            | -             | -                           | -                            | 2,182                    |
| Preference shares   | 869            | -                    | 869           | -            | -             | -                           | -                            | 869                      |
| <b>Total liabilities</b>  | <b>81,386</b>  | <b>13,507</b>        | <b>62,181</b> | <b>7,017</b> | <b>103</b>    | <b>823</b>                  | <b>(2,239)</b>               | <b>81,392</b>            |
| <b>Net assets</b>   | <b>13,953</b>  | <b>7,716</b>         | <b>3,122</b>  | <b>2,544</b> | <b>13,684</b> | <b>57</b>                   | <b>(13,174)</b>              | <b>13,949</b>            |
| <i>Equity</i>   |                |                      |               |              |               |                             |                              |                          |
| Share capital   | 12,618         | 7,665                | 2,143         | 2,220        | 12,781        | 59                          | (12,250)                     | 12,618                   |
| Reserves  | 74             | (76)                 | 133           | 257          | 907           | -                           | (1,147)                      | 74                       |
| Retained profits  | 1,241          | 110                  | 846           | 64           | (4)           | (2)                         | 223                          | 1,237                    |
| <b>Total equity attributable to equity holders of SGL</b>   | <b>13,933</b>  | <b>7,699</b>         | <b>3,122</b>  | <b>2,541</b> | <b>13,684</b> | <b>57</b>                   | <b>(13,174)</b>              | <b>13,929</b>            |
| Outside equity interests  | 20             | 17                   | -             | 3            | -             | -                           | -                            | 20                       |
| <b>Total equity</b>   | <b>13,953</b>  | <b>7,716</b>         | <b>3,122</b>  | <b>2,544</b> | <b>13,684</b> | <b>57</b>                   | <b>(13,174)</b>              | <b>13,949</b>            |

Source: Suncorp Group

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The pro forma statement of financial position has been prepared on the basis that:

- the NOHC Restructure is completed on 30 June 2010;
- the entities that provide group-wide services to the Banking Group, General Insurance Group and Life Group have been included within the Corporate/Shared Services Group;
- surplus capital will be repaid to SGL by the General Insurance Group, the Banking Group and the Life Group subsequent to the NOHC Restructure. Assuming the NOHC Restructure occurred on 30 June 2010, a repayment of capital of \$441 million has been recognised in the amounts due from subsidiaries in SGL;
- estimated one-off costs relating to the implementation of the NOHC Restructure of \$4 million (after tax) have been included to increase payables and other liabilities and decrease retained earnings;
- equity transactions post 30 June 2010 relating to the NOHC Restructure have been included in the pro forma accounts; and
- equity transactions post 30 June 2010 not relating to the NOHC Restructure have not been included in the pro forma accounts, including the payment out of retained profits of the final dividend for the 2010 financial year of \$256 million.

The pro forma consolidated income statement for the year ended 30 June 2010 is provided in Section 5 of the Explanatory Memorandum. The NOHC Restructure does not result in any changes to the underlying profit after tax of each of the General Insurance, Banking and Life Groups as reported for the year ended 30 June 2010. The pro forma consolidated income statement assumes that all costs of SGL and the Corporate/Shared Services Group (excluding integration costs and implementation costs associated with the NOHC Restructure of approximately \$4 million after tax) are fully recharged to the Banking Group, General Insurance Group and Life Group as appropriate. As a result, the pro forma net profit after tax of the Suncorp Group for the year ended 30 June 2010 post the NOHC Restructure of \$776 million is \$4 million less than the reported net profit after tax for the 2010 financial year of \$780 million.

### 5.5 Regulation

Following the NOHC Restructure, the Suncorp Group will be regulated by APRA as follows:

- **SGL** will be authorised as a general insurance NOHC and will be a regulated entity for APRA purposes. SGL will be subject to fewer regulations (by virtue of its limited activities) and less intensive supervision by APRA than if it were a bank. This is in contrast to the current position of the Suncorp Group whereby the Banking Group (SML) is the parent entity of the Suncorp Group and is regulated as a bank;
- **SML** will continue to be subject to the full range of APRA banking regulations;
- **licensed general insurers in the General Insurance Group** will continue to be subject to the same level of regulation by APRA; and
- **licensed life insurers in the Life Group** will continue to be subject to the same level of regulation by APRA.

The impact of Basel III and APRA reforms will depend on the final nature of any changes adopted. APRA released a discussion paper in May 2010 describing its proposals to update the capital standards for general insurers and life insurers. The proposals seek to align the capital structure for life insurers more closely with the capital structure for ADIs and general insurers in Australia whilst making some modest changes to the regulation of general insurers. The proposals are still in the early stages of the consultation process and their actual impact is still to be determined. The NOHC Restructure is not expected to have a significant impact on the likely effect of these reforms.

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In addition to APRA regulatory requirements, the Suncorp Group will continue to use internal capital targets in excess of regulatory requirements for the Banking, General Insurance and Life Groups.

The employee and corporate service entities as well as some property, plant and equipment will be removed from the regulatory reporting framework pursuant to the NOHC Restructure. Capital requirements for the service companies will be based on an internal risk assessment.

### 5.6 Pro Forma Capital

Under the current structure of the Suncorp Group, all of the target capital is held at a business level as each is treated as a standalone business. Under the NOHC Restructure, the existing capital targets and operating ranges for each business will be maintained. However, a small proportion of the target will be covered by capital in the Group NOHC. The NOHC Restructure does not change the overall amount of capital that the Suncorp Group will target to support the risks of each of its businesses but (to the extent that capital is held in the Group NOHC) will affect where that capital is held.

The Suncorp Group's internal capital targets proposed under the NOHC Restructure are:

- a capital adequacy ratio of 12.0-12.5% for the Banking Group (SML);
- MCR coverage of 1.50-1.65 times for the General Insurance Group;
- a target surplus equivalent to coverage of 1.29 times for the Life Group; and
- the Group NOHC will target the difference in capital between pre-NOHC targets and that held in each business, plus capital associated with employee and corporate services companies.

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Set out below is the pro forma capital base for the current SML and pro forma capital adequacy calculations as at 30 June 2010:

| Suncorp Group – Pro Forma Capital Position Post NOHC Restructure<br>as at 30 June 2010 (\$ millions) |               |              |                      |              |             |                              |                                       |
|--|---------------|--------------|----------------------|--------------|-------------|------------------------------|---------------------------------------|
|  | Group<br>NOHC | Banking      | General<br>Insurance | Life         | Other       | Consoli-<br>dation<br>adjust | Consoli-<br>dated<br>Suncorp<br>Group |
| <b>Capital Base</b>  |               |              |                      |              |             |                              |                                       |
| Fundamental Tier 1   | 13,631        | 2,967        | 8,016                | 2,495        | 50          | (12,989)                     | 14,169                                |
| Residual Tier 1  | -             | 847          | -                    | -            | -           | 32                           | 879                                   |
| Tier 1 deductions  | (12,966)      | (426)        | (5,397)              | (936)        | (147)       | 13,137                       | (6,735)                               |
| <b>Net Tier 1</b>  | <b>665</b>    | <b>3,387</b> | <b>2,619</b>         | <b>1,559</b> | <b>(96)</b> | <b>179</b>                   | <b>8,313</b>                          |
| Upper Tier 2   | -             | 555          | -                    | -            | -           | (32)                         | 523                                   |
| Lower Tier 2   | -             | 1,458        | 778                  | -            | -           | -                            | 2,237                                 |
| Tier 2 deduction for<br>investments  | -             | (23)         | -                    | -            | -           | 23                           | -                                     |
| <b>Net Tier 2</b>  | <b>-</b>      | <b>1,991</b> | <b>778</b>           | <b>-</b>     | <b>-</b>    | <b>(9)</b>                   | <b>2,760</b>                          |
| <b>Total Capital Base</b>  | <b>665</b>    | <b>5,378</b> | <b>3,397</b>         | <b>1,559</b> | <b>(96)</b> | <b>170</b>                   | <b>11,072</b>                         |
| Regulatory assessed risk   | -             | 37,197       | 1,988                | 1,209        | -           | (56)                         | -                                     |
| Capital adequacy ratio<br>(or cover)   | 1.16x         | 14.46%       | 1.71x                | 1.29x        |             |                              |                                       |
| Net Tier 1 ratio (or<br>cover)   |               | 9.11%        | 1.32x                | 1.29x        |             |                              |                                       |
| Adjusted Fundamental<br>Tier 1 ratio (or cover)  |               | 6.77%        | 1.32x                | 1.29x        |             |                              |                                       |
| Target capital base  | 571           | 4,650        | 3,280                | 1,559        | 127         | (280)                        | 9,907                                 |
| Excess/(deficiency)  | 94            | 728          | 117                  | -            | (224)       | 450                          | 1,165                                 |

Source: Suncorp Group

The businesses of the Suncorp Group will be adequately capitalised for their risk profiles with capital requirements determined at least annually for each business line and reviewed as required. Surplus capital will be held at the Group NOHC (\$94 million).

Whilst the table above shows capital excesses for the Banking Group and General Insurance Group, there are currently constraints that would limit Suncorp Group's ability to transfer this capital to the Group NOHC. However, the Suncorp Group proposes to eliminate these constraints over time to allow for this excess capital to be transferred to the Group NOHC.

Capital will be held at the Group NOHC level to cover risks associated with the two service companies (employees and corporate services). The measures to be adopted reflect the potential risks of each entity (fixed assets for the corporate services company and employees for the employee company). Initially, target capital will be set at a level having regard to historic losses (where available) and holding an additional buffer over this level. In the longer term, the Suncorp Group expects to be able to better quantify the risks and to consider how to eliminate any double counting of capital requirements in the overall Suncorp Group capital targets. The following targets will apply for the service companies:

- the target operating range will be 100% of net assets; and
- the target capital (held by the Group NOHC) will be 7% of fixed assets for the corporate services company and \$30 million for the employee company.



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RPS holders will be entitled to lodge an exchange request notice as the NOHC Restructure will constitute a “control event” under the terms of the RPS. On receipt of a RPS holder exchange request, Suncorp Group intends to redeem the RPS for cash consideration at the face value of \$100 per RPS plus an accrued dividend amount, in accordance with the terms of issue. To the extent that Suncorp Group is required to devote capital to the redemption of RPS, it intends to replace this capital through its dividend reinvestment programme. If all RPS holders requested an exchange of RPS, the total cash consideration would be \$144 million plus an accrued dividend amount.

Prudential requirements for conglomerate capital adequacy are currently in development (an APRA discussion paper on “Supervision of conglomerate groups” was released on 18 March 2010), but it is the understanding of the Suncorp Group that it is APRA’s intention that conglomerate capital requirements are based on Tier 1 measures only. Tier 2 capital is not taken into consideration when assessing the adequacy of the capital of the Suncorp Group. APRA’s proposed conglomerate group requirements are expected to commence in 2012.

Preparation of this report does not imply that Grant Samuel has assessed or reviewed the capital adequacy of the Suncorp Group and its subsidiaries. Grant Samuel is not responsible for determining the capital requirements or position of Suncorp Group and its subsidiaries, either before or after the NOHC Restructure. Determination and monitoring of the capital adequacy of the Suncorp Group are the responsibility of the Suncorp Group and its regulators.

## 7 Independent Expert's Report (continued)

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## 6 Evaluation

### 6.1 Scheme

#### 6.1.1 Summary

In Grant Samuel's view, the NOHC Restructure (including the Scheme) is in the best interests of SML ordinary shareholders.

The NOHC Restructure will not result in any change in the ownership of the Suncorp Group or the effective economic interest of holders of ordinary shares. Shareholders (apart from ineligible foreign ordinary shareholders) will receive one share in SGL for every ordinary share in SML they own. The NOHC Restructure will have no direct impact on the underlying businesses of the Suncorp Group, its management or its strategic focus. There will be no change to its aggregate capital<sup>1</sup> or its risk exposures. The NOHC Restructure will not result in any value leakage (except to the trivial extent of the transaction costs associated with the NOHC Restructure), nor will there be any direct value accretion. Accordingly, evaluation of the NOHC Restructure requires an assessment as to whether the indirect benefits of the NOHC Restructure outweigh its disadvantages and risks.

Alignment of the Suncorp Group's corporate structure and capital allocation with its three operating businesses is intuitively appealing. However, to some extent the NOHC Restructure is essentially a "housekeeping" exercise. The benefits are neither immediate nor quantifiable. In Grant Samuel's view, the most significant benefit of the NOHC Restructure is the enhanced capital flexibility that it will deliver. Because the Group NOHC will have the capacity to provide additional capital to any of the subsidiary NOHCs, the NOHC Restructure will improve Suncorp Group's ability to respond to financial stress. At the same time, it will facilitate Suncorp Group's exploitation of any capital intensive opportunities that become available. APRA is supportive of the NOHC Restructure and continues its work with the Suncorp Group to resolve the relevant prudential matters.

There are a number of other potential benefits, including, potentially, improved transparency, a reduction in Suncorp Group's administrative and regulatory compliance burden, and enhanced strategic flexibility. In Grant Samuel's view these benefits are unlikely to be significant.

Evaluation of the NOHC Restructure is essentially subjective as the benefits cannot be empirically tested. The benefits are, at least to some extent, a matter of perception and (at least in relation to the improvement in capital flexibility) may only be realisable in circumstances that may never eventuate. In Grant Samuel's view, even if assessed collectively the benefits of the NOHC Restructure are unlikely to be compelling. Nonetheless, particularly in relation to the improvement in Suncorp Group's capital flexibility, the benefits are real. On the other hand, the disadvantages of the NOHC Restructure are few and relate primarily to the trivial incremental costs that will be incurred if the NOHC Transaction proceeds. Accordingly, it is reasonable to conclude that ordinary shareholders will be better off if the NOHC Restructure proceeds. Therefore, in Grant Samuel's opinion, the NOHC Restructure is in the best interests of SML ordinary shareholders. The Scheme, as an integral part of the NOHC Restructure, is in the best interests of SML ordinary shareholders.

<sup>1</sup> To the extent that Suncorp Group is required to devote capital to the redemption of RPS, it intends to replace this capital through its dividend reinvestment programme.

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**6.1.2 Advantages**

The key advantage of the NOHC Restructure relates to the enhanced capital flexibility that will result. Following the NOHC Restructure, surplus capital (including part of the target capital in excess of minimum capital requirements for each business) will be held by the Group NOHC. That capital will be available to be injected into any of the individual business NOHCs in the event of an unexpected capital requirement.

By contrast, in the current structure of the Suncorp Group movements of capital between the Banking, General Insurance and Life Groups, while not impossible, would be far more unwieldy. In particular, in situations where additional capital was urgently required by the Banking Group to respond to financial stress, it is likely that for regulatory and other reasons there would be material impediments to accessing any surplus capital in the General Insurance or Life Groups. The NOHC Restructure will make it significantly easier for the Banking Group (and the other businesses) to access surplus Suncorp Group capital if such access is ever urgently required in response to financial stress. Improved capital flexibility may also be relevant if individual businesses need access to additional capital to take advantage of expansion or acquisition opportunities that require capital support.

The benefits of this enhanced capital flexibility should not be overstated. Suncorp Group's ability to withstand and respond to financial stress is ultimately dependent on its ability to access public equity markets. Suncorp Group already has this ability (as evidenced by its raising of \$1.0 billion in February 2009 in response to the deterioration of the asset credit quality of its Banking Group and the impact of adverse weather events on the General Insurance Group). The NOHC Restructure will have no impact on Suncorp Group's access to equity markets. Moreover, the benefits of the enhanced capital flexibility are likely to be most apparent in circumstances of financial stress. Suncorp Group's risk management and capital structuring are designed to minimise the risk of such financial stress and ensure that the Suncorp Group is in any event adequately capitalised to deal with such stress. In this sense, the NOHC Restructure may be thought of as a form of insurance against adverse circumstances that may never eventuate. Nonetheless, the increased capital flexibility that will result from the NOHC Restructure is a real benefit for Suncorp Group.

Suncorp Group anticipates that there could be additional benefits in terms of greater transparency of Suncorp Group and individual business performance, from the perspective of external investors, internal management and regulators. However, the market is already well informed as to the performance of Suncorp Group's individual businesses and Suncorp Group has sophisticated systems to monitor, report and manage the performance of its individual businesses. In Grant Samuel's view the benefits are more likely to relate to a reduction in the administrative burden associated with the measurement and reporting of individual business performance for external, internal and regulatory purposes. The current legal structure with the Banking Group as the parent company creates complexities in this reporting process. The NOHC structure will enable the performance of the three businesses to be more easily monitored, reported and benchmarked.

Each of the businesses of the Suncorp Group is governed by different legislation and prudential requirements. The process for regulatory compliance will be simplified under a NOHC structure. In addition, the adoption of the NOHC structure will better position the Suncorp Group to manage changes to external regulatory regimes, including Basel III and the APRA prudential framework. APRA is supportive of the NOHC Restructure.

Suncorp Group has affirmed its commitment to continue with its overall strategy of operating its Banking, General Insurance and Life Groups as an integrated financial services company. Nevertheless, the NOHC Restructure will provide enhanced strategic flexibility should Suncorp Group ever wish to revisit this strategy, given that the individual businesses will effectively be individually capitalised and therefore more readily dealt with in any strategic restructure.

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Overall, in Grant Samuel's view, the benefits of the NOHC Restructure are not compelling. They will not deliver any significant incremental short term value to shareholders. Even in the longer term, the major benefits of the NOHC Restructure (in terms of capital flexibility) may only be realised in circumstances of financial stress. Such circumstances may never eventuate. However, the NOHC Restructure represents a sensible alignment of the corporate and capital structure with the Suncorp Group's operating structure. The benefits of the NOHC Restructure, while not quantifiable, are real and non-trivial.

### 6.1.3 Disadvantages

The disadvantages of the NOHC Restructure are not material. They primarily relate to the costs associated with implementation of the NOHC Restructure.

The NOHC Restructure will result in Suncorp Group incurring costs that it would not otherwise incur. These costs include the one-off costs associated with the NOHC Restructure and additional ongoing costs.

Suncorp Group has estimated that the one-off costs associated with the NOHC Restructure are approximately \$6 million (\$4 million after tax). These costs include stamp duty, tax, legal and advisory fees. Most of these costs have already been incurred by the Suncorp Group and so are not relevant to shareholders' consideration of the NOHC Restructure. Approval of the NOHC Restructure will result in only very modest incremental costs.

The Suncorp Group will also incur a number of incremental ongoing costs as a result of the NOHC Restructure. These are principally costs associated with regulatory compliance for additional APRA-regulated companies and the continued ASX listing of SML in addition to SGL. However, these additional costs are not expected to be material.

In the context of the scale of the Suncorp Group and the expected benefits of the NOHC Restructure, the incremental costs associated with the NOHC Restructure (both one-off and ongoing) are trivial.

### 6.1.4 Other Issues

#### *Impact on Underlying Businesses*

The NOHC Restructure will have no direct impact on the underlying businesses or strategies for the Suncorp Group. The Suncorp Group will continue to operate as a diversified financial services group with three businesses – Banking Group, General Insurance Group and Life Group. The NOHC Restructure will not affect the Suncorp Group's management team or Board and the composition of the Boards of the NOHCs for each business will be identical to the composition of the Board of the Group NOHC.

#### *Impact on Dividends*

There is not expected to be any change to the dividend policy of the Suncorp Group, which targets a payout ratio of 50-60% of after-tax cash earnings as a result of the NOHC Restructure. External dividend payments will be subject to the capital requirements of the operating entities, maintenance of an appropriate capital buffer, regulatory approvals (as required) and general business and economic conditions. All of the net profit after tax of the operating businesses will flow upstream to SGL (subject to any regulatory approvals).

However, there can be no guarantee about the amount or timing of SGL dividend payments in the future. The payment and franking of dividends is dependent upon the availability of sufficient profits to declare dividends. Historically, Suncorp Group has paid fully franked dividends to SML ordinary shareholders. The NOHC Restructure is not expected to impact the capacity of the Suncorp Group to frank dividends.

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***Credit Ratings***

The Directors of the Suncorp Group have been advised by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's") that the NOHC Restructure is not expected to materially affect the credit ratings of the Suncorp Group and its businesses:

- the creditworthiness of the Suncorp Group is expected to remain unchanged because the NOHC Restructure is not expected to result in any significant change to the activities, risk appetite, business and financial metrics and policies and procedures. The S&P rating of the Suncorp Group is expected to remain at 'A+';
- SML's rating was upgraded by S&P to 'A+' on 4 October 2010, and SML is expected to retain this credit rating following implementation of the NOHC Restructure;
- SGL (Group NOHC) is expected to have a rating that is one notch below the rating of the Suncorp Group, and will be rated 'A' by S&P and 'A2' by Moody's; and
- where there is a change to the ratings of certain entities in the Suncorp Group, these changes are reflective of changes in market conditions and other factors external to the NOHC Restructure.

Final ratings will be determined by the rating agencies upon completion of the NOHC Restructure.

***Tax Consequences***

The Suncorp Group is currently a tax consolidated group, with SML as the parent entity. SML and SGL (Group NOHC) propose to adopt the NOHC structure pursuant to the rollover mechanism provided for in the Income Tax Assessment Act, 1997 ("ITAA"). As a result, SGL (Group NOHC) will become the parent entity and the tax consolidated group will continue. This position is being confirmed with the ATO by Class Ruling (as it affects shareholders) and a Private Ruling (as it affects the consolidated group). While the NOHC Restructure will crystallise a stamp duty liability, it is not expected to be material (estimated to be approximately \$0.5 million). The NOHC Restructure is not expected to give rise to any other capital gains tax or other tax related liability for SML or SGL.

Similarly, it is expected that the NOHC Restructure will have no adverse tax consequences for Australian resident SML ordinary shareholders. Australian resident shareholders account for more than 99% of SML's issued capital. Under the tax provisions of the ITAA, Australian resident SML ordinary shareholders will be eligible for rollover relief to defer the capital gains tax consequences of the capital gains tax events relating to the NOHC Restructure. SML has lodged a submission to the ATO to confirm the Australian income tax consequences of the NOHC Restructure for SML ordinary shareholders and understands that this treatment will be confirmed in a Class Ruling published by the ATO following completion of the NOHC Restructure.

SML shareholders who are not residents of Australia and are not ineligible foreign shareholders should not generally be subject to tax if they are residents of the United States, the United Kingdom or New Zealand. Ineligible foreign shareholders will not be subject to Australian capital gains tax rules unless they have used the ordinary shares to carry on a business through a permanent establishment in Australia, they are resident in a country with which Australia does not have a double tax treaty, they hold their ordinary shares as revenue assets or as trading stock and the sale gives rise to Australian sourced amounts. The non-Australian taxation implications for non-Australian resident shareholders will depend on the country of domicile of the shareholder. Non-Australian residents should seek their own taxation advice in relation to the taxation impact of the NOHC Restructure.

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The analysis set out above outlines the major tax consequences of the NOHC Restructure and should be viewed as indicative only. It does not purport to represent formal tax advice regarding the taxation consequences of the NOHC Restructure for shareholders. Further details on the taxation consequences of the NOHC Restructure for Australian resident shareholders are set out in Section 8.8 of the Explanatory Memorandum. In any event, the tax consequences for shareholders will depend upon their individual circumstances. If in any doubt, shareholders should consult their own professional adviser.

***Ineligible Shareholders***

Ineligible foreign SML ordinary shareholders will not be entitled to participate in the NOHC Restructure. The SGL shares that would have otherwise been issued to them, will be issued to a sale agent and sold on the ASX, with the proceeds remitted to the ineligible shareholders. The ineligible ordinary shareholders may also pay tax on any profit on that disposal (in their country of residence). However:

- their SGL shares will be sold for market value;
- they can acquire SGL shares through ASX following its listing if they wish to retain an exposure; and
- ordinary shareholders representing less than 1% of SML's listed capital are expected to be impacted by these provisions.

**6.2 Share Buy-back**

The Directors of SML have requested that Grant Samuel express an opinion as to whether the Share Buy-back:

- is in the best interests of SML's ordinary shareholders and CPS holders; and
- will materially prejudice SML's ability to pay its existing creditors, including RPS holders and deposit holders.

The Share Buy-back is one of the restructuring steps used to transfer the General Insurance Group, Life Group and the corporate and shared services entities and associated assets out of SML to SGL. The aggregate value for which shares will be bought back under the Share Buy-back will be in the range \$10.80-10.95 billion<sup>2</sup>, which corresponds to the book value of the General Insurance Group and the Life Group. The amount due under the Share Buy-back will effectively be settled by the transfer out of SML of the General Insurance Group and Life Group. The consequence of this transfer will be that SML's consolidated capital base will no longer include the capital bases of the General Insurance and Life Groups, representing a reduction in capital from approximately \$11.1 billion to approximately \$5.4 billion. At an economic level, the value of SML's assets available to meet its commitments will have been reduced by \$10.80-10.95 billion, the aggregate value of shares bought back under the Share Buy-back.

Any reduction in the capital base of an entity reduces in an absolute sense the capacity of the entity to fund commitments. However, in the case of the Share Buy-back and associated capital reduction, the reduction in the available capital is unlikely to have any practical impact on SML's ability to meet its commitments. The vast majority of the reduction in SML's capital base reflects the transfer out of SML of the General Insurance and Life Groups and their capital bases. The reality is that this capital was unlikely ever to have been available to meet commitments of SML in circumstances in which SML had pressing need to access additional capital. In circumstances of financial stress, it is highly likely that SML would have been prevented from accessing any of the

<sup>2</sup> The precise Share Buy-back price will be determined at the time of implementation of the internal restructure in accordance with the formula set out in the Buy-back Agreement.

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capital of the General Insurance and Life Groups, to ensure that the interests of the General Insurance Group and Life Group policy holders and other stakeholders were protected.

The overall NOHC Restructure (of which the Share Buy-back is an integral part) will result in surplus Suncorp Group capital being held in the Group NOHC, from which it will be available for contribution to any of the Suncorp Group's businesses (including the Banking Group) if required. The Banking Group itself will have surplus capital of \$728 million above its internal target (pro forma as at 30 June 2010) following the NOHC Restructure (there are existing constraints that prevent this surplus from being transferred to the Group NOHC, although these are expected to be removed over time). The Suncorp Group will continue to have access to public equity markets, should there be a need to replenish its capital base. The rating agencies have indicated that they do not expect the NOHC Restructure to result in any change to the credit ratings of the Suncorp Group and its core businesses.

APRA has reviewed the Suncorp Group's applications and continues its work with the Suncorp Group to resolve the relevant prudential matters in order to decide on the requested approvals in relation to the proposed NOHC Restructure, including in relation to the impact of the Share Buy-back on SML's capital base.

Accordingly, in Grant Samuel's view, there is no reason to believe that at a practical level there will be any material diminution in SML's capacity to meet its commitments.

In this context:

- the NOHC Restructure will have no adverse impact on the overall capital attributable to ordinary shareholders, given that following the NOHC Restructure they will hold shares in the Group NOHC. The Share Buy-back is an integral part of the NOHC Restructure. Given that the NOHC Restructure is, in Grant Samuel's opinion, in the best interests of SML shareholders, it follows that the Share Buy-back is in the best interests of holders of SML ordinary shares;
- in an absolute sense, the reduction in SML's capital base will reduce the value of assets available to meet the claims of all SML creditors, including amounts due to holders of CPS. However, this would only have any meaningful consequence for holders of CPS in the event of a winding up of SML while CPS holders continued to be creditors of SML (the CPS are converted to ordinary shares in SGL with effect from 14 June 2013). In Grant Samuel's view this risk can effectively be discounted. SML will remain a substantial and well capitalised company. The ratings agencies have indicated that there is not expected to be any change to the credit ratings of SML. APRA is supportive of the NOHC Restructure, including the capital reallocation, and continues to work with the Suncorp Group to resolve the relevant prudential matters. SML will continue to be part of a group of companies with access to the public equity markets. Accordingly, there are good reasons to conclude that the prospects of a winding up are extremely remote. Overall, it is appropriate to conclude that the Share Buy-back will have no material impact on SML's ability to fund its commitments to the holders of CPS. The terms of the CPS will be altered so that dividend distribution restrictions will apply to both SML and SGL if a scheduled dividend on the CPS is not paid. On conversion of the CPS, holders will be issued ordinary shares in SGL rather than in SML. In Grant Samuel's view the NOHC Restructure is in the best interests of holders of ordinary shares. It is therefore in the best interests of holders of CPS (given that they will receive ordinary shares on the conversion of their CPS). Because the NOHC Restructure is in the best interests of holders of CPS, the Share Buy-back, as an integral part of the NOHC Restructure, is in the best interests of holders of CPS; and

## 7 Independent Expert's Report (continued)

## GRANT SAMUEL



- for the reasons set out above, the Share Buy-back will have no material impact on SML's ability to fund its commitments to existing creditors (including RPS holders<sup>3</sup> and deposit holders). In Grant Samuel's view the Share Buy-back will not materially prejudice SML's ability to pay its existing creditors, including RPS holders and deposit holders.

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by SML or its subsidiaries to their creditors (including holders of RPS and deposit holders) as at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial position of SGL and its subsidiaries.

### 6.3 Impact of NOHC Restructure on Deposit and Policy Holders

The NOHC Restructure will have no material impact on SML's ability to fund its commitments to deposit holders. While SML will no longer hold as subsidiaries the General Insurance Group and the Life Group, the reality is that it is highly unlikely that these businesses and their capital bases would ever have been available to support SML's ability to fund its commitments in circumstances in which SML was exposed to financial stress. The Suncorp Group will continue to have access to the public equity markets in the event that there is an urgent need to replenish its capital base. The NOHC Restructure will provide the flexibility to deliver capital from the Group NOHC to SML, should that be required. Accordingly, in Grant Samuel's view, the NOHC Restructure will not materially prejudice SML deposit holders.

The NOHC Restructure will have only a limited effect on the position of policy holders with the General Insurance Group and Life Group. The operating profitability of the General Insurance and Life Groups will not be affected by the NOHC Restructure. The capital bases of the General Insurance and Life Groups will only be affected to the extent that surplus capital (approximately \$424 million in the case of the General Insurance and only around \$35 million in the case of the Life business) is distributed up to the Group NOHC. Both the General Insurance and Life Groups will continue to hold capital in excess of the regulatory minimum capital requirements. Moreover, both will have access (should such access ever be required) to the capital held in the Group NOHC, and the Suncorp Group overall will continue to have access to the public equity markets. Accordingly, in Grant Samuel's view, the NOHC Restructure will not materially prejudice policy holders of the Suncorp Group.

Grant Samuel makes no warranty, express or implied, as to the potential recoverability of existing or contingent debts owed by SML or its subsidiaries to their creditors (including deposit holders) as at the date of this report or at any subsequent time. Future creditors must rely on their own investigations of the financial position of SGL and its subsidiaries.

### 6.4 Shareholder Decision

The decision whether to vote for or against the NOHC Restructure is a matter for individual shareholders. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the NOHC Restructure, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in SML or SGL. This is an investment decision upon which Grant Samuel does not offer an opinion, and is independent of a decision on whether to vote for or against the NOHC Restructure. Shareholders should consult their own professional adviser in this regard.

<sup>3</sup> The NOHC Restructure will have no direct impact on the number of RPS on issue. However, the NOHC Restructure will be a change of control event under the terms of issue of the RPS. Holders of RPS will be entitled to lodge an exchange notice in relation to their RPS. SML intends to satisfy any exchange notices by redeeming the relevant RPS for cash.



## G R A N T S A M U E L



## 7 Qualifications, Declarations and Consents

### 7.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally), property advisory services, manages specialist funds and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 435 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Stephen Cooper BCom (Hons) ACA CA(SA) ACMA and Hannah Crawford BCom LLB CA FFin. Each has a significant number of years of experience in relevant corporate advisory matters and is an authorised representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

### 7.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the NOHC Restructure is in the best interests of shareholders and whether the Share Buy-back would materially prejudice SML's ability to pay its creditors. Grant Samuel expressly disclaims any liability to any SML shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Explanatory Memorandum issued by SML and has not verified or approved any of the contents of the Explanatory Memorandum. Grant Samuel does not accept any responsibility for the contents of the Explanatory Memorandum (except for this report).

Grant Samuel has had no involvement in SML's due diligence investigation in relation to the Explanatory Memorandum and does not accept any responsibility for the completeness or reliability of the process which is the responsibility of SML.

### 7.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with SML that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the NOHC Restructure.

Grant Samuel advises that it was retained by Promina Group Limited in relation to the proposed merger with SML in 2006. In addition, Grant Samuel group executives hold parcels of less than 3,500 shares in SML in aggregate.

Grant Samuel commenced analysis for the purposes of this report in August 2010 prior to the announcement of the NOHC Restructure. This work did not involve Grant Samuel participating in the setting the terms of, or any negotiations leading to, the NOHC Restructure.

## 7 Independent Expert's Report (continued)

## GRANT SAMUEL



Grant Samuel had no part in the formulation of the NOHC Restructure. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of \$350,000 for the preparation of this report. This fee is not contingent on the outcome of the NOHC Restructure. Grant Samuel's out-of-pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 October 2007.

#### 7.4 Declarations

SML has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to have been caused by any conduct involving negligence or wilful misconduct by Grant Samuel. SML has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by SML are limited to an amount equal to the fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to SML and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

#### 7.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Explanatory Memorandum to be sent to shareholders of SML. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

#### 7.6 Other

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

**GRANT SAMUEL & ASSOCIATES PTY LIMITED**

29 October 2010

*Grant Samuel & Associates*

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## 8 Further information about the Scheme and NOHC Restructure



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## 8 Further information about the Scheme and NOHC Restructure

### 8.1 Structure and effect of the Scheme

If the Scheme becomes Effective, the Scheme will proceed on the Implementation Date, when:

- all Ordinary Shares will be transferred to SGL without the need for further action by Ordinary Shareholders; and
- SGL will issue to the Ordinary Shareholders (except for those Ordinary Shareholders who are Ineligible Foreign Shareholders – see **section 9**) one SGL Share for each Ordinary Share they held on the Record Date. SGL has entered into the Scheme Deed Poll (see **section 12.4(b)**) which binds SGL to do so.

Immediately after implementation of the NOHC Restructure, SGL will have only SGL Shares on issue, and SGL's shareholders will be:

- the Ordinary Shareholders (except for Ineligible Foreign Shareholders) on the Record Date; and
- the Sale Agent in respect of the SGL Shares that would otherwise have been issued to Ineligible Foreign Shareholders.

The Scheme is set out in full in **appendix A**.

### 8.2 Appointment of SGL as sole proxy

From the Effective Date until SML registers SGL as the holder of all the Ordinary Shares, each Ordinary Shareholder will be deemed to have irrevocably appointed SGL as its sole proxy for shareholders' meetings of SML up until the transfer of their Ordinary Shares is registered, and the Ordinary Shareholder must not otherwise attend or vote at any such meetings. During that time, Ordinary Shareholders must take any other actions as the registered holder of their Ordinary Shares that SGL directs.

### 8.3 Appointment of SML as sole power of attorney and agent

If the Scheme becomes Effective, each Ordinary Shareholder will be deemed to have appointed SML and its directors and officers to act as its attorney and agent for the purposes of executing any document, or doing any act necessary to give effect to the Scheme and enforcing the Scheme Deed Poll against SGL.

### 8.4 Instructions, authorisations and notifications previously given to SML

Except for a Tax File Number (**TFN**), a relevant exemption from quoting a TFN, or an ABN, each binding election, instruction, authorisation or notification given by an Ordinary Shareholder to SML relating to their Ordinary Shares or their status as an Ordinary Shareholder will from the Record Date be deemed to be a similarly binding election, instruction, authorisation or notification to, and be accepted by, SGL in respect of the SGL Shares issued to the Ordinary Shareholder until that election, instruction, authorisation or notification is revoked or amended in writing addressed to SGL at the Suncorp Share Registry. These will include:

- any election with respect to participation in the SML dividend reinvestment plan;
- any instructions relating to whether dividends or other payments are to be paid by cheque or into a specific bank account;
- the notification of any personal details such as a mailing address, email address or bank account details; and
- the notification of any other matters notified to SML and noted against an Ordinary Shareholder's holding in SML's share register.

On the Implementation Date, provided that an Ordinary Shareholder has properly notified SML of their TFN, a relevant exemption from quoting a TFN, or their ABN, the Ordinary Shareholder will be deemed to have authorised SML to transfer their TFN, relevant exemption or ABN to SGL on their behalf unless, prior to the Implementation Date, the Ordinary Shareholder notifies the Suncorp Share Registry that their TFN, relevant exemption or ABN is not to be provided to SGL. The necessary form is available from the Suncorp Share Registry.

### 8.5 Warranties by Ordinary Shareholders

If the Scheme becomes Effective, each Ordinary Shareholder will be deemed to have warranted to SML, for itself and for SGL, that:

- all of their Ordinary Shares (including any rights and entitlements attaching to those shares) which are transferred to SGL under the Scheme will be transferred to SGL free from all mortgages, pledges, charges, liens, encumbrances and security interests and other interests of third parties of any kind, whether legal or otherwise (but acknowledging that a security interest holder may potentially have an interest in the Scheme consideration in accordance with the terms of such security interest); and
- they have full power and capacity to sell and transfer their Ordinary Shares to SGL (including any rights and entitlements attaching to those shares).

## 8 Further information about the Scheme and NOHC Restructure (continued)

### 8.6 Scheme – conditions

The Scheme will not be implemented unless all of the Scheme Conditions have been satisfied, or where applicable, waived, in accordance with the Restructure Implementation Deed.

The Scheme is conditional upon:

- the conditions precedent in the Restructure Implementation Deed (including, without limitation, the Court approving the Scheme under section 411(4)(b) of the Corporations Act) having been satisfied or waived in accordance with the terms of the Restructure Implementation Deed. An outline of those conditions is set out in **section 12.4(a)(ii)**;
- as at 8.00 am on the date of the Second Court Hearing, the Restructure Implementation Deed not having been terminated in accordance with its terms; and
- such other conditions made or required by the Court under section 411(6) of the Corporations Act as are acceptable to SGL and SML having been satisfied.

### 8.7 End date of the Scheme

The Scheme will lapse and be of no further force or effect if the Scheme has not become Effective on or before 31 March 2011.

### 8.8 Details of the internal restructures after implementation of the Scheme

As outlined in **section 1.4(b)**, following implementation of the Scheme, it will be necessary for the Suncorp Group to undertake a number of internal share and asset transfers and other corporate actions.

The material steps are:

- SGL buying back and cancelling the one share that SML currently holds in it;
- SGL selling all of the shares in SML to SBHL in return for shares in SBHL, to interpose SBHL as the NOHC of the Banking Group;
- transferring certain shares to effect a minor restructure of the General Insurance Group and undertaking other corporate actions within the General Insurance Group;
- transferring all of the shares in SISPL to SLHL to move this subsidiary into the Life Group;
- transferring all of the shares in SIHL from SML to SBHL, and then to SGL, so that SIHL, the General Insurance Group NOHC, becomes a direct subsidiary of SGL;
- transferring all of the shares in SLHL from SML to SBHL and then to SGL, so that SLHL, the Life Group NOHC, becomes a direct subsidiary of SGL;
- transferring all of the shares in SCSPL and SSPL from SML to SBHL and then to SGL to form the Corporate/Shared Services Group;

- transferring certain assets and liabilities to the Corporate/Shared Services Group. This step includes certain other corporate actions between Suncorp Group companies;
- SML buying back certain Ordinary Shares from SBHL under the Buy-back (see **section 1.4(c)**);
- SBHL buying back certain SBHL shares from SGL; and
- the employment of certain Australian Suncorp Group employees (and the associated employee entitlements) will be transferred from their current employers to SSPL in the Corporate/Shared Services Group. This step includes certain other corporate actions between Suncorp Group companies. It is expected that this step will occur after all of the other restructure steps. Should approval under the Restructure Act in connection with the transfer of employees (and associated entitlements) be obtained, the transfer is expected to occur on or about 30 June 2011. Should the approval under the Restructure Act not be obtained, it is intended that the transfer be substantially completed by 30 June 2012. **Sections 3.1(d)** and **12.9** contain further information about the proposed transfer of employees.

### 8.9 Taxation implications for Ordinary Shareholders

#### (a) Preliminary matters

Set out below is a general outline of the income tax (including CGT) consequences of the Scheme for Ordinary Shareholders.

The outline is based on legislation, regulations and judicial and administrative interpretations current as at the date of this Explanatory Memorandum.

Nevertheless, the outline is necessarily general in nature and cannot take into account the specific taxation circumstances of each Ordinary Shareholder. SML is not a tax agent and this outline should not be relied upon as tax advice.

Ordinary Shareholders should consider whether they should obtain their own tax advice having regard to their particular circumstances.

**(b) Australian tax resident Ordinary Shareholders**

In summary, for Australian tax resident Ordinary Shareholders:

- the exchange of Ordinary Shares for SGL Shares under the Scheme does not represent a taxable event; and
- all the usual income tax (including CGT) consequences associated with holding and disposing of Ordinary Shares will also apply to holding and disposing of SGL Shares.

Ordinarily, the transfer of Ordinary Shares would give rise to income tax consequences for Australian resident Ordinary Shareholders. However, roll-over relief under Subdivision 124-G of the Tax Act will automatically apply to defer the recognition of any taxable gains or losses until the subsequent disposal of the SGL Shares received under the Scheme.

The precise mechanism by which roll-over relief is effected depends on whether a particular Ordinary Shareholder holds their Ordinary Shares on 'capital account', as trading stock or as revenue assets.

The ATO has been asked to confirm in a Class Ruling the Australian income tax consequences of the NOHC Restructure for Australian tax resident Ordinary Shareholders. The Class Ruling will be available on the ATO's website ([www.ato.gov.au](http://www.ato.gov.au)) once issued. A link to that ruling will also be placed on the Suncorp Group's website [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

**(c) Australian tax resident SML Share Plan Shareholders**

In summary, for Australian tax resident Ordinary Shareholders who acquired their Ordinary Shares (or rights to acquire such Ordinary Shares) under an SML Share Plan:

- the exchange of Ordinary Shares for SGL Shares under the Scheme does not represent a taxable event; and
- all the usual income tax (including CGT) consequences associated with holding and disposing of Ordinary Shares will also apply to holding and disposing of SGL Shares.

Ordinarily, the transfer of Ordinary Shares would give rise to income tax consequences for Australian resident Ordinary Shareholders. However, roll-over relief under either Subdivision 124-G of the Tax Act or section 83A-130 of the Tax Act will automatically apply to defer the recognition of any assessable income, taxable gains or losses.

The precise mechanism by which roll-over relief is effected depends on whether or not a particular Ordinary Shareholder is still subject to the employee share plan tax provisions in respect of their Ordinary Shares (or rights).

The ATO has been asked to confirm in a Class Ruling the Australian income tax consequences of the NOHC Restructure for certain Australian tax resident participants in an SML Share Plan. The Class Ruling will be available on the ATO's website ([www.ato.gov.au](http://www.ato.gov.au)) once issued. A link to that ruling will also be placed on the Suncorp Group's website [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

**(d) Overseas Ordinary Shareholders**

Ordinary Shareholders who are not Australian tax residents will need to consider both the Australian tax implications and the tax implications of the Scheme in their home jurisdiction.

**(i) Australian income tax implications**

In summary, for Ordinary Shareholders who are neither Australian tax residents nor Ineligible Foreign Shareholders:

- the exchange of Ordinary Shares for SGL Shares under the Scheme does not represent a taxable event for Australian income tax purposes; and
- all the usual Australian income tax (including CGT) consequences associated with holding and disposing of Ordinary Shares will also apply to holding and disposing of SGL Shares.

**(ii) Certain foreign tax implications**

The exchange of Ordinary Shares for SGL Shares under the Scheme should not generally be a taxing point for an Ordinary Shareholder who is not an Ineligible Foreign Shareholder and who is:

- a US Tax Person and who holds their Ordinary Shares on capital account. This is because it should generally be treated as a tax-free exchange for US federal income tax purposes.
- a resident of the UK for UK tax purposes. This is because the SGL Shares should generally be treated as the same asset as the Ordinary Shares for which they were exchanged.
- a resident of New Zealand for New Zealand tax purposes and who holds their Ordinary Shares on capital account.

**(e) Ineligible Foreign Shareholders**

Ineligible Foreign Shareholders will need to consider both the Australian tax implications and the tax implications of the Scheme in their home jurisdiction.

An Ineligible Foreign Shareholder's Ordinary Shares will be compulsorily exchanged for SGL Shares under the Scheme. The SGL Shares will be issued to the Sale Agent, as their nominee, who will sell their SGL Shares and account to them for an amount equal to their proportion of the total proceeds from the sale of Ineligible Foreign Shareholders' SGL Shares (less expenses).

## 8 Further information about the Scheme and NOHC Restructure (continued)

In summary, Ineligible Foreign Shareholders will typically be subject to Australian tax in respect of the disposals occurring pursuant to the Scheme if:

- they have used their Ordinary Shares at any time in carrying on a business through a permanent establishment in Australia; or
- they are resident of a country with which Australia does not have a double tax treaty, they hold their Ordinary Shares as revenue assets or as trading stock, and the disposal gives rise to Australian sourced amounts.

Roll-over relief will not be available to any such Ineligible Foreign Shareholders.

### (f) GST

No goods and services tax (**GST**) liability should arise to an Ordinary Shareholder in respect of the transactions in the NOHC Restructure outlined above because these transactions all involve dealings with securities.

This is because the various supplies will either be input-taxed or will fall outside Australia's GST jurisdiction, but in either case, they will not be subject to GST.

### (g) Tax file numbers

SML will, on behalf of Ordinary Shareholders, provide details of Ordinary Shareholders' Tax File Numbers (**TFN**), a relevant exemption from quoting a TFN, or their Australian Business Number (**ABN**) (as applicable) to SGL prior to the Implementation Date. However, this will not apply if an Ordinary Shareholder has notified the Suncorp Share Registry that their TFN, relevant exemption or ABN is not to be provided to SGL by completing and returning a form available from the Suncorp Share Registry.

Any Ordinary Shareholder that notifies SML that the relevant authorisation is not given, and who wishes to supply SGL with a TFN, details of a relevant exemption or an ABN notification, will be required to do so following the NOHC Restructure.

If a TFN, details of a relevant exemption, or an ABN notification is not provided to SGL, tax at the relevant rate (currently 46.5%) will be deducted from the unfranked component of dividends paid by SGL. However, Ordinary Shareholders are entitled to claim an income tax credit/refund (as applicable) in their income tax returns in respect of the tax withheld.

### 8.10 Application for admission of SGL to the official list of ASX and for official quotation of SGL Shares

SGL will apply for admission to the official list of ASX, and for official quotation of the SGL Shares to be issued under the Scheme, within 7 days after the date of this Explanatory Memorandum.

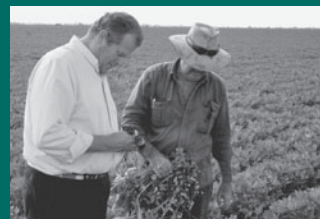


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## 9 Foreign Ordinary Shareholders



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## 9 Foreign Ordinary Shareholders

### 9.1 Eligible Foreign Shareholders

Ordinary Shareholders in New Zealand will be Eligible Foreign Shareholders and will be able to participate in the Scheme and have their Ordinary Shares exchanged for SGL Shares under the Scheme.

Based on information available to SML at the date of this Explanatory Memorandum, SML expects that Ordinary Shareholders in the other places specified in the table below will be Eligible Foreign Shareholders.

This list is subject to change without notice and no assurance can be given that Ordinary Shareholders in any of these jurisdictions will be able to participate in the Scheme.

|                                       |                  |  |
|---------------------------------------|------------------|--|
| Belgium                               | Indonesia        | Qatar  |
| Canada                                | Italy            | Singapore  |
| Channel Islands (Jersey and Guernsey) | Ireland          | South Africa   |
| China                                 | Japan            | Switzerland  |
| Denmark                               | Malaysia         | Taiwan   |
| Fiji                                  | Malta            | Thailand   |
| France                                | Netherlands      | United Arab Emirates, including the Dubai International Financial Centre |
| Germany                               | Papua New Guinea | United Kingdom   |
| Hong Kong                             | Poland           | United States of America   |

#### Important notices

##### (a) Belgium

This Explanatory Memorandum and any other documents or materials relating to the Scheme are not intended to constitute a public offer of SGL Shares in Belgium. The Scheme is not being made and will not be made, directly or indirectly, to the public in Belgium. This Explanatory Memorandum and any other documents or materials relating to the Scheme have not been and will not be notified to nor approved by the Belgian Banking, Finance and Insurance Commission (*Commission Bancaire, Financière et des Assurances/Commissie voor het Bank, Financie en Assurantiewezen*) and neither this Explanatory Memorandum nor any other documents or materials relating to the Scheme have been, or will be, approved by the Belgian Banking, Finance and Insurance Commission. Accordingly, the Scheme may not be advertised or made (either directly or indirectly) and neither the Explanatory Memorandum nor any such documents or materials may be distributed or made available in Belgium other than (i) to qualified investors, as defined in article 10 of the Law of 16 June 2006 on the public offer of investment instruments and the admission to trading of investment instruments on a regulated market, acting for their own account and/or (ii) to less than 100 natural or legal persons in Belgium.

##### (b) Jersey (Channel Islands)

This Explanatory Memorandum does not purport to provide investment advice and shall not be construed as giving advice on the merits or suitability of the subscription, exchange or purchase of the SGL Shares under the Scheme.

This Explanatory Memorandum is not subject to and has not received approval from either the Jersey Financial Services

Commission or the Registrar of Companies in Jersey and no statement to the contrary, explicit or implicit, is authorised to be made in this regard. The SGL Shares being offered under the Scheme may be offered, exchanged or sold in Jersey only in compliance with the provisions of the Control of Borrowing (Jersey) Order 1958.

##### (c) China

This Explanatory Memorandum has not been and will not be circulated or distributed in the People's Republic of China, and the SGL Shares issued under the Scheme may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the People's Republic of China except pursuant to applicable laws and regulations of the People's Republic of China. For the purpose of this paragraph only, the People's Republic of China does not include Taiwan and the special administrative regions of Hong Kong and Macau.

##### (d) Dubai International Financial Centre

By receiving this Explanatory Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that the SGL Shares have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre governing the issue, offering or sale of securities.

To the extent this Explanatory Memorandum is distributed in the Dubai International Financial Centre, if at all, this statement relates to an "exempt offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This statement is intended for distribution only to persons of a type

## 9 Foreign Ordinary Shareholders (continued)

specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorised financial adviser. For the avoidance of doubt, the SGL Shares are not interests in a "fund" or "collective investment scheme" within the meaning of either the Collective Investment Law (DIFC Law No. 1 of 2006) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

### (e) France

No prospectus (including any amendment, supplement or replacement thereto) is required to be submitted, nor has been prepared for submission or has been submitted to the *Autorité des marchés financiers* for approval in connection with the Scheme. The Explanatory Memorandum or any other offering material relating to the SGL Shares have not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France. The Scheme has been and shall only be made in France to persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) and/or a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in Articles L. 411-2, D. 411-1, D. 411-2, D. 411-4, D. 734-1, D.744-1, D. 754-1 and D. 764-1 of the *Code monétaire et financier*. The direct or indirect distribution to the public in France of any SGL Shares acquired under the Scheme may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier* and applicable regulations thereunder.

### (f) Germany

The offer and solicitation of securities to the public in Germany is regulated by the German Securities Prospectus Act (*Wertpapierprospektgesetz - WpPG*). This Explanatory Memorandum and any other document relating to the SGL Shares, as well as information contained therein, is addressed to the designated recipient only and may not be used in connection with any offer for acquisition of the SGL Shares to the public in Germany, any public marketing of the SGL Shares or any public solicitation for offers to acquire the SGL Shares, except pursuant to any of the exemptions set forth in section 3 para. 2 WpPG of the German Securities Prospectus Act.

### (g) Hong Kong

This Explanatory Memorandum is for the exclusive use of Ordinary Shareholders in connection with the Scheme and for SML shareholders in relation to the Buy-back. Accordingly, this Explanatory Memorandum must not be distributed, published, reproduced or disclosed (in whole or in part) to any other person in Hong Kong other than in connection with an Ordinary Shareholder's consideration of the Scheme and SML shareholder's consideration of the Buy-back. This Explanatory Memorandum is not intended to constitute an offer or invitation for the subscription, sale or purchase of securities in Hong Kong and shall not form the basis of any contract. The contents of this Explanatory Memorandum have not been reviewed by any regulatory authority in Hong Kong.

### (h) Indonesia

This Explanatory Memorandum is not intended, and should not be construed, to be a public offering. The SGL Shares have not been, and will not be, registered under Law of the Republic of Indonesia No. 8 of 1995 concerning Capital Markets and its implementing regulations, and this Explanatory Memorandum is not subject to and has not received approval from the Indonesian Capital Market and Financial Institution Supervisory Agency or Badan Pengawas Pasar Modal dan Lembaga Keuangan of the Republic of Indonesia.

### (i) Ireland

SGL has not offered or sold and will not offer or sell any SGL Shares to the public in Ireland nor requested the admission of the SGL Shares to trading on a regulated market situated or operating in Ireland prior to a prospectus having been approved by the competent EEA authority and published in accordance with Irish prospectus laws except that it may make an offer of any SGL Shares to the public in Ireland at any time under the following exemptions under Directive 2003/71/EC (the **Prospectus Directive**):

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than "qualified investors") as defined in the Prospectus Directive; and
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of SGL Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

**(j) Italy**

By receiving this Explanatory Memorandum in Italy, an Ordinary Shareholder acknowledges that the Explanatory Memorandum is addressed to them and to them solely and, by receiving this Explanatory Memorandum they represent that they are not acting on behalf of other investors resident in Italy or persons located in Italy. THE EXPLANATORY MEMORANDUM MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, SHOULD NOT BE FORWARDED TO ANY ITALIAN PERSON OR TO ANY PERSON OR ADDRESS IN THE REPUBLIC OF ITALY.

**(k) Japan**

The SGL Shares to be issued under the Scheme have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan, as amended (the **FIEL**). Accordingly, the SGL Shares will not and may not be offered, sold or delivered, directly or indirectly, in or into Japan or to or for the account or benefit of, or for reoffering or resale to, any Japanese Person, except under circumstances which will result in full compliance with the FIEL and all other applicable laws and regulations promulgated by the relevant Japanese authorities in effect at the relevant time. For the purpose of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity established or organized under the laws of Japan.

**(l) Malaysia**

This Explanatory Memorandum is not intended, and should not be construed, to be an offering or invitation to subscribe for securities. This Explanatory Memorandum is intended solely for the use of the recipient to whom it has been delivered in its capacity as an Ordinary Shareholder for the purpose of evaluating the Scheme and/or as an SML shareholder for the purpose of evaluating the Buy-back and is not to be reproduced or distributed to any other person (other than the recipient's professional advisers). No approval of the Securities Commission of Malaysia has been, or will be, obtained in respect of this Explanatory Memorandum. Therefore this Explanatory Memorandum should not be distributed in Malaysia otherwise than in compliance with the Capital Markets and Services Act 2007.

**(m) Malta**

This Explanatory Memorandum does not constitute an offer or solicitation of business and should not be construed as promotion. This Explanatory Memorandum is intended solely to provide information about the Scheme to existing Ordinary Shareholders and about the Buy-back to existing SML shareholders.

**(n) Netherlands**

The SGL Shares to be issued under the Scheme may not be offered, sold, transferred or delivered in or from The Netherlands, as part of their initial distribution or as part of any re-offering, other than to fewer than 100 individuals or legal entities.

**(o) New Zealand**

This Explanatory Memorandum is not a New Zealand prospectus or an investment statement and it has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand) or any other relevant law in New Zealand. This Explanatory Memorandum may not contain all of the information that a prospectus or an investment statement under New Zealand law is required to contain.

**(p) Papua New Guinea**

This Explanatory Memorandum will not be registered as a prospectus in Papua New Guinea and no notice of the proposed issue of SGL Shares under the Scheme will be submitted to the Registrar of Companies in Papua New Guinea. No documents are being lodged with the Registrar of Companies in respect of the proposed issue of SGL Shares under the Scheme. The proposed issue of SGL Shares under the Scheme is not and should not be construed as an offer of securities to the public in Papua New Guinea and, accordingly, many (if not all) of the provisions of Part IV of the Securities Act will not apply to the issue of SGL Shares under the Scheme. SGL Shares issued under the Scheme may not be sold in PNG or to any person resident in PNG except in accordance with the Securities Act and any other applicable laws.

**(q) Qatar**

This Explanatory Memorandum has not been filed with or reviewed by the Qatar Central Bank or any regulatory authority in Qatar nor has any such authority considered or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Explanatory Memorandum. Neither SML nor SGL is licensed by the Qatar Central Bank, nor any other government authority in Qatar. The SGL Shares to be issued under the Scheme will be issued in Australia and not in Qatar.

**(r) Singapore**

This Explanatory Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore and may not be circulated or distributed in Singapore nor may any of the SGL Shares be offered for subscription, directly or indirectly, nor may any invitation to subscribe for any of the SGL Shares be made in Singapore except in circumstances in which such offer or sale is made pursuant to, and in accordance with the conditions of, an exemption invoked under Subdivision (4) Division I of Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), and to persons to whom the SGL Shares may be offered or sold under such exemption.

## 9 Foreign Ordinary Shareholders (continued)

By accepting this Explanatory Memorandum in Singapore, the recipient represents and warrants that it is entitled to receive it in accordance with the restrictions set forth above and agrees to be bound by limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

### **(s) Switzerland**

The SGL Shares to be issued under the Scheme may not be offered or sold, directly or indirectly, in Switzerland except in circumstances that will not result in the offer of the SGL Shares being a public offering in Switzerland within the meaning of the Swiss Code of Obligations (CO). Neither this Explanatory Memorandum nor any other offering or marketing material relating to the SGL Shares constitutes a prospectus as that term is understood pursuant to article 652a or 1156 CO, and neither this Explanatory Memorandum nor any other offering material relating to the SGL Shares may be publicly distributed or otherwise made publicly available in Switzerland. SGL has not applied, and will not apply, for a listing of the SGL Shares on the SIX Swiss Exchange and, consequently, the information presented in this Explanatory Memorandum does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange.

### **(t) Taiwan**

The SGL Shares to be issued under the Scheme have not been and will not be registered in Taiwan. This Explanatory Memorandum is for information only and does not constitute, and may not be issued, circulated or distributed for the purpose of, an offer, recommendation, or solicitation by anyone to buy, sell, resell, and/or transfer a stock or any other securities that could be referred to or linked to, explicitly or impliedly, in the material, if any, in Taiwan.

### **(u) United Arab Emirates**

This Explanatory Memorandum does not, and is not intended to, constitute an offer of SGL Shares in the United Arab Emirates and accordingly should not be construed as such. No sale of SGL Shares has been or will be made in the United Arab Emirates and accordingly should not be construed as such. This Explanatory Memorandum is being issued only to existing holders of Ordinary Shares and other SML shareholders on the condition that it will not be provided to any person other than the original recipient, is not for general circulation in the United Arab Emirates and may not be reproduced or used for any other purpose. The SGL Shares have not been approved or licensed by or registered with the United Arab Emirates Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. Nothing in this Explanatory Memorandum is intended to constitute investment, legal, tax, accounting or other professional advice. This Explanatory Memorandum is for the information of Ordinary Shareholders and other SML shareholders only and nothing in this document is intended to endorse or recommend a particular course of action.

### **(v) United States of America**

The SGL Shares to be issued pursuant to the Scheme have not been, and will not be, registered under the U.S. Securities Act, or the securities laws of any other jurisdiction, and may not be offered or sold in the U.S. or to U.S. Persons unless the securities are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available.

Any SGL Shares issued pursuant to the Scheme will be issued in reliance on the exemption from the registration requirements of the U.S. Securities Act provided in Section 3(a)(10) of the U.S. Securities Act based on the approval of the Scheme by the Court.

If the Court approves the Scheme, its approval will constitute the basis for the SGL Shares to be issued without registration under the U.S. Securities Act, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10).

SGL Shares received pursuant to the Scheme by any person who may be deemed to be an "affiliate" of SGL under Rule 145 under the U.S. Securities Act, including, without limitation, directors and certain executive officers, may not be resold in the United States or to a U.S. Person except in accordance with the provisions of Rule 144 under the U.S. Securities Act, outside of the United States in reliance upon Regulation S under the U.S. Securities Act, or as otherwise permitted by the U.S. Securities Act.

## 9.2 Ineligible Foreign Shareholders

Restrictions in certain foreign countries make it impractical or unlawful to offer or receive SGL Shares in those countries. Accordingly, certain overseas shareholders are ineligible to receive SGL Shares under the Scheme.

An Ineligible Foreign Shareholder is any Ordinary Shareholder who, on the Record Date, has a registered address outside Australia and its external territories and New Zealand, unless SML and SGL are satisfied that the issue of SGL Shares to them is not prohibited or unduly onerous or impracticable. **Section 9.1** contains information about the foreign places where the Suncorp Group currently expects to be able to issue SGL Shares.

SGL Shares that would otherwise have been issued to Ineligible Foreign Shareholders under the Scheme in exchange for their Ordinary Shares will be issued to the Sale Agent and sold under the Sale Facility.

### 9.3 Sale Facility

Under the Sale Facility:

- the Sale Agent will sell the SGL Shares issued to it under the Scheme within 20 Business Days;
- SGL and SML will procure that the Sale Agent pays to Ineligible Foreign Shareholders the net sale proceeds received (less applicable brokerage, stamp duty and taxes).

The net sale proceeds will be the average price at which the Sale Agent sold the relevant SGL Shares (less the costs outlined above) multiplied by the number of Ordinary Shares that were held by the Ineligible Foreign Shareholder.

SGL, SML and the Sale Agent give no assurances as to the price that will be achieved for the sale of the SGL Shares. The proceeds received by Ineligible Foreign Shareholders may be more or less than the current market value of Ordinary Shares as at the date of this Explanatory Memorandum.

Full details of the Sale Facility process are set out in clause 4.5 of the Scheme, which is set out in **appendix A**.

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## 10 Information for RPS Holders



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## 10 Information for RPS Holders

### 10.1 RPS to remain on issue and continue to be quoted on ASX

After implementation of the NOHC Restructure, the RPS will remain on issue by SML and will continue to be quoted on ASX, but their ASX code will change (see **section 1.10** for further information). However, the ongoing quotation of the RPS will be dependent upon SML continuing to comply with the Listing Rules.

Unlike the CPS Terms, the RPS Terms do not provide for substitution of SGL as the issuer of ordinary shares on conversion of the RPS.

### 10.2 RPS voting rights

The RPS Holders generally do not have voting rights, except in the limited circumstances described in the RPS Terms. These limited circumstances include a proposal to reduce the share capital of SML and on a resolution to approve the terms of a buy-back agreement. RPS Holders are therefore entitled to vote on the Buy-back Resolution.

### 10.3 Dividends and winding up

The RPS Terms restrict the payment by SML of a dividend on Ordinary Shares where a dividend has not been paid on the RPS. While this will continue to restrict payment of dividends by SML to SBHL, there will not be any similar restrictions on the payment of dividends by SGL on SGL Shares.

The relative ranking of RPS in the event of a winding up of SML will not change.

### 10.4 SML constitution

It is proposed that SBHL will make certain changes to SML's constitution after implementation of the NOHC Restructure. **Section 12.2** sets out information about the proposed changes.

### 10.5 RPS Holders may elect to exchange for cash

The implementation of the Scheme will constitute a "Control Event" as defined in the RPS Terms.

This will give RPS Holders the right to request exchange of some or all of their RPS by delivering an exchange notice to SML within 21 Business Days following SML having notified RPS Holders of the Control Event. SML will communicate separately with RPS Holders about this.

If an RPS Holder requests an exchange, SML intends to exchange the relevant RPS for cash consideration rather than exchanging the RPS for Ordinary Shares.

The cash consideration will be equal to the issue price of the RPS plus an accrued dividend amount.

### 10.6 SML's current intentions in relation to the RPS which are not exchanged

- (a) If an RPS Holder requests exchange of their RPS as a result of some other exchange right or event, SML intends to exchange the relevant RPS for cash consideration rather than exchanging the RPS for Ordinary Shares (subject to APRA approval).
- (b) The next reset date of the RPS is 14 September 2011. SML must, before that date, notify RPS Holders of the new dividend rate to apply during the next reset period and various other matters.

SML's current intention is not to increase the credit margin applied to calculate the relevant dividend rate, although it reserves its right to so increase or decrease the credit margin applicable from the next reset date.

- (c) SML may in the future seek to have the terms of the RPS amended to substitute SGL as the issuer of ordinary shares on an exchange and potentially make other appropriate amendments. Any such amendment would require RPS Holder and APRA approval.
- (d) SML notes that there is currently some regulatory uncertainty in relation to banking regulation generally. In particular, it is possible that SML will not be entitled to treat all of the RPS as Tier 1 capital under future amendments to Prudential Standards and Guidelines.

Under the RPS Terms, if SML determines that there is a risk that SML is not or will not be entitled to treat all of the RPS as Tier 1 capital under relevant Prudential Standards and Guidelines, then SML has the right to exchange the RPS on the next dividend payment date.

If that right arises at some future point, and if SML chooses to exercise it, then SML's current intention is to exchange the RPS for cash consideration in accordance with the RPS Terms.

- (e) If SML is or becomes entitled under the Corporations Act to compulsorily acquire the RPS, then it may decide to do so.

### 10.7 Taxation implications for RPS Holders

The NOHC Restructure proposal does not represent a taxable event for RPS Holders.

Where an RPS Holder requests exchange of some or all of their RPS in the circumstances described in **section 10.5**, the RPS Holder should seek their own advice as to the tax implications of the exchange, having regard to their particular facts and circumstances.

## 10 Information for RPS Holders (continued)

### 10.8 Court approval of the Scheme

Subject to the Scheme and Buy-back Resolution being approved, SML is required to publish a notice of the Court hearing to approve the Scheme at least five days before the Court hearing. The notice will advise creditors and members of SML of the manner in which they may oppose the approval of the Scheme if they wish to do so. A copy of the notice of the Court hearing will also be published on the Suncorp website at least five days before the Court hearing.

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## 11 Information for CPS Holders



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# 11 Information for CPS Holders

## 11.1 CPS to remain on issue and continue to be quoted on ASX

After implementation of the NOHC Restructure, the CPS will remain on issue by SML and will continue to be quoted on ASX, but their ASX code will change (see **section 1.10** for further information). However, the ongoing quotation of the CPS will be dependent upon SML continuing to comply with the Listing Rules.

## 11.2 CPS voting rights

The CPS Holders generally do not have voting rights, except in the limited circumstances described in the CPS Terms. These limited circumstances include a proposal to reduce the share capital of SML and on a resolution to approve the terms of a buy-back agreement. CPS Holders are therefore entitled to vote on the Buy-back Resolution.

## 11.3 Amendment of CPS Terms

The CPS Terms will be amended so that, amongst other things, SGL will be substituted as the issuer of ordinary shares upon conversion of the CPS (i.e. upon conversion, CPS will convert into SGL Shares instead of Ordinary Shares). The relative ranking of CPS in the event of a winding up will not change.

The CPS Terms will also be amended so that distribution restrictions will apply to both SML and SGL if, for any reason, a scheduled dividend on the CPS is not paid in full within 20 business days after the relevant dividend payment date (subject to certain exceptions).

SGL will execute the CPS Deed Poll in favour, and for the benefit, of CPS Holders to give effect to this. Further information about the CPS Deed Poll is set out in **section 11.4**.

The CPS Terms contain a provision entitling SML, with APRA's prior written approval, to amend the CPS Terms if it is of the opinion that the amendments are necessary and appropriate to effect the substitution of a NOHC as the issuer of ordinary shares on conversion of the CPS (subject to certain conditions) without the approval of CPS Holders. Application has been made to APRA for that approval. CPS Holders will receive a NOHC Substitution Notice that summarises the amendments to the CPS Terms to give effect to the NOHC Event following APRA's approval of the amendments.

## 11.4 Summary of the CPS Deed Poll

If the NOHC Restructure occurs, this will result in a NOHC Event under the CPS Terms and the CPS Terms will be amended as specified in the NOHC Substitution Notice. These amendments include, among other things, substituting SGL as the issuer of ordinary shares upon conversion of the CPS. SML will remain the issuer of the CPS and the CPS will continue to be quoted on ASX.

In order for SGL to be bound by the amended CPS Terms, SGL will execute a deed poll in favour, and for the benefit, of holders of CPS (the CPS Deed Poll).

In the CPS Deed Poll, SGL will undertake on and from the Effective Date to perform and observe each of the obligations which the amended CPS Terms contemplate that SGL is required to perform or observe. This includes an obligation:

- to issue SGL Shares on conversion of the CPS; and
- not to pay dividends or make other distributions on SGL Shares if a dividend has not been paid on CPS within 20 business days of the relevant dividend payment date (subject to certain exceptions).

SGL does not guarantee the performance of SML's obligations in respect of the CPS nor does it provide any credit support for SML under the CPS Deed Poll (including by way of a guarantee) or the amended CPS Terms, and CPS Holders have no claims against SGL under it to the extent that any such claim is inconsistent with the amended CPS Terms.

The CPS Deed Poll also contains provisions entitling SGL to make amendments to the CPS Deed Poll without the consent of CPS Holders where the amendments are of a minor or technical nature or which SGL considers are not materially prejudicial to the interests of CPS Holders as a whole, or otherwise with the approval of a special resolution of CPS Holders.

The CPS Deed Poll will terminate if the NOHC Restructure does not occur by 31 March 2011 or if all CPS have been redeemed or converted.

## 11.5 SGL and SML constitutions

**Section 12.1** sets out information about SGL's constitution after implementation of the NOHC Restructure.

It is proposed that SBHL will make certain changes to SML's constitution after implementation of the NOHC Restructure.

**Section 12.2** sets out information about the proposed changes.

## 11.6 Taxation implications for CPS Holders

The NOHC Restructure does not represent a taxable event for CPS Holders.

As discussed in **section 11.3** above, the CPS Terms will be amended as part of the NOHC Restructure, so that, upon conversion, the CPS will convert into SGL Shares instead of Ordinary Shares.

Although the tax rules that apply to a conversion of CPS into SGL Shares are different to the tax rules that apply to the conversion of CPS into Ordinary Shares, the conversion of CPS into SGL Shares should not represent a taxable event for CPS Holders.

As regards any subsequent sale of the SGL Shares (i.e. at some time after conversion of CPS), the date of acquisition of those SGL Shares for the purposes of the 12 month holding period in the CGT discount rules will be the date of conversion of the CPS. In the absence of the NOHC Restructure, the CPS Terms will not be amended and the CPS will convert into Ordinary Shares. In that case, the date of acquisition of those Ordinary Shares for the purposes of the 12 month holding period in the CGT discount rules (as regards any subsequent sale of the Ordinary Shares) will be the date of acquisition of the CPS, rather than the date of conversion of CPS.

A request for an addendum to Class Ruling CR 2008/57 (which deals with the income tax (including CGT) consequences of the CPS), or a replacement class ruling, has been lodged with the ATO seeking confirmation that, amongst other things, the NOHC Restructure (including the amendments to the CPS Terms) will not result in a CGT event for CPS Holders for CGT purposes, and that the conversion of CPS into SGL Shares does not represent a taxable event for CPS Holders.

## 11.7 Court approval of the Scheme

Subject to the Scheme and Buy-back Resolution being approved, SML is required to publish a notice of the Court hearing to approve the Scheme at least five days before the Court hearing. The notice will advise creditors and members of SML of the manner in which they may oppose the approval of the Scheme if they wish to do so. A copy of the notice of the Court hearing will also be published on the Suncorp website at least five days before the Court hearing.



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## 12 Additional information



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## 12 Additional information

### 12.1 SGL constitution

The main rules governing the rights and obligations of SGL Shareholders are contained in the SGL constitution.

SGL is currently wholly owned by SML. SML has resolved, subject to the NOHC Restructure being implemented, to replace SGL's current constitution with one which is the same as SML's current constitution, with appropriate amendments.

The material differences between SML's current constitution and the new SGL constitution are summarised below. A complete copy of the new SGL constitution is available by contacting the Suncorp Share Registry.

| Existing provision of SML constitution  | Proposed change in SGL constitution  |
|---|--|
| Terminology                             | A number of minor amendments will be made to update terminology relating to the transfer, clearing and settlement of securities.   |
| Converting preference shares            | Specific provisions relating to the terms of converting preference shares issued by SML will not be included in the SGL constitution. A general power to issue preference shares will be retained.   |
| Revocation of corporate representatives | SML's constitution currently provides that an appointment of a corporate representative is revoked by the appointment of a new corporate representative. This provision will be removed as the Corporations Act permits a company to appoint more than one corporate representative (but only one may exercise the company's powers at any one time).  |
| Residency requirements for directors    | <p>At SML's 2009 annual general meeting, the constitution was amended to reflect changes which were then proposed to the residency requirements for directors of SML imposed by the <i>State Financial Institutions and Metway Merger Facilitation Act 1996</i> (Qld) (<b>Facilitation Act</b>). The constitution included the requirements which were relevant both before and after the date on which the Facilitation Act was to be amended.</p> <p>The Facilitation Act was amended in April 2010. Prior to the amendment, a certain minimum number of SML's directors were required to reside in Queensland. Since the amendment, the residency requirement only applies to the managing director.</p> <p>The residency requirements in relation to the managing director in the Facilitation Act apply to SGL and will be included.</p>  |
| Disqualification of director            | <p>Under the current SML constitution, one of the circumstances where a person ceases to be a director of SML is where the person is disqualified from acting as a director under the Corporations Act, the Banking Act or any other relevant legislation.</p> <p>The provision will be included in the SGL constitution, except that the reference to the Banking Act will not be included as SGL is not an ADI or the holder of a NOHC authority under the Banking Act.</p>  |
| Directors' remuneration                 | <p>The Listing Rules have recently been amended to expressly provide that the aggregate fees of non-executive directors (which must be approved by shareholders) include superannuation contributions made by a listed company and any of its subsidiaries and fees which are sacrificed on a pre-tax basis.</p> <p>The SGL constitution will reflect this change and clarify that the requirement for approval does not apply to the salary of an executive director.</p>   |
| Payment of dividends                    | <p>The SML constitution currently provides that SML must only pay dividends out of profits. Recent amendments to the Corporations Act in relation to the payment of dividends repealed the previous "profits" test.</p> <p>Under the new test, a company may pay dividends if:</p> <ul style="list-style-type: none"> <li>(i) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;</li> <li>(ii) it is fair and reasonable to the company's shareholders as a whole; and</li> <li>(iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.</li> </ul> <p>The proposed SGL constitution will reflect the amended position under the Corporations Act so that SGL will not need to meet both tests in order to pay a dividend.</p> |

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## 12 Additional information (continued)

| Existing provision of SML constitution | Proposed change in SGL constitution  |
|--|--|
| Dividends – transfer of assets         | <p>The SML constitution currently provides that the directors may determine that a dividend be paid by transferring specific assets, including shares, to members. The Corporations Act requires a person to consent to becoming a member of a company.</p> <p>To ensure that this requirement is met, it is proposed that the SGL constitution will deem a member to provide that consent if a share in another company is transferred to them as a dividend, and to allow SGL or a director to sign any necessary share transfer on the member's behalf.</p> |
| Capital reductions                     | <p>It is proposed to include a new provision which allows SGL to make capital reductions by transferring specific assets, including shares, to members.</p> <p>For the reasons outlined above in relation to the transfer of assets in payment of dividends, the new provision will deem a member to provide that consent if a share in another company is transferred to them as a part of a capital reduction, and to allow SGL or a director to sign any necessary share transfer on the member's behalf.</p>   |

## 12.2 SML's constitution

It is proposed that SML's current constitution will be amended by SBHL if the NOHC Restructure is implemented. This is only relevant for CPS Holders and RPS Holders, who will remain shareholders of SML.

The material amendments which are proposed to the constitution of SML are summarised below. A complete copy of the proposed SML constitution is available by contacting the Suncorp Share Registry.

| Existing provision of SML constitution  | Proposed change in SML constitution  |
|---|--|
| Terminology                             | Terminology in relation to the transfer of securities will be updated.   |
| Number of preference shares             | The current provision that the total number of preference shares may not exceed the total number of ordinary shares will be removed to allow the flexibility to reduce the number of ordinary shares on issue.   |
| Converting preference shares            | <p>Provisions setting out detailed terms of converting preference shares previously issued by SML will be removed as it is not necessary to include the detailed terms and conditions of preference shares in the constitution.</p> <p>The Corporations Act requires certain important matters relating to preference shares to be included in the constitution or approved by special resolution. General provisions in relation to the issue of preference shares will be retained. SML will have power to issue new preference shares in future.</p> <p>The CPS will continue to be governed by the CPS Terms, with certain amendments (see <b>section 11</b>).</p> |
| Quorum (general meetings)               | The constitution currently provides that a quorum at a general meeting is five or more members. It is proposed to reduce the quorum for a general meeting to one, as all ordinary shares will be held by SBHL.   |
| Revocation of corporate representatives | The constitution currently provides that an appointment of a corporate representative is revoked by the appointment of a new corporate representative. This provision will be removed as the Corporations Act permits a company to appoint more than one corporate representative (but only one may exercise the company's powers at any one time).  |
| Residency requirements for directors    | The constitution will require the managing director to reside in Queensland as required by the Facilitation Act (as explained in <b>section 12.1</b> in relation to the SGL constitution).   |
| Directors' remuneration                 | This provision will be amended in the same manner described in <b>section 12.1</b> .   |
| Payment of dividends                    | <p>The constitution currently provides that SML must only pay dividends out of profits. Recent amendments to the Corporations Act in relation to the payment of dividends (which are described in <b>section 12.1</b>) repealed the previous "profits" test.</p> <p>The SML constitution will be amended to reflect the amended position under the Corporations Act.</p>   |
| Dividends – transfer of assets          | This provision will be amended in the same manner described in <b>section 12.1</b> .   |

| Existing provision of SML constitution             | Proposed change in SML constitution  |
|--|--|
| Dividend reinvestment and employee incentive plans | The constitution expressly allows SML to establish dividend reinvestment plans and employee incentive plans.<br>It is proposed to remove the provision as it is not proposed that SML will implement either plan following the NOHC Restructure. |
| Capital reductions                                 | A new provision will be included as described in <b>section 12.1</b> in relation to the SGL constitution.  |

### 12.3 Dividend reinvestment plan

#### (a) Creation of dividend reinvestment plan

SGL will establish a dividend reinvestment plan (**DRP**) to provide eligible SGL Shareholders with the choice of reinvesting some or all of their dividends in new SGL Shares instead of receiving those dividends in cash. The DRP will commence operation on such date as the directors of SGL in their sole discretion determine.

The terms of the SGL DRP will be materially the same as the terms of the existing SML DRP.

#### (b) Ordinary Shareholder participation in SGL DRP

Ordinary Shareholders who are currently participating in the SML DRP will, under the terms of the Scheme, agree to participate in the SGL DRP in the same manner and to the same extent as their current participation in the SML DRP.

Any Ordinary Shareholders currently participating in the SML DRP, who do not wish to participate in the SGL DRP should withdraw their participation in the DRP by lodging a completed DRP Election/Variation Form (available from the Suncorp Share Registry or on the Suncorp Group website [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au)). The form can be returned at any time before the record date for the first SGL dividend after implementation of the NOHC Restructure, which is expected to be 4 March 2011.

For Ordinary Shareholders who participate in the SML DRP, residual balances in their SML DRP accounts will be paid by SML to SGL and applied under the SGL DRP to subscribe for SGL Shares in the future. Details of the new SGL DRP will be available on the Suncorp Group website [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au) shortly after the implementation of the NOHC Restructure. It is expected that the first SGL dividend will be paid on 1 April 2011.

### 12.4 Key agreements

Copies of the following documents are available on request by calling the NOHC Restructure information line on 1300 882 012 (or +61 2 8280 7450 if calling from outside Australia) or on the Suncorp Group website [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

#### (a) Restructure Implementation Deed

SML and SGL have entered into the Restructure Implementation Deed, which sets out their respective obligations in implementing the NOHC Restructure. This section sets out a brief overview of the key terms of the Restructure Implementation Deed.

#### (i) Implementation of the NOHC Restructure

SML agrees to propose the Scheme, and SML and SGL agree to implement the Scheme in accordance with the terms of the Restructure Implementation Deed.

After the Scheme is implemented, each of SML and SGL will, and each of them agrees to procure that other Suncorp Group companies will, take all necessary actions to implement the remainder of the NOHC Restructure.

In addition to these general obligations, as soon as SBHL becomes the registered holder of the Ordinary Shares on the Implementation Date, SML must make an offer to buy back Ordinary Shares from SBHL on the terms and conditions of the Buy-back Agreement (see **section 12.4(c)**). The offer will be open for a short period on the Implementation Date. SGL must procure that SBHL accepts that offer and that SBHL executes the Buy-back Agreement.

## 12 Additional information (continued)

**(ii) Conditions precedent to obligations to implement the Scheme**

The parties' obligations to implement the Scheme do not become binding until a number of conditions precedent have been satisfied or, if permitted, waived by the parties. At the date of this Explanatory Memorandum, the conditions precedent that are yet to be satisfied are:

- (A) Ordinary Shareholders approving the Scheme by the requisite majorities at the Scheme Meeting;
- (B) the Court approving the Scheme under section 411(4)(b) of the Corporations Act and the Scheme Orders being lodged with ASIC;
- (C) there are no temporary restraining orders, preliminary or permanent injunctions or other orders issued by any court of competent jurisdiction or other legal restraint or prohibition in effect at 8.00 am on the date of the Second Court Hearing which prevents any aspect of the NOHC Restructure being implemented;
- (D) before 8.00 am on the date of the Second Court Hearing:
  - (1) ASIC and ASX issue or provide such consents, approvals or waivers, or do such other acts which the parties determine are necessary or desirable to implement the NOHC Restructure, and such acts are not withdrawn, including in the case of ASIC, providing the statement required under section 411(17)(b) of the Corporations Act;
  - (2) ASX approves:
    - SGL for admission to the official list of ASX conditional only on the Scheme becoming Effective and SGL providing to ASX the information required by the ASX approval or the Listing Rules;
    - the admission to official quotation on ASX of the SGL Shares to be issued under the Schemes (subject to customary conditions); and
    - SML's continued listing on the official list of the ASX;
  - (3) APRA approves the exchange of all RPS for cash consideration on settlement of holder exchange requests in accordance with clause (bb) of the RPS Terms;
  - (4) APRA approves amendments to the CPS Terms to effect the substitution of SGL as issuer of the ordinary shares on conversion of the CPS (together with certain other related and minor amendments) and confirms that the CPS, as amended, will remain Non-Innovative Residual Tier 1 Capital (as defined in the CPS Terms);
  - (5) all other consents, approvals, permission, waiver or exemption of any third party (including a Governmental Agency) which the parties agree are necessary to implement the NOHC Restructure are obtained without the imposition of any term or condition that is

unsatisfactory to the parties, including any approvals required under the FSSA, the Restructure Act, the Banking Act or the Life Act;

- (6) the Ordinary Shareholders, RPS Holders and CPS Holders approving the Buy-back Resolution by the requisite majority at the General Meeting;
- (E) the Independent Expert does not change its conclusions or withdraw its report prior to 8.00 am on the date of the Second Court Hearing; and
- (F) the Foreign Sale Facility Agreement is not terminated prior to 8.00 am on the date of the Second Court Hearing.

SML and SGL must do all things reasonably necessary to procure that the conditions are fulfilled in a timely manner and before 31 March 2011 or such other date as the parties agree. They must also use their best endeavours to procure that the conditions are satisfied as soon as practicable and that there are no events or circumstances within their reasonable control that would prevent the conditions from being satisfied.

**(iii) Implementation obligations**

The parties must co-operate with each other and provide all assistance as reasonably requested which a party reasonably requires in connection with the implementation of the Scheme.

In addition:

**(A) SML's obligations**

SML has agreed to perform various obligations, including:

- (1) lodge a ruling request from the ATO seeking confirmation that Australian resident Ordinary Shareholders are eligible for the appropriate rollover relief in respect of applicable gains arising from the transfer of their Ordinary Shares to SGL under the Scheme;
- (2) ensure that SML and SGL execute, and use best endeavours to ensure that the Sale Agent executes, the Foreign Sale Facility Agreement;
- (3) if Ordinary Shareholders approve the Scheme and the Buy-back Resolution is approved, promptly apply to the Court for the Scheme Orders; and
- (4) if the Court makes the Scheme Orders:
  - promptly lodge with ASIC copies of the Scheme Orders;
  - close the Ordinary Share register as at the Record Date and determine entitlements to the consideration under the Scheme;
  - execute proper instruments of transfer and, subject to SGL issuing the SGL Shares, effect and register the transfer of Ordinary Shares in accordance with the Scheme; and

- do all things contemplated by or necessary to give effect to the Scheme and the Scheme Orders.

(B) SGL's obligations

SGL has agreed to perform the following various obligations, including:

- (1) do all things necessary to enable the SGL Shares to be issued under the Scheme; and
- (2) take all reasonable action to ensure that SGL is admitted to the official list of the ASX and that the SGL Shares issued under the Scheme are quoted on ASX.

**(iv) Termination rights**

SML has the right to terminate the Restructure Implementation Deed at any time prior to 8.00 am on the date of the Second Court Hearing.

Either party may terminate the Restructure Implementation Deed if the Court refuses to make the Scheme Orders.

The Restructure Implementation Deed will automatically terminate if:

- (A) the resolution put to the Scheme Meeting to approve the Scheme is not approved by the requisite majorities of Ordinary Shareholders at the Scheme Meeting; or
- (B) the Buy-back Resolution is not approved.

**(b) Scheme Deed Poll**

SGL has entered into the Scheme Deed Poll in favour of each Ordinary Shareholder. Under the Scheme Deed Poll, SGL has agreed, amongst other things, that it will:

- (i) provide each Scheme Participant with the Consideration Shares to which it is entitled under the Scheme;
- (ii) with respect to the Ineligible Foreign Shareholders, procure the Sale Agent to sell any SGL Shares issued to it and remit the proceeds to the relevant Ineligible Foreign Shareholder in accordance with the Scheme;
- (iii) comply with its obligations under the Restructure Implementation Deed and do all things necessary or desirable on its part to implement the Scheme; and
- (iv) use its best endeavours to procure that the SGL Shares to be issued under the Scheme will be quoted on ASX.

**(c) Buy-back Agreement**

It is expected that SML and SBHL will enter into the Buy-back after the implementation of the Scheme as part of the internal restructure (see **section 12.4(a)(i)**).

Under the Buy-back Agreement, SBHL will agree to sell, and SML will agree to buy back, a certain number of Ordinary Shares (**Buy-back Shares**) for the Buy-back Price, free from all encumbrances.

As outlined in **section 1.4(c)(iv)**, after the internal restructure, SML will no longer hold an interest in the General Insurance Group, the Life Group or certain corporate service companies and assets. Therefore, it no longer needs to hold capital to support those businesses and assets.

The Buy-back Price is the lesser of \$10.95 billion and the amount calculated in accordance with the formula set out below. In overview, it is the sum of:

- the book value of the shares in the General Insurance Group and Life Group holding companies and in the service companies which are transferred by SML to SBHL under the internal restructure plus the costs incurred by SML in raising capital since incorporation (see B in the formula);
- the capital currently held by SML as required by the Prudential Standards against the assets owned by the service companies. SML is currently required to hold capital equal to 100% of the net book value of Intangible Assets held by those companies and 13% of the net book value of their Tangible Assets (see C to F in the formula);
- SML's reserves for share based payments, associated with its Share Plans (see G in the formula);
- the capital currently held by SML against certain Tangible Assets and Intangible Assets of SML which are transferred to SCSPL under the internal restructure (see H and I in the formula); and
- any surplus capital that SML would otherwise hold above its internal target Net Tier 1 Capital (see J and K in the formula).

The Buy-back Price is the lesser of \$10.95 billion and the amount calculated under the following formula:

$$A = B + C + (0.13 \times D) + E + (0.13 \times F) + G + (0.13 \times H) + I + (J - K)$$

where:

A = the Purchase Price;

B = \$10,640,835,699.10;

C = the net book value of the Intangible Assets of SSPL on 31 December 2010 as contained in the balance sheet of SSPL on that date;

D = the net book value of the Tangible Assets of SSPL on 31 December 2010 as contained in the balance sheet of SSPL on that date;

E = the net book value of the Intangible Assets of SCSPL on 31 December 2010 as contained in the balance sheet of SCSPL on that date;

F = the net book value of the Tangible Assets of SCSPL on 31 December 2010 as contained in the balance sheet of SCSPL on that date;

## 12 Additional information (continued)

- G = the sum of the balances in each of the "Share capital – share based payments" line items in SML's balance sheet on 31 December 2010 (this will be a negative number);
- H = the net book value on 31 December 2010 of the property, plant and equipment of SML which is transferred to SCSPL under the internal restructure, as contained in the balance sheet of SML on that date;
- I = the net book value on 31 December 2010 of the deferred tax assets of SML which are transferred to SCSPL under the internal restructure, as contained in the balance sheet of SML on that date;
- J = the Net Tier 1 Capital of SML as it would be immediately after implementation of steps 3 to 20 of the internal restructure on the Implementation Date if the Purchase Price were calculated omitting items J and K from the formula above; and
- K = the internal target Net Tier 1 Capital of SML immediately after implementation of steps 3 to 20 of the internal restructure.

For the purposes of the formula:

**Intangible Assets** means goodwill and other assets that are deducted from capital as per Prudential Standard APS 111 issued by APRA.

**Net Tier 1 Capital** has the meaning given in Prudential Standard APS 111 issued by APRA.

**Tangible Assets** means assets other than Intangible Assets.

The number of Buy-back Shares to be bought back will be determined by dividing the Buy-back Price by \$9.9344 (which is the average issue price of all Ordinary Shares).

SML must set off its obligation to pay the Buy-back Price to SBHL against any amount SBHL owes to SML as a result of earlier steps in the internal restructure.

The Buy-back is conditional upon:

- the Scheme being implemented; and
- each transaction in the internal restructure which is scheduled to occur before the Buy-back having occurred.

The Buy-back will occur on the Implementation Date, after which the Buy-back Shares will be cancelled.

#### (d) Summary of the CPS Deed Poll

A summary of the CPS Deed Poll is set out in **section 11.4**.

## 12.5 Employee and director share plans

SML operates the following director and employee share plans:

- the **EPSP**, under which members of the Senior Leadership Team and certain other employees are offered rights to acquire Ordinary Shares on a 1:1 basis, subject to the satisfaction of certain performance criteria prescribed by the Board, tested over a maximum five year period;
- the **NEDSP**, under which SML non-executive directors may nominate a percentage of their remuneration to be used to acquire Ordinary Shares on-market;
- the **DESP** and **EESP** under which offers are made to eligible Australian-based employees to acquire Ordinary Shares; and
- the **EESPNZ** under which offers are made to eligible New Zealand-based employees to acquire Ordinary Shares, (**SML Share Plans**).

Following the merger with PGL in 2007, SML assumed responsibility for the PGL Share Plans.

- Promina Senior Management Performance Share Plan;
- Promina Employee Share Purchase Plan; and
- Promina New Zealand Employee Share Purchase Plan, (**PGL Share Plans**).

The PGL Share Plans were suspended and placed in run-off in March 2007 and SML has not made any grants under the PGL Share Plans.

Further information about each of the Share Plans is contained in Notes 3(q)(v) and 26(c) of SML's 2010 Annual Report, which is available on the Suncorp Group website [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

If the NOHC Restructure is implemented, SGL will assume SML's responsibilities for operation and management of the Share Plans. The rules for each of the Share Plans will be amended to reflect the NOHC Restructure, including permitting the participants to acquire SGL Shares instead of Ordinary Shares.

#### (a) EPSP

The Trustee will participate in the Scheme in the same way as other Ordinary Shareholders in relation to the Ordinary Shares registered in its name.

#### Unvested rights

The Board has determined that the NOHC Restructure will not be an "accelerated vesting event" under the EPSP rules. This means that the rights granted to participants under the EPSP will continue to be tested in accordance with the vesting schedule set at the time of grant.



**Vested rights**

Ordinary Shares allocated to participants as a result of vesting of rights under the EPSP are subject to disposal restrictions under the EPSP. Participants will be entitled to direct the Trustee to vote in respect of those Ordinary Shares at the Scheme Meeting on their behalf.

**(b) NEDSP**

NEDSP participants will participate in the Scheme in the same way as other Ordinary Shareholders. Their Ordinary Shares will be exchanged for SGL Shares, and will continue to be held under the terms of the amended NEDSP.

**(c) DESP, EESP and EESPNZ**

The Trustee will participate in the Scheme in the same way as other Ordinary Shareholders in relation to the Ordinary Shares registered in its name.

Ordinary Shares acquired for participants under the DESP, EESP and EESPNZ are subject to disposal restrictions under the respective plan rules. Participants will be entitled to direct the Trustee to vote in respect of those Ordinary Shares at the Scheme Meeting on their behalf.

**(d) PGL Share Plans**

While no grants have been made since the merger with PGL, the Trustee holds Ordinary Shares on behalf of the participants in the PGL Share Plans.

The Trustee will participate in the Scheme in the same way as other Ordinary Shareholders in relation to the Ordinary Shares registered in its name.

Participants in the Promina Senior Management Performance Share Plan and the Promina Employee Share Purchase Plan will be entitled to direct the Trustee to vote in respect of those Ordinary Shares at the Scheme Meeting on their behalf.

Under the Promina New Zealand Employee Share Purchase Plan rules, the Trustee is entitled to exercise the votes attaching to Ordinary Shares held on behalf of participants under the plan in its absolute discretion. Accordingly, the Trustee has indicated that it will vote in favour of the Scheme in respect of all Ordinary Shares held by the Trustee on behalf of participants under the Promina New Zealand Employee Share Purchase Plan.

**12.6 Other regulatory approvals**

The Suncorp Group is seeking various regulatory approvals and exemptions, and making certain regulatory notifications, which are important, but which are not, of themselves, conditions to the NOHC Restructure proceeding:

- (a) an exemption under the New Zealand Overseas Investment Act;
- (b) approval from NSW compulsory third party insurance regulator, MAA, in relation to the NOHC Restructure;
- (c) approval of NSW WorkCover in relation to the NOHC Restructure;
- (d) approval of the NSW Self Insurance Corporation pursuant to General Claims and Health Liability Agreements in relation to the NOHC Restructure; and
- (e) notify compulsory third party insurance regulator, MAIC, in Queensland, the Lifetime Care and Support Authority of NSW, WorkCover (Tas), the Office of the Occupational Health and Safety Commissioner (ACT), the Victorian WorkCover Authority (VIC), NT WorkSafe, and WorkCover (WA) of the NOHC Restructure.

**12.7 Directors' interests**

The relevant interest of each director in the shares, debentures and rights or options over such instruments issued by SML, as notified by the directors to ASX in accordance with section 205G(1) of the Corporations Act, as at the date of this Explanatory Memorandum, is as follows:

| Director                | Ordinary Shares | RPS | CPS |
|-------------------------|-----------------|-----|-----|
| J Story                 | 138,803         | -   | -   |
| W Bartlett              | 19,968          | -   | -   |
| P Dwyer                 | 20,000          | -   | -   |
| S Grimshaw              | 23,869          | -   | -   |
| E Kulk <sup>1</sup>     | 20,173          | -   | -   |
| G Ricketts              | 23,222          | -   | -   |
| P Snowball <sup>2</sup> | 966,123         | -   | -   |
| Dr Z Switkowski         | 131,599         | -   | -   |

1 Mr Kulk also holds 211,372 units in Tyndall Australian Share Wholesale Portfolio (**TASWP**), a registered managed investment scheme of which Tasman Asset Management Limited (a subsidiary of SML) is the Responsible Entity, and therefore the issuer of the TASWP units.

2 Includes 900,000 Ordinary Shares held by the Trustee of the EPSP. Beneficial entitlement to those 900,000 shares remains subject to satisfaction of specified performance hurdles.

No director has any interest in any SGL Shares.

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## 12 Additional information (continued)

### 12.8 ASX and ASIC relief

#### (a) ASX

In connection with the NOHC Restructure, ASX has provided in-principle approval that it is prepared to grant waivers from the following Listing Rules, and also the following in-principle confirmations:

- confirmation that Listing Rules 10.1, 11.1 and 11.4 do not apply to the NOHC Restructure;
- confirmation that ASX is likely to agree that SGL may use this Explanatory Memorandum instead of a prospectus issued by SGL for the purposes of listing SGL under Listing Rule 1.1 (condition 3);
- a waiver from Listing Rule 1.1 (condition 3) to permit this Explanatory Memorandum not to include all information required by a number of paragraphs of Appendix 1A of the Listing Rules, subject to certain conditions;
- a waiver from Listing Rule 1.1 (condition 8) to permit SGL to be admitted to the official list without complying with Listing Rule 1.2 or 1.3, on the condition that SGL satisfies Listing Rules 12.1 and 12.2 at the time of admission;
- confirmation that Listing Rules 7.1 and 10.11 will not apply in connection with the issue of SGL Shares under the NOHC Restructure;
- a waiver from Listing Rule 10.14 permitting SGL directors (and their related parties) to acquire SGL Shares under SGL's employee incentive schemes on implementation of and pursuant to the Scheme; and
- confirmation that after the NOHC Restructure, SML will continue to be admitted to the official list of ASX on the same basis that it is currently admitted, and that the CPS, Floating Rate Capital Notes and the RPS will remain quoted on ASX.

#### (b) ASIC

ASIC has granted or indicated that it will grant certain relief in relation to SGL's ongoing responsibilities under the Corporations Act after the NOHC Restructure, including:

- an exemption for SGL from Parts 6D.2, 6D.3 (excluding section 736) and 7.9 of the Corporations Act in relation to SGL's employee incentive schemes on terms similar to ASIC Class Order 03/184;
- a modification of section 708(13)(a) so that that section will apply to the SGL DRP in circumstances where there has been a transfer of any positive residual balances in the accounts of participants in the dividend reinvestment plan currently operated by SML to those participants' respective accounts under the SGL DRP;
- a declaration that references to 'continuously quoted securities' in Chapter 6D of the Corporations Act are taken to permit the continuous quotation of Ordinary Shares to be included in the calculation of the 3 month period for the purposes of section 713(1) of the Corporations Act and section 708A(5) of the Corporations Act; and
- relief in favour of SGL on similar terms as certain existing SML relief which has continuing application for SGL after the NOHC Restructure.

### 12.9 NOHC Restructure legislation

The legislative framework for the restructure of a financial services group is contained in the Restructure Act.

SML is seeking an approval under the Restructure Act in connection with the transfer of the employment of certain Australian Suncorp Group employees (and associated employee entitlements) from their current employer to SSPL (see **sections 3.1(d) and 8.8**).

In addition, SML has applied for specific relief from the self-acquisition provisions of the Corporations Act to permit all of the Ordinary Shares to be transferred to SGL even though SGL may be (for a moment in time) technically controlled by SML. The one SGL Share currently held by SML will be bought back and cancelled by SGL immediately following the implementation of the Scheme.

### 12.10 Sales of SGL shares in the last three months

SGL currently has one SGL Share on issue, which is held by SML. No SGL Shares have been sold in the three months before the date of this Explanatory Memorandum.

### 12.11 Continuous disclosure

Following the NOHC Restructure and listing of SGL on ASX, SGL will be a disclosing entity under the Corporations Act and will have the same reporting and disclosure obligations as SML currently has.

SML is currently, and following the NOHC Restructure will remain, a disclosing entity because the CPS, the Floating Rate Capital Notes and the RPS will remain quoted on ASX. SML will be subject to the same regular reporting and disclosure obligations to which it is currently subject.

The most recently lodged annual report of SML before the date of this Explanatory Memorandum is the Shareholder Review and Annual Report for the year ended 30 June 2010.

### 12.12 Supplementary disclosure

SML will issue a supplementary document to the Explanatory Memorandum if it becomes aware of any of the following between the date of this document and the date of the Meetings:

- a material statement in this Explanatory Memorandum is false or misleading (including by way of omission);
- a significant change affecting a matter in this Explanatory Memorandum; or
- a significant new matter arises which would have been required to be included in the Explanatory Memorandum if it had arisen before the date of this Explanatory Memorandum.

Subject to any order or direction of the Court, any such supplementary document will be made available to SML shareholders by announcement to ASX and on the Suncorp Group website [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

### 12.13 Financial information

The historical information and the Pro-forma Financial Information in this Explanatory Memorandum is a summary statement only and is prepared as at the date of this Explanatory Memorandum. Full historical information about the Suncorp Group is available from ASX and the Suncorp Group website [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

This Explanatory Memorandum does not contain any pro-forma forecast financial information or financial outlook statement about the Suncorp Group.

### 12.14 Forward looking statements

Certain statements in this Explanatory Memorandum are about the future. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in those statements. Factors which may affect actual future financial performance include general economic conditions, interest rates, exchange rates, the regulatory environments, competitive pressures, the assumptions not proving to be correct, and other matters not currently known to, or considered material by SML or SGL.

Actual events and results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and expected. To the maximum extent permitted by law, neither SML or SGL nor any other person (including any director of SML or SGL) gives any representation, assurance or guarantee (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. In particular, none of SML, SGL or any of their directors, officers and advisers is responsible for any forward looking statements in the Independent Expert's Report, unless expressly stated otherwise. Any forward looking statements set out in the Independent Expert's Report have been prepared by the Independent Expert. Shareholders are cautioned not to place undue reliance on forward looking statements.

The forward looking statements in this Explanatory Memorandum reflect views held as at the date of this Explanatory Memorandum.

## 12 Additional information (continued)

### 12.15 Consents and disclaimers

#### (a) Consent to be named

The following parties have given and, before the date of this Explanatory Memorandum, have not withdrawn their written consent to be named in the Explanatory Memorandum in the form and context in which they are named:

- Link Market Services Limited – as the Suncorp Share Registry;
- Grant Samuel & Associates Pty Ltd – as Independent Expert;
- KPMG – as Investigating Accountant;
- Corrs Chambers Westgarth – as Australian legal adviser to SML; and
- Greenwoods & Freehills – as taxation adviser to SML.

#### (b) Consent to the inclusion of statements

The following parties have given and, before the date of this Explanatory Memorandum, have not withdrawn their consent to the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Explanatory Memorandum:

- Grant Samuel & Associates Pty Ltd – the Independent Expert's Report in **section 7**;
- KPMG – the Investigating Accountant's Report in **section 6**;
- KPMG Audit – references to, and information extracted from, SML's audited consolidated financial statements for the year ended 30 June 2010; and
- APRA – statements to the effect that APRA is supportive of the NOHC Restructure and continues its work with the Suncorp Group to resolve the relevant prudential matters.

#### (c) Disclaimer

Each person referred to in this section:

- does not make or purport to make, any statement in this Explanatory Memorandum other than those statements referred to above next to that person's name as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum other than as described in this section.

## Appendix A – Scheme



*One Company. Many Brands*



**Suncorp-Metway Limited**

**Each Scheme Participant**

*Scheme pursuant to section 411 of the Corporations Act*

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# Appendix A – Scheme

## Parties

**Suncorp-Metway Limited ABN 66 010 831 722**

## Each Scheme Participant

### Agreed terms

#### 1 Interpretation

##### 1.1 Definitions

In this document:

**ABN** means Australian Business Number.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

**Business Day** has the meaning given by the Listing Rules.

**CHESS** means the Clearing House Electronic Subregister System, which facilitates electronic security transfer in Australia, operated by ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532.

**Consideration Shares** means one SGL Share for each Scheme Share held by a Scheme Participant at the Record Date.

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

**Court** means the Supreme Court of Queensland or any other court of competent jurisdiction under the Corporations Act agreed in writing by SML and SGL.

**Effective** means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, which will not occur before an office copy of the order of the Court is lodged with ASIC.

**Effective Date** means the date on which the Scheme becomes Effective.

**End Date** means the later of:

- (a) 31 March 2011; or
- (b) such other date as agreed in writing between the parties.

**Explanatory Memorandum** means the information approved by the Court to be dispatched to Ordinary Shareholders that will include the Scheme, an explanatory statement in relation to the Scheme issued pursuant to section 412 of the Corporations Act, the Independent Expert's Report and a notice convening the Scheme Meeting (together with proxy forms).

**Implementation Date** means the third Business Day after the Record Date or such other date agreed between SML and SGL.

**Independent Expert's Report** means a report by Grant Samuel and Associates Pty Limited stating whether or not in their opinion, the Scheme is in the best interest of the Scheme Participants and setting out their reasons for that opinion.

**Ineligible Foreign Shareholder** means a Scheme Participant whose Registered Address is in a jurisdiction other than Australia and its external territories and New Zealand, except where SML and SGL are satisfied, in their absolute discretion, that the issue of SGL Shares to the Share Scheme Participant in that jurisdiction when the Share Scheme becomes Effective is not prohibited by law, not unduly onerous and not impracticable.

**Listing Rules** means the official listing rules of ASX.

**Ordinary Share** means a fully paid ordinary share in the capital of SML (ASX: SUN).

**Ordinary Shareholder** means each person who is registered in the Register as the holder of Ordinary Shares.

**Record Date** means 7.00 pm (Sydney time) on the fifth Business Day following the date on which the Scheme becomes Effective, or such earlier date as SML and SGL may agree in writing.

**Register** means the register of members of SML maintained by or on behalf of SML in accordance with the Corporations Act.

**Registered Address** means, in relation to an Ordinary Shareholder, the address shown in the Register as at the Record Date.

**Restructure Implementation Deed** means the implementation deed between SML and SGL dated 27 October 2010 relating to the implementation of the Scheme and other matters.

**Sale Agent** means the entity appointed by SML to act as the sale facility agent under this Scheme.

**Sale Facility** means the facility made available to Ineligible Foreign Shareholders and under which SGL Shares to which those shareholders would otherwise have become entitled under the Scheme are sold, the terms of which are to be more fully described and contained in the Explanatory Memorandum.

**Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between SML and the Scheme Participants, subject to any alterations or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act and agreed or consented to by SML and SGL in writing.

**Scheme Deed Poll** means the deed poll in the form or substantially in the form attached to the Explanatory Memorandum under which SGL covenants in favour of each Scheme Participant to perform its obligations under the Scheme.

**Scheme Meeting** means the meeting ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme.

**Scheme Participant** means each person who is an Ordinary Shareholder as at the Record Date.

## Appendix A – Scheme (continued)

**Scheme Shares** means all the Ordinary Shares on issue on the Record Date.

**Scheme Transfer** means a proper instrument of transfer of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which will be a master transfer of all Scheme Shares.

**Second Court Date** means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.

**SGL** means Suncorp Group Limited ABN 66 145 290 124.

**SGL Share** means a fully paid ordinary share in SGL.

**SML** means Suncorp-Metway Limited ABN 66 010 831 722.

**Suncorp Share Registry** means Link Market Services Limited.

**TFN** means tax file number as defined in section 202A of the *Income Tax Assessment Act 1936* (Cth).

### 1.2 Construction

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (c) "includes" means includes without limitation;
- (d) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it;
- (e) words and phrases not specifically defined have the same meaning (if any) given to them in the Corporations Act;
- (f) a reference to:
  - (i) a holder includes a joint holder;
  - (ii) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
  - (iii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
  - (iv) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
  - (v) time is to local time in Brisbane, Queensland, Australia;
  - (vi) "\$" or "dollars" is a reference to Australian currency;

(vii) this or any other document includes the document as novated, varied or replaced and despite any change in the identity;

(viii) a clause, party, schedule, exhibit or annexure is a reference to a clause, party, schedule, exhibit or annexure, as the case may be, of this document;

(g) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day; and

(h) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded.

### 1.3 Headings

Headings do not affect the interpretation of this document.



## 2 Preliminary

### 2.1 SML

- (a) SML is a public company limited by shares, incorporated in Australia and registered in Queensland, having its registered office at Level 18, Suncorp Centre, 36 Wickham Terrace, Spring Hill, QLD, 4000.
- (b) SML is admitted to the official list of ASX.
- (c) As at the date of the Restructure Implementation Deed, SML had on issue:
  - (i) 1,281,390,524 Ordinary Shares which are officially quoted on ASX (ASX code "SUN");
  - (ii) 1,440,628 reset preference shares which are officially quoted on ASX (ASX code "SUNPA"); and
  - (iii) 7,350,000 convertible preference shares which are officially quoted on ASX (ASX code "SUNPB").

### 2.2 SGL

- (a) SGL is a public company limited by shares, incorporated in Australia and registered in Queensland, having its registered office at Level 18, Suncorp Centre, 36 Wickham Terrace, Spring Hill, QLD, 4000.
- (b) As at the date of the Restructure Implementation Deed, one SGL Share was on issue.

### 2.3 Summary of the Scheme

- (a) Upon the Scheme becoming Effective, but subject to **clause 3**:
  - (i) all the Scheme Shares will be transferred to SGL and SML will enter the name and address of SGL in the Register; and
  - (ii) in consideration of the transfer of the Scheme Shares to SGL, SGL will provide to each Scheme Participant (other than an Ineligible Foreign Shareholder) the Consideration Shares in accordance with the provisions of this Scheme.
- (b) SML and SGL have agreed, by executing the Restructure Implementation Deed, to implement the terms of the Scheme and to perform their respective obligations under this Scheme.
- (c) SGL has executed the Scheme Deed Poll in favour of the Scheme Participants pursuant to which it has covenanted to perform its obligations under this Scheme.

## 3 Conditions Precedent

### 3.1 Conditions of Scheme

The Scheme is conditional upon:

- (a) all of the conditions precedent in **clause 3.1** of the Restructure Implementation Deed (including, without limitation, the Court approving this Scheme under section 411(4)(b) of the Corporations Act) having been satisfied or waived in accordance with the terms of the Restructure Implementation Deed;
- (b) as at 8.00 am on the Second Court Date, the Restructure Implementation Deed not having been terminated in accordance with its terms; and
- (c) such other conditions made or required by the Court under section 411(6) of the Corporations Act as are acceptable to SGL and SML having been satisfied.

### 3.2 Certificate

At the hearing on the Second Court Date, SML and SGL will each provide to the Court a certificate, or such other evidence as the Court requests, confirming whether or not all of the conditions referred to or set out in **clause 3.1** (other than the condition relating to Court approval of this Scheme) have been satisfied or waived.

### 3.3 Termination of Restructure Implementation Deed

Without limiting rights under the Restructure Implementation Deed, if the Restructure Implementation Deed is terminated in accordance with its terms before 8.00 am on the Second Court Date, SML and SGL are each released from:

- (a) any further obligation to take steps to implement this Scheme; and
- (b) any liability with respect to this Scheme.

### 3.4 Effective Date

This Scheme takes effect on the Effective Date.

### 3.5 End Date

This Scheme will lapse and be of no further force or effect if the Effective Date has not occurred on or before the End Date or such other date as SML and SGL agree in writing.

## Appendix A – Scheme (continued)

### 4 Implementation of Scheme

#### 4.1 Lodgement of Court order

On or before 5.00 pm on the fifth Business Day following the approval of the Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, SML must lodge with ASIC an office copy of the Court order approving the Scheme pursuant to section 411(10) of the Corporations Act.

#### 4.2 Transfer of Scheme Shares held by Scheme Participants

On the Implementation Date and in consideration of and subject to the issue of the Consideration Shares in accordance with this Scheme, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at that date, will be transferred to SGL without the need for any further acts by any Scheme Participant (other than acts performed by SML as attorney and agent for the Scheme Participants under **clause 7.2**) by:

- (a) SML delivering to SGL on the Implementation Date a duly completed Scheme Transfer executed by SML as attorney for the Scheme Participants for execution by SGL; and
- (b) SGL duly executing and delivering the Scheme Transfer to SML on the Implementation Date.

#### 4.3 Transfer documentation

As soon as practicable after receipt by SML of the Scheme Transfer duly executed by SGL as transferee pursuant to **clause 4.2(b)** but in any event on the Implementation Date, SML must register SGL in the Register as the holder of all of the Scheme Shares.

#### 4.4 Provision of Consideration Shares

SML must procure SGL to provide, or cause the provision of, the Consideration Shares to each Scheme Participant on, or as soon as practicable after, the Implementation Date, subject to **clause 4.5**, in accordance with, and subject to the terms of, this Scheme and the Scheme Deed Poll.

#### 4.5 Ineligible Foreign Shareholders

- (a) SGL will be under no obligation to issue any SGL Shares to any Ineligible Foreign Shareholder as Consideration Shares. SGL will instead issue to the Sale Agent the SGL Shares to which that Ineligible Foreign Shareholder would otherwise have become entitled.
- (b) SML will procure SGL to cause the Sale Agent to:
  - (i) as soon as reasonably practicable after the Implementation Date sell, pursuant to the Sale Facility in a manner reasonably determined by the Sale Agent, for the benefit of the Ineligible Foreign Shareholders all SGL Shares issued to the Sale Agent under **clause 4.5(a)**;

- (ii) account to each Ineligible Foreign Shareholder for the net proceeds of sale of the SGL Shares issued to the Sale Agent in respect of that Ineligible Foreign Shareholder's entitlement. The net proceeds of sale will be calculated on an averaged basis so that all Ineligible Foreign Shareholders receive the same price per SGL Share, subject to rounding to the nearest whole cent, after deduction of any applicable brokerage, taxes and charges; and
  - (iii) within 10 Business Days of the completion of the last disposal of the SGL Shares in accordance with **clause 4.5(b)(i)**, pay to each Ineligible Foreign Shareholder the net proceeds of sale in respect of the Ineligible Foreign Shareholder's entitlement under this **clause 4.5**.
- (c) The amount payable under **clause 4.5(b)(iii)** may be paid by the Sale Agent doing any of the following at the Sale Agent's election:
- (i) mailing a cheque in Australian currency to the Ineligible Foreign Shareholder's Registered Address;
  - (ii) depositing or procuring the Suncorp Share Registry to deposit the amount into an account with any Australian bank notified to SML or the Suncorp Share Registry by an appropriate authority from the Ineligible Foreign Shareholder; or
  - (iii) if an Ineligible Foreign Shareholder does not have a Registered Address or the Sale Agent believes that person is not known at its Registered Address, and no account has been notified in accordance with **clause 4.5(c)(ii)** or a payment deposited to such an account is rejected or refunded, the Sale Agent may credit the amount payable to that Ineligible Foreign Shareholder to a separate bank account of SGL to be held until the Ineligible Foreign Shareholder claims the amount or the amount is dealt with in accordance with unclaimed money legislation. SGL must hold the amount on trust, but any benefit accruing from the amount will be to the benefit of SGL. An amount credited to the account is to be treated as having been paid to the Ineligible Foreign Shareholder. SGL must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.
- (d) The payment made by the Sale Agent is at the Ineligible Foreign Shareholder's risk and is in full satisfaction of the Ineligible Foreign Shareholder's rights under this Scheme.
- (e) Any interest earned on the proceeds of sale of any SGL Shares following sale by the Sale Agent will be paid to and retained by SGL.

- (f) Any amount payable to an Ineligible Foreign Shareholder will be reduced by the amount of any withholding or other tax which SML or SGL believes, based on professional advice, is required by any taxation or other law to be withheld in respect of such amount and payment of such amount to the relevant taxation or other authority within any required statutory period will fully and finally discharge SML's and SGL's obligations in respect of such amount although SML must procure SGL on request, or if required by law, to provide a receipt or other evidence of such payment to each affected Ineligible Foreign Shareholder.
- (g) Each Ineligible Foreign Shareholder appoints SML as its agent to receive on its behalf any financial services guide or any other notice which may be given to that Ineligible Foreign Shareholder.

#### 4.6 Beneficial entitlement by SGL

From the time of provision of the Consideration Shares to the Scheme Participants and the Sale Agent in accordance with this Scheme on the Implementation Date, SGL will be beneficially entitled to the Scheme Shares (together with all rights and entitlements attached to the Scheme Shares) to be transferred to it under this Scheme pending registration of SGL in the Register as the holder of those Scheme Shares.

## 5 Consideration Shares

### 5.1 Entitlement to Consideration Shares

- (a) On the Implementation Date, in consideration for the transfer to SGL of the Scheme Shares, each Scheme Participant (other than an Ineligible Foreign Shareholder) will be entitled to receive the Consideration Shares in accordance with this Scheme subject to the terms of the Scheme Deed Poll.
- (b) The SGL Shares to be issued under this Scheme will be validly issued, fully paid, free from any encumbrance and will, upon their issue, rank equally in all respects with all other SGL Shares then on issue.

### 5.2 Provision of Consideration Shares

The obligation of SML under **clause 4.4** to procure the provision of the Consideration Shares to a Scheme Participant will be satisfied by SML procuring that SGL:

- (a) on the Implementation Date, passes a resolution of directors and does all other things necessary to validly issue the SGL Shares comprising the Consideration Shares due to that Scheme Participant (other than an Ineligible Foreign Shareholder) and enters the name and registered address of the Scheme Participant in the SGL Register as the holder of the SGL Shares issued to that Scheme Participant;
- (b) on the Implementation Date, passes a resolution of directors and does all other things necessary to validly issue to the Sale Agent all the SGL Shares required to be issued to the Sale Agent under this Scheme rather than to an Ineligible Foreign Shareholder, and enters the name and registered address of the Sale Agent in the SGL Register as the holder of those SGL Shares; and
- (c) within 5 Business Days after the Implementation Date, dispatches, or procures the dispatch of, an uncertificated holding statement representing the SGL Shares issued to that Scheme Participant or to the Sale Agent (as the case may be) by pre-paid post to the Registered Address of the Scheme Participant or the registered address of the Sale Agent.

### 5.3 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any uncertificated holding statements for SGL Shares to be issued to Scheme Participants will be issued in the names of the joint holders; and
- (b) any cheque required to be paid to Scheme Participants will be payable to the joint holders,

and will be forwarded to the holder whose name appears first in the Register as at the Record Date.

## Appendix A – Scheme (continued)

### 6 Quotation of SGL Shares

SML will procure SGL to use its best endeavours to procure that the SGL Shares to be issued pursuant to this Scheme will be quoted on ASX:

- (a) initially on a deferred settlement basis on and from the Business Day after the Effective Date; and
- (b) on an ordinary settlement basis on and from the Business Day after despatch of holding statements under **clause 5.2(c)**.

### 7 Scheme Participants

#### 7.1 Appointment of SGL as sole proxy

From the Effective Date until SML registers SGL as the holder of all the Scheme Shares in the Register, each Scheme Participant:

- (a) is deemed to have irrevocably appointed SGL as its sole proxy to attend shareholders' meetings of SML, exercise the votes attaching to Scheme Shares registered in its name and sign any shareholders' resolution, whether in person, by proxy or by corporate representative, and no Scheme Participant may itself otherwise attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative; and
- (b) must take all other actions in the capacity of the registered holder of Scheme Shares as SGL directs.

#### 7.2 Appointment of SML as sole attorney and agent

Each Scheme Participant, without the need for any further act, irrevocably appoints SML and all its directors and officers (jointly and severally), as the Scheme Participant's attorney and agent for the purpose of:

- (a) executing any document or doing any act necessary to give effect to this Scheme including, without limitation, executing a Scheme Transfer and any instrument appointing SGL as sole proxy for or, where applicable, corporate representative of each Scheme Participant as contemplated by **clause 7.1** or doing any other act necessary or desirable to give full effect to this Scheme and the transactions contemplated by it; and
- (b) enforcing the Scheme Deed Poll against SGL and SML undertakes in favour of each Scheme Participant that it will enforce the Scheme Deed Poll against SGL on behalf of and as attorney and agent for the Scheme Participants.

#### 7.3 Scheme Participant's consent

Each Scheme Participant:

- (a) consents to SML doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of this Scheme and SML, as agent of each Scheme Participant, may sub-delegate its functions under this **clause 7.3(a)** to any of its directors and officers, severally;
- (b) agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares to SGL, in accordance with this Scheme; and
- (c) agrees to become a holder of any SGL Shares to which they become entitled under this Scheme and a member of SGL for the purposes of section 231 of the Corporations Act, and to be bound by the constitution of SGL (as amended from time to time), and that its holdings of the SGL Shares will be registered with the same name and registered address as its holding of the Scheme Shares.

## 7.4 Instructions, authorisations and notifications to SML

- (a) Except for a Scheme Participant's TFN, a relevant exemption from quoting a TFN, or their ABN, each binding election, instruction, authorisation or notification given by a Scheme Participant to SML relating to the Scheme Shares or a Scheme Participant's status as an Ordinary Shareholder at the Record Date including:
- (i) any election with respect to participation in the SML dividend reinvestment plan;
  - (ii) any instructions relating to whether dividends or other payments are to be paid by cheque or into a specific bank account;
  - (iii) the notification of any personal details including:
    - (A) mailing address;
    - (B) email address;
    - (C) telephone number;
    - (D) facsimile number;
    - (E) residency status; and
    - (F) bank accounts details;
  - (iv) the notification of any:
    - (A) powers of attorney;
    - (B) deceased estates;
    - (C) bankruptcy, liquidation and administration;
    - (D) court orders;
    - (E) stop trades;
    - (F) holding status; and
    - (G) any other miscellaneous matters notified to SML and noted against an Ordinary Shareholder's holding in the Register; and
  - (v) any instructions relating to communications from SML, including receipt of reports and notices of meeting,
- will from the Record Date be deemed to be a similarly binding election, instruction, authorisation or notification to, and be accepted by, SGL in respect of the SGL Shares issued to the Scheme Participant until that election, instruction, authorisation or notification is revoked or amended in writing addressed to SGL at the Suncorp Share Registry.
- (b) Any outstanding balances in a Scheme Participant's SML dividend reinvestment plan account will be transferred to that Scheme Participant's SGL dividend reinvestment plan account on the Implementation Date.

- (c) On the Implementation Date, provided that a Scheme Participant has properly notified SML of the Scheme Participant's TFN, a relevant exemption from quoting a TFN, or their Australian Business Number (**ABN**) (as applicable), the Scheme Participant will be deemed to have authorised SML to transfer to SGL on the Scheme Participant's behalf the Scheme Participant's TFN, relevant exemption or ABN unless, prior to the Implementation Date, the Scheme Participant notifies the Suncorp Share Registry that the Scheme Participant's TFN, relevant exemption or ABN is not to be provided to SGL by completing and returning to the Suncorp Share Registry a form available from the Suncorp Share Registry.

## 7.5 Warranties by Scheme Participants

Each Scheme Participant is deemed to have warranted to SML, in its own right and for the benefit of SGL, that:

- (a) all of the Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to SGL under this Scheme will be transferred to SGL free from all mortgages, pledges, charges, liens, encumbrances and security interests and other interests of third parties of any kind, whether legal or otherwise (but acknowledging that a security interest holder may potentially have an interest in the Consideration Shares in accordance with the terms of such security interest); and
- (b) they have full power and capacity to sell and transfer their Scheme Shares to SGL (including any rights and entitlements attaching to those shares).

## Appendix A – Scheme (continued)

### 8 Dealings in Ordinary Shares

#### 8.1 Determination of Scheme Participants

- (a) For the purpose of establishing the persons who are the Scheme Participants, dealings in Scheme Shares will only be recognised if:
- (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Scheme Shares at the Record Date; and
  - (ii) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received at or before the Record Date at the place where the Register is kept.
- (b) SML must register registrable transmission applications or transfers of the kind referred to in **clause 8.1(a)(ii)** by the Record Date.
- (c) SML will not accept for registration or recognise for any purpose any transmission applications or transfers in respect of Scheme Shares received after the Record Date, other than a transfer to SGL in accordance with this Scheme and any subsequent transfer by SGL, or its successors in title.
- (d) If this Scheme becomes Effective, a holder of Ordinary Shares (and any person claiming through that holder) must not dispose of or purport to agree to dispose of any Ordinary Shares or any interest in them after the Effective Date and any such disposal will be void and of no legal effect whatsoever.

#### 8.2 Maintenance of Register

- (a) For the purpose of determining entitlements to the Consideration Shares, SML will, until the Consideration Shares have been provided, maintain the Register in accordance with the provisions of this **clause 8** and the Register in this form will solely determine entitlements to the Consideration Shares.
- (b) All certificates and holding statements for Scheme Shares (other than holding statements in favour of SGL and its successors in title after the Implementation Date) will cease to have any effect from the Record Date as documents of title in respect of those Scheme Shares. Subject to provision of the Consideration Shares by SGL and registration of the transfer to SGL of the Scheme Shares contemplated by **clause 4.2**, after the Record Date, each entry current at that date on the Register relating to Scheme Shares will cease to be of any effect other than as evidence of entitlement to the Consideration Shares in respect of the Scheme Shares relating to that entry.

#### 8.3 Information to be made available to SGL

SML will procure that, as soon as reasonably practicable after the Record Date, details of the names, Registered Addresses and holdings of Scheme Shares of every Scheme Participant as shown in the Register as at the Record Date are made available to SGL in such form as SGL reasonably requires.

## 9 Quotation of Ordinary Shares

SML will apply for termination of the official quotation of Ordinary Shares on ASX with effect from the Business Day after the date on which all transfers of the Scheme Shares to SGL have been duly registered by SML in accordance with this Scheme.

## 10 General

### 10.1 SML and Scheme Participants bound

The Scheme binds SML and all Scheme Participants (including Scheme Participants who do not attend the Scheme Meeting, do not vote at that meeting or vote against this Scheme) and will, for all purposes, to the extent of any inconsistencies and as permitted by law, have effect notwithstanding any provision in the constitution of SML.

### 10.2 Further assurances

Subject to **clause 10.3**, SML will execute all documents and do all acts and things (on its own behalf and on behalf of each Scheme Participant) necessary or expedient for the implementation of, and performance of its obligations under, this Scheme.

### 10.3 Alterations and conditions

SML may, with the consent of SGL, by its counsel consent on behalf of all Scheme Participants to any modifications or conditions which the Court thinks fit to impose, provided that in no circumstances will SML be obliged to do so.

### 10.4 Notices

Where a notice, transfer, transmission, application, direction, demand, consent or other communication referred to in this document is sent by post to SML, it will not be deemed to have been received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at SML's registered office or at the Suncorp Share Registry.

### 10.5 Costs

Any costs, and any stamp duty and any related fines, interest or penalties, which are payable on or in respect of this document or on any document referred to in this document will be paid as provided for in the Restructure Implementation Deed. The Scheme Participants do not have to pay any stamp duty, related fines, interest or penalties which are payable on or in respect of this document or any document referred to in this document.

### 10.6 Governing law and jurisdiction

- (a) This document is governed by and is to be construed in accordance with the laws applicable in Queensland.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Queensland and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

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## Appendix B – Notice of Scheme Meeting



*One Company. Many Brands*



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# Appendix B – Notice of Scheme Meeting

## Suncorp-Metway Limited (ACN 010 831 722) (SML)

### NOTICE OF COURT ORDERED SCHEME MEETING OF ORDINARY SHAREHOLDERS

#### Wednesday 15 December 2010

Notice is hereby given that, by an order of the Court made on Thursday 28 October 2010 pursuant to section 411(1) of the Corporations Act, a meeting of SML ordinary shareholders (**Ordinary Shareholders**) will be held at:

Location: Meeting Rooms M3 and M4, Mezzanine Level  
Brisbane Convention & Exhibition Centre  
corner of Merivale and Glenelg Streets  
South Bank, Brisbane, Queensland

Date: Wednesday 15 December 2010

Time: 2.30 pm (Brisbane time)

#### Business of the meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between SML and the Ordinary Shareholders pursuant to Part 5.1 of the Corporations Act.

The Scheme is proposed to be made in the form of the scheme contained in **appendix A** to the Explanatory Memorandum of which this notice of meeting forms part. To assist you in making an informed decision on how to vote on the resolution, further information regarding the Scheme is set out in the Explanatory Memorandum.

Unless otherwise defined in this notice of meeting, capitalised terms used in this notice (including in the resolution set out below) have the same meaning as set out in the Glossary in the Explanatory Memorandum.

#### Scheme Resolution

To consider and, if thought fit, to pass the following resolution:

*"That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed to be made between Suncorp-Metway Limited and holders of its ordinary shares, which is contained in and more particularly described in the Explanatory Memorandum of which the notice convening this meeting forms part, is agreed to, with or without such modifications or conditions as may be approved by the Supreme Court of Queensland."*

By Order of the Suncorp Board



C R Chuter

Corporate Secretary

28 October 2010

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## Appendix B – Notice of Scheme Meeting (continued)

### Information for Ordinary Shareholders

#### 1 Majorities required

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme to be effective, the resolution must be approved by:

- unless the Court orders otherwise, a majority in number of Ordinary Shareholders present and voting (whether in person, by direct vote, by proxy, by attorney or in the case of corporate shareholders, by corporate representative); and
- at least 75% of the votes cast on the resolution.

The vote will be conducted by poll. Ordinary Shareholders will have one vote for each Ordinary Share held.

#### 2 Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme is subject to the approval of the Court. If the resolution put to the meeting is approved by the requisite majorities of Ordinary Shareholders, and the conditions precedent to the Scheme referred to in appendix A of the Explanatory Memorandum are satisfied or, where applicable, waived, SML intends to apply to the Court for approval of the Scheme.

#### 3 Chairperson

The Court has appointed John Story or, failing him, Paula Dwyer to act as Chairperson of the Scheme Meeting and has directed the Chairperson to report the result of the Scheme Meeting to the Court.

#### 4 Entitlement to attend and vote

For the purposes of the Scheme Meeting, persons who are registered holders of Ordinary Shares as at 7.00 pm Sydney time on Monday 13 December 2010, will be voting members.

Voting members can vote in one of three ways:

- by attending the meeting and voting either in person or by attorney or, in the case of corporate shareholders, by corporate representative;
- by lodging a direct vote, using the Securityholder Voting Form enclosed with this notice of meeting; or
- by appointing a proxy to attend and vote on their behalf, using the Securityholder Voting Form enclosed with this notice of meeting.

#### 5 Direct voting and voting by proxy

Voting members may either direct vote or appoint a proxy to vote on their behalf at the meeting and can do so by:

- (a) completing the **Securityholder Voting Form A** that accompanies this notice of meeting and returning it either:
  - to Suncorp-Metway Limited, PO Box A50, Sydney South, NSW 1235 in the reply paid envelope provided; or
  - by fax to Link Market Services Limited on 02 9287 0309; or
- (b) voting online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

Only those Securityholder Voting Forms lodged with Link Market Services Limited by no later than 2.30 pm Brisbane time on Monday, 13 December 2010 (being 48 hours before the start of the Scheme Meeting) will be considered valid. For further instructions on voting, please refer to the Securityholder Voting Form.

The person appointed as proxy does not need to be a member of SML and an Ordinary Shareholder can appoint an individual or a body corporate as a proxy. A body corporate appointed as a proxy must also lodge a *Certificate of Appointment of a Corporate Representative*.

If an Ordinary Shareholder who has directly voted or appointed a proxy to vote on their behalf, attends the meeting, the direct vote or proxy appointment is suspended in accordance with the provisions of the Corporations Act.

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## Appendix C – Notice of General Meeting



*One Company. Many Brands*



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# Appendix C – Notice of General Meeting

## Suncorp-Metway Limited (ACN 010 831 722) (SML)

### NOTICE OF GENERAL MEETING

#### Wednesday 15 December 2010

Notice is hereby given that a general meeting of Suncorp-Metway Limited (ACN 010 831 722) (**SML**) (**General Meeting**) will be held at:

Location: Meeting Rooms M3 and M4, Mezzanine Level  
Brisbane Convention and Exhibition Centre  
corner of Merivale and Glenelg Streets  
South Bank, Brisbane, Queensland

Date: Wednesday 15 December 2010

Time: Following the court ordered Scheme Meeting on the same date, but not before 3.00 pm (Brisbane time)

#### Business of the meeting

The purpose of the General Meeting is to consider and, if thought fit, to agree to the Buy-back that is proposed to be made on the terms set out in the Buy-Back Agreement between SML and SBGH Limited, a summary of which is contained in section 12.4(c) of the Explanatory Memorandum of which this notice of meeting forms part. To assist you in making an informed decision on how to vote on the resolution, further information regarding the Buy-back is set out in section 1.4(c) of the Explanatory Memorandum.

If Ordinary Shareholders do not vote in favour of the resolution to approve the Scheme by the requisite majority, the Buy-back Resolution set out below will be withdrawn and will not be put to a vote of Ordinary Shareholders, RPS Holders and CPS Holders.

Unless otherwise defined in this notice of meeting, capitalised terms used in this notice (including in the resolution set out below) have the same meaning as set out in the Glossary in the Explanatory Memorandum.

#### Buy-back Resolution

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That, subject to the implementation of the ordinary share scheme set out in appendix A of the Explanatory Memorandum of which this notice of meeting forms part, for the purposes of section 257C(1) of the Corporations Act and for all other purposes, the shareholders of Suncorp-Metway Limited ACN 010 831 722 (**SML**) approve the buy-back of fully paid ordinary shares in SML on the terms set out in the Buy-back Agreement proposed between SML and SBGH Limited ACN 145 980 838, details of which are contained in the Explanatory Memorandum of which this notice of meeting forms part."*

By Order of the Suncorp Board



C R Chuter

Corporate Secretary

28 October 2010

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## Appendix C - Notice of General Meeting (continued)

### Information for Ordinary Shareholders, RPS Holders and CPS Holders

#### 1 Majority required

For the resolution to be effective, a majority of the votes cast on the resolution must be voted in favour of the resolution.

The vote will be conducted on a show of hands.

#### 2 Entitlement to attend and vote

For the purposes of the General Meeting, persons who are registered holders of Ordinary Shares, RPS and CPS as at 7.00 pm Sydney time on Monday, 13 December 2010, will be voting members.

Voting members can vote in one of three ways:

- by attending the meeting and voting either in person or by attorney, or in the case of corporate shareholders, by corporate representative;
- by lodging a direct vote, using the Securityholder Voting Form enclosed with this notice of meeting; or
- by appointing a proxy to attend and vote on their behalf, using the Securityholder Voting Form enclosed with this notice of meeting.

#### 3 Direct voting and voting by proxy

Voting members may either direct vote or appoint a proxy to vote on their behalf at the meeting and can do so by:

- (a) completing the **Securityholder Voting Form B** that accompanies this notice of meeting and returning it either:
  - to Suncorp-Metway Limited, PO Box A50, Sydney South, NSW 1235 in the reply paid envelope provided; or
  - by fax to Link Market Services Limited on 02 9287 0309; or
- (b) voting online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

Only those Securityholder Voting Forms lodged with Link Market Services Limited by no later than 3.00 pm Brisbane time on Monday 13 December 2010 (being 48 hours before the start of the meeting) will be considered valid. For further instructions on voting, please refer to the Securityholder Voting Form.

The person appointed as proxy does not need to be a member of SML, and an Ordinary Shareholder, RPS Holder or CPS Holder can appoint an individual or a body corporate as a proxy. A body corporate appointed as a proxy must also lodge a *Certificate of Appointment of a Corporate Representative*.

If an Ordinary Shareholder, RPS Holder or CPS Holder, who has directly voted or appointed a proxy to vote on their behalf, attends the meeting, the direct vote or proxy appointment is suspended in accordance with the provisions of the Corporations Act.

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# Glossary



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# Glossary

|  |  |
|--|--|
| <b>AAI</b>                             | Australian Alliance Insurance Company Limited, ABN 11 006 471 709.   |
| <b>AAMI</b>                            | Australian Associated Motor Insurers Limited, ABN 92 004 791 744.  |
| <b>ADI</b>                             | Authorised Deposit-Taking Institution, as defined in the Banking Act.  |
| <b>ALL</b>                             | Asteron Life Limited, ABN 64 001 698 228.  |
| <b>APRA</b>                            | Australian Prudential Regulation Authority.  |
| <b>ASIC</b>                            | Australian Securities & Investments Commission   |
| <b>ASX</b>                             | ASX Limited or the Australian Securities Exchange operated by it, as the context requires.   |
| <b>ASX Operating Rules</b>             | The operating rules of ASX from time to time.  |
| <b>ATO</b>                             | Australian Tax Office.   |
| <b>Australian Accounting Standards</b> | The accounting and reporting framework issued by the Australian Accounting Standards Board, which provide a prescription of the acceptable methods of measuring and recording specific types of accounting transactions and of the required level of disclosure of those transactions in the financial statements. |
| <b>Authorised Banking NOHC</b>         | A holder of a NOHC Authority as defined in the Banking Act.  |
| <b>Banking Act</b>                     | <i>Banking Act 1959 (Cth)</i> .  |
| <b>Banking Group</b>                   | SML's banking and associated businesses.   |
| <b>Board</b>                           | The board of directors of SML.   |
| <b>Business Day</b>                    | Has the meaning given in the Listing Rules.  |
| <b>Buy-back</b>                        | An equal buy-back of the share capital of SML under the Buy-back Agreement.  |
| <b>Buy-back Agreement</b>              | The Buy-back Agreement to be entered into between SML and SBHL as described in <b>section 12.4(c)</b> .  |
| <b>Buy-back Price</b>                  | The total buy-back price for the Buy-back Shares under the Buy-back Agreement, calculated in accordance with the formula in <b>section 12.4(c)</b> .   |
| <b>Buy-back Resolution</b>             | The resolution set out in the notice of meeting for the General Meeting.   |
| <b>Buy-back Shares</b>                 | Has the meaning given in <b>section 12.4(c)</b> .  |
| <b>CGT</b>                             | Capital gains tax.   |
| <b>Commonwealth</b>                    | The Commonwealth of Australia.   |
| <b>Consideration Shares</b>            | One SGL Share for each Ordinary Share held by a Scheme Participant at the Record Date.   |
| <b>Corporate/Shared Services Group</b> | The companies in the Suncorp Group which will provide corporate and shared services (including employee services) to other Suncorp Group companies.  |
| <b>Corporations Act</b>                | <i>Corporations Act 2001 (Cth)</i> .   |
| <b>Corporations Regulations</b>        | <i>Corporations Regulations 2001 (Cth)</i> .   |
| <b>Court</b>                           | The Supreme Court of Queensland.   |
| <b>CPS</b>                             | Has the meaning given to that term in the CPS Terms (ASX:SUNPB).   |
| <b>CPS Deed Poll</b>                   | The deed poll described in <b>section 12.4(d)</b> .  |
| <b>CPS Holder</b>                      | A holder of CPS.   |

## Glossary (continued)

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|--|---|
| <b>CPS Terms</b>                         | The original terms and conditions of the CPS as set out in appendix A of the CPS prospectus dated 14 May 2008.  |
| <b>DESP</b>                              | The Suncorp-Metway Limited Deferred Employee Share Plan, being a share plan established by the Board in March 1997.   |
| <b>DRP</b>                               | Dividend Reinvestment Plan.   |
| <b>EESP</b>                              | The Suncorp-Metway Limited Exempt Employee Share Plan, being a share plan established by the Board in March 1997.   |
| <b>EESPNZ</b>                            | The Exempt Employee Share Plan, being a share plan established by the Board on 28 September 2007.   |
| <b>Effective</b>                         | When used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made for the purposes of section 411(4)(b) of the Corporations Act in relation to the Scheme, which will not occur before an office copy of the order of the Court is lodged with ASIC.   |
| <b>Effective Date</b>                    | The date on which the Scheme becomes Effective, expected to be 23 December 2010.  |
| <b>Eligible Foreign Shareholder</b>      | An Ordinary Shareholder who, on the Record Date, has a registered address: <ul style="list-style-type: none"> <li>– in New Zealand; or</li> <li>– in another place outside Australia and its external territories, and in relation to whom SML and SGL are satisfied that the issue of SGL Shares to them is not prohibited or unduly onerous or impracticable (see <b>section 9.1</b>).</li> </ul> |
| <b>EPSP</b>                              | The Suncorp Metway Executive Performance Share Plan (2002), being a share plan established by the Board in December 2002.   |
| <b>Explanatory Memorandum</b>            | This document incorporating the explanatory statement under Part 5.1 of the Corporations Act in relation to the Scheme and information material to the decision of Ordinary Shareholders, RPS Holders and CPS Holders on how to vote on the Buy-back.   |
| <b>Financial Information</b>             | Has the meaning in <b>section 5.1(a)</b> .  |
| <b>Floating Rate Capital Notes</b>       | The Floating Rate Capital Notes (ASX:SUNHB), issued under the prospectus dated 26 October 1998.   |
| <b>Floating Rate Capital Note Holder</b> | A holder of Floating Rate Capital Notes.  |
| <b>Foreign Sale Facility Agreement</b>   | A Foreign Sale Facility Agreement to be entered into between SML, SGL and the Sale Agent in relation to the Sale Facility.  |
| <b>FSSA</b>                              | <i>Financial Sector (Shareholdings) Act 1998 (Cth)</i> .  |
| <b>General Insurance Group</b>           | The Suncorp Group's general insurance and associated businesses.  |
| <b>General Insurer</b>                   | A company which is authorised under section 12 of the Insurance Act to carry on insurance business in Australia.  |
| <b>General Meeting</b>                   | The general meeting of Ordinary Shareholders, RPS Holders and CPS Holders to consider and vote on the Buy-back Resolution.  |
| <b>GI0G</b>                              | GI0 General Limited, ABN 22 002 861 583.  |
| <b>Governmental Agency</b>               | Any government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial entity or authority. It also includes a self-regulatory organisation established under a statute or a stock exchange.   |
| <b>Group CFO</b>                         | Group Chief Financial Officer.  |
| <b>Group CRO</b>                         | Group Chief Risk Officer.   |

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| <b>Group Executive</b>                 | A Suncorp Group Executive who directly reports to the Group MD & CEO but who is not a functional business line chief executive officer.   |
| <b>Group MD &amp; CEO</b>              | Suncorp Group managing director and chief executive officer, Patrick Snowball.  |
| <b>Group NOHC</b>                      | SGL.  |
| <b>GST</b>                             | Goods and services tax.   |
| <b>Guidelines</b>                      | The guidance notes, prudential practice guides, circulars and other guidance issued by APRA relating to Prudential Standards.   |
| <b>Implementation Date</b>             | The date which is three Business Days after the Record Date, expected to be 7 January 2011.   |
| <b>Independent Expert</b>              | Grant Samuel & Associates Pty Limited ACN 050 036 372.  |
| <b>Independent Expert's Report</b>     | The report by the Independent Expert in <b>section 7</b> .  |
| <b>Ineligible Foreign Shareholders</b> | Has the meaning given in <b>section 9.2</b> .   |
| <b>Insurance Act</b>                   | <i>Insurance Act 1973 (Cth)</i> .   |
| <b>IPS Act</b>                         | <i>Insurance (Prudential Supervision) Act 2010 (NZ)</i>   |
| <b>KPMG</b>                            | KPMG Transaction Services (Australia) Pty Ltd ABN 65 003 891 718.   |
| <b>KPMG Audit</b>                      | KPMG  |
| <b>Life Group</b>                      | The Suncorp Group's life insurance, superannuation, wealth management and associated businesses.  |
| <b>Life Insurance Act</b>              | <i>Life Insurance Act 1995 (Cth)</i> .  |
| <b>Listing Rules</b>                   | The official listing rules of ASX.  |
| <b>MAA</b>                             | Motor Accident Authority of New South Wales.  |
| <b>MAIC</b>                            | Motor Accident Insurance Commission (Qld).  |
| <b>Meetings</b>                        | The Scheme Meeting and the General Meeting.   |
| <b>Moody's</b>                         | Moody's Investors Service Pty Limited ACN 003 399 657.  |
| <b>NED</b>                             | Non-executive Director.   |
| <b>NEDSP</b>                           | The Non-Executive Director's Share Plan, being a share plan established by the Board in November 2000.  |
| <b>NOHC</b>                            | Non-operating holding company.  |
| <b>NOHC Event</b>                      | Has the meaning given in the CPS Terms.   |
| <b>NOHC Restructure</b>                | The restructure of the Suncorp Group which is proposed to be implemented through the Scheme, the Buy-back and certain other asset and liability transfers described in the Restructure Implementation Deed. |
| <b>NOHC Substitution Notice</b>        | Has the meaning given to that term in the CPS Terms.  |
| <b>Ordinary Share</b>                  | A fully paid ordinary share in the capital of SML (ASX:SUN).  |
| <b>Ordinary Shareholder</b>            | A holder of Ordinary Shares.  |
| <b>PGL</b>                             | Promgroup Limited, ABN 79 000 746 092 (formerly Promina Group Limited).   |
| <b>PGL Share Plans</b>                 | The Promina Senior Management Performance Share Plan, the Promina Employee Share Purchase Plan, and the Promina New Zealand Employee Share Purchase Plan.   |

## Glossary (continued)

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| <b>Pro-forma Financial Information</b> | Has the meaning given in <b>section 5.1(a)</b> .  |
| <b>Prudential Standards</b>            | The prudential standards determined by APRA and in force under section 11AF of the Banking Act, section 32 of the Insurance Act or section 230A of the Life Insurance Act, as applicable.   |
| <b>Record Date</b>                     | 7:00 pm (Sydney time) on the fifth Business Day following the Effective Date, expected to be 4 January 2011.  |
| <b>Related Entity</b>                  | In relation to an entity, any entity which is related to that entity within the meaning of section 50 of the Corporations Act.  |
| <b>Restructure Act</b>                 | <i>Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth)</i> .  |
| <b>Restructure Act Application</b>     | The application made by SML for a restructure approval under the Restructure Act.   |
| <b>Restructure Implementation Deed</b> | Deed entered into by SML and SGL which sets out the obligations of SML and SGL in the implementation of the NOHC Restructure, a summary of which is contained in <b>section 12.4(a)</b> .   |
| <b>RPS</b>                             | Has the meaning given to "Reset Preference Shares" in the RPS Terms (ASX:SUNPA).  |
| <b>RPS Holder</b>                      | A holder of RPS.  |
| <b>RPS Terms</b>                       | The Terms and Conditions – Reset Preference Shares dated 16 August 2001.  |
| <b>S&amp;P</b>                         | Standard & Poor's Ratings Services – a division of the McGraw-Hill Companies Inc.   |
| <b>Sale Agent</b>                      | The person appointed by SML to be the Sale Agent under the Scheme.  |
| <b>Sale Facility</b>                   | The sale facility described in <b>section 9.3</b> .   |
| <b>SBHL</b>                            | SBGH Limited, ABN 83 145 980 838, the NOHC of the Banking Group following implementation of the NOHC Restructure.   |
| <b>Scheme</b>                          | A scheme of arrangement between SML and the Ordinary Shareholders under which the Ordinary Shareholders will exchange their Ordinary Shares for the same number of SGL Shares.  |
| <b>Scheme Conditions</b>               | The conditions precedent to the Scheme, as set out in <b>sections 8.6</b> and <b>12.4(a)(ii)</b> .  |
| <b>Scheme Deed Poll</b>                | The deed poll described in <b>section 12.4(b)</b> .   |
| <b>Scheme Meeting</b>                  | The meeting of Ordinary Shareholders ordered by the Court to consider and vote upon the Scheme.   |
| <b>Scheme Orders</b>                   | Orders of the Court made for the purposes of section 411(4)(b) of the Corporations Act in relation to the Scheme.   |
| <b>Scheme Participant</b>              | A person who is an Ordinary Shareholder as at the Record Date.  |
| <b>SCSPL</b>                           | Suncorp Corporate Services Pty Ltd, ABN 69 074 966 466.   |
| <b>Second Court Hearing</b>            | The first day on which an application made to the Court for orders approving the Scheme pursuant to section 411(4)(b) of the Corporations Act is heard, or if the application is adjourned for any reason, the first day on which the adjourned application is heard. |
| <b>Senior Leadership Team</b>          | A senior management team comprising the Group MD & CEO, Group CFO, Group CRO, line of business Chief Executive Officers and Group Executive Human Resources.  |
| <b>SGL</b>                             | Suncorp Group Limited, ABN 66 145 290 124.  |
| <b>SGL Share</b>                       | A fully paid ordinary share in the capital of SGL.  |
| <b>SGL Shareholder</b>                 | A holder of a SGL Share.  |
| <b>Share Plans</b>                     | The SML Share Plans and the PGL Share Plans.  |

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| <b>SIHL</b>                      | Suncorp Insurance Holdings Limited, ABN 99 123 023 334, the NOHC of the General Insurance Group.  |
| <b>SISL</b>                      | Suncorp Insurance Services Limited (formerly PGL), ABN 79 000 746 092.  |
| <b>SISPL</b>                     | SIS Super Pty Ltd, ABN 19 064 490 820.  |
| <b>SLHL</b>                      | Suncorp Life Holdings Limited (formerly Asteron Group Limited (AGL)), ABN 87 064 490 795, the NOHC of the Life Group.   |
| <b>SLSL</b>                      | Suncorp Life & Superannuation Limited, ABN 87 073 979 530.  |
| <b>SMIL</b>                      | Suncorp Metway Insurance Limited, ABN 83 075 695 966.   |
| <b>SML</b>                       | Suncorp-Metway Limited, ABN 66 010 831 722.   |
| <b>SML Share Plans</b>           | The EPSP, NEDSP, DESP, EESP and EESPNZ.   |
| <b>SPSL</b>                      | Suncorp Portfolio Services Limited, ACN 063 427 958.  |
| <b>SSPL</b>                      | Suncorp Staff Pty Ltd (formerly Suncorp Metway Staff Pty Ltd), ABN 31 010 869 726.  |
| <b>Subsidiary / subsidiaries</b> | In relation to a body corporate, any body corporate which is a subsidiary of the first mentioned body corporate within the meaning of section 46 of the Corporations Act.   |
| <b>Suncorp Group</b>             | SML and its Related Entities.   |
| <b>Suncorp Share Registry</b>    | Link Market Services Limited.   |
| <b>Tax</b>                       | Any tax, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding, which is assessed, levied, imposed or collected by any Regulatory Authority and includes, but is not limited to any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of any of the above.  |
| <b>Tax Act</b>                   | <i>The Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 (as appropriate).</i>  |
| <b>Treasurer</b>                 | The Treasurer of the Commonwealth.  |
| <b>Trustee</b>                   | Each of: <ul style="list-style-type: none"> <li>– CPU Share Plans Pty Ltd, as trustee of the EPSP, EESP, DESP, Promina Senior Management Performance Share Plan and the Promina Employee Share Purchase Plan;</li> <li>– CSR Nominees Pty Ltd, as trustee of the EESPNZ; or</li> <li>– CPU (NZ) Share Plans Limited, as trustee of the Promina New Zealand Employee Share Purchase Plan,</li> </ul> as the context requires.  |
| <b>U.S. Person</b>               | Has the meaning in Regulation S under the U.S. Securities Act.  |
| <b>US Tax Person</b>             | Means: <ul style="list-style-type: none"> <li>– a citizen or individual resident of the United States;</li> <li>– a corporation or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof;</li> <li>– an estate the income of which is subject to US federal income taxation regardless of its source; or</li> <li>– a trust if it (1) is subject to the primary supervision of a court within the United States and one or more US Tax Persons has the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable US Treasury regulations to be treated as a US Tax Person.</li> </ul> |
| <b>U.S. Securities Act</b>       | The United States Securities Act of 1933.   |
| <b>VIL</b>                       | Vero Insurance Ltd, ABN 48 005 297 807.   |

# Corporate directory

## Directors

Mr John Story (Chairman)

Mr William Bartlett (Non-executive Director)

Ms Paula Dwyer (Non-executive Director)

Mr Stuart Grimshaw (Non-executive Director)

Mr Ewoud Kulk (Non-executive Director)

Mr Geoff Ricketts (Non-executive Director)

Mr Patrick Snowball (Group MD & CEO)

Dr Zygmunt Switkowski (Non-executive Director)

## Company Secretary

Mr Clifford Roe Chuter

## Registered Office

Level 18 Suncorp Centre  
36 Wickham Terrace  
Brisbane QLD 4000

## Share Registry

Link Market Services Limited  
Level 15  
324 Queen Street  
Brisbane QLD 4000

## Investigating Accountant

KPMG Transaction Services (Australia) Pty Limited  
Riparian Plaza  
71 Eagle Street  
Brisbane QLD 4000

## Independent Expert

Grant Samuel & Associates Pty Limited  
Level 6  
1 Collins Street  
Melbourne VIC 3000

## Australian Legal Adviser

Corrs Chambers Westgarth  
Level 35 Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

## Australian Taxation Adviser

Greenwoods & Freehills Pty Ltd  
Level 39 MLC Centre  
Martin Place  
Sydney NSW 2000

## NOHC Restructure Information Line

calling within Australia toll free 1300 882 012

or

calling from outside Australia +61 2 8280 7450.





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