



Suncorp Bank's one millionth customer, Longreach cattle grazier Robert Herrod and his wife Glynis

Prospectus for the issue  
of Suncorp Group Limited  
convertible preference shares  
to raise \$500 million with the  
ability to raise more or less

## Suncorp Group Limited CPS2 Prospectus

Suncorp Group Limited ABN 66 145 290 124

**Structuring Adviser**  
UBS

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

**Co-Managers**  
Bell Potter  
JBWere

# Important notices

## ABOUT THIS PROSPECTUS

This Prospectus relates to the offer by Suncorp Group Limited (ABN 66 145 290 124) ("**Suncorp**") of convertible preference shares ("**CPS2**") to raise \$500 million with the ability to raise more or less (the "**Offer**").

This Prospectus is dated and was lodged with the Australian Securities and Investments Commission ("**ASIC**") on 3 October 2012 pursuant to section 713(1) of the Corporations Act. This is a replacement prospectus which replaces the prospectus dated 25 September 2012 and lodged with ASIC on that date ("**Original Prospectus**"). This Prospectus expires on the date ("**Expiry Date**") which is 13 months after 25 September 2012 (being the date of the Original Prospectus) and no CPS2 will be issued on the basis of this Prospectus after the Expiry Date.

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

## DEFINED WORDS AND EXPRESSIONS

Certain capitalised words and expressions used in this Prospectus have defined meanings which are explained in the Glossary in Appendix B of this Prospectus (page 116) and in the terms and conditions of the CPS2 as set out in Appendix A (page 97). If there is any inconsistency in definitions between Appendix A and Appendix B, the definitions in Appendix A prevail.

Unless otherwise stated or implied, references to times in this Prospectus are to Australian Eastern Standard Time.

## OFFER AND ISSUER

The Offer contained in this Prospectus is an offering by Suncorp of CPS2 at \$100 per

CPS2 to raise \$500 million, with the ability to raise more or less.

The CPS2 will be issued by Suncorp, an ASX-listed company incorporated in Australia. Suncorp is the ultimate parent company of a group of general insurance, banking and life insurance businesses. References in this Prospectus to Suncorp are to the holding company on a standalone basis and references to the **Suncorp Group** or the **Group** are to Suncorp and its subsidiaries on a consolidated basis.

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

## CPS2 ARE NOT DEPOSIT OR POLICY LIABILITIES OF SUNCORP, OR ANY OTHER MEMBER OF THE SUNCORP GROUP, ARE NOT PROTECTED ACCOUNTS OR POLICIES AND ARE NOT GUARANTEED

CPS2 are not deposits or policy liabilities of Suncorp or any other member of the Suncorp Group, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act, are not protected policies for the purposes of the policy holder protection provisions of the *Insurance Act 1973* (Cth) and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. The investment performance of CPS2 is not guaranteed by Suncorp or any other member of the Suncorp Group. There are risks associated with investing in CPS2 – see Section 5.

## EXPOSURE PERIOD

The Corporations Act prohibits Suncorp from processing Applications to subscribe for CPS2 under this Prospectus in the seven day period after 25 September 2012

("Exposure Period"), being the date on which the Original Prospectus was lodged with ASIC. This period may be extended by ASIC by up to a further seven days. This period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of certain deficiencies in this Prospectus in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

## HOW TO OBTAIN A PROSPECTUS AND APPLICATION FORM

This Prospectus is available to Australian investors in electronic form at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au). The Offer constituted by this Prospectus in electronic form is available only to persons accessing and downloading or printing the electronic copy of the Prospectus within Australia and is not available to persons in any other jurisdictions (including the United States) without the prior approval of Suncorp. Persons in Australia may, during the Offer Period, obtain a paper copy of this Prospectus (free of charge) by telephoning the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time), or by registering online to receive a Prospectus at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au). Applications for CPS2 under this Prospectus may only be made during the Offer Period, on an application form (either electronic or paper) that is attached to or accompanying this Prospectus. A printable version of this Prospectus may be downloaded in

its entirety by eligible investors from [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

#### **PROVIDING PERSONAL INFORMATION**

You will be asked to provide personal information to Suncorp (directly or via its agents) if you apply for CPS2. See Section 9.9 and Suncorp's privacy policy which is available at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au) for information on how Suncorp (and its agents) collect, hold and use this personal information.

#### **RESTRICTIONS ON DISTRIBUTION**

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify CPS2 or the Offer or to otherwise permit a public offering of CPS2 outside Australia.

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither the CPS2 nor the Ordinary Shares have been or will be registered under the US Securities Act or the securities laws of any state of the United States, and they may not be offered or sold in the United States. The CPS2 are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the US Securities Act.

See Section 6.6.1 for further information.

#### **FINANCIAL INFORMATION AND FORWARD-LOOKING STATEMENTS**

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

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million unless otherwise stated. Any discrepancies

between totals and sums of components in tables contained in this Prospectus are due to rounding.

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

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

#### **NO REPRESENTATIONS OTHER THAN IN THIS PROSPECTUS**

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

Except as required by law, and only to the extent so required, neither Suncorp nor any other person warrants or guarantees the future performance of Suncorp, or any return on any investment made pursuant to this Prospectus.

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

#### **WEBSITE**

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

#### **THIS PROSPECTUS DOES NOT PROVIDE FINANCIAL PRODUCT OR INVESTMENT ADVICE – YOU SHOULD SEEK YOUR OWN PROFESSIONAL INVESTMENT ADVICE**

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

If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in CPS2 or not, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

#### **ENQUIRIES**

If you are considering applying for CPS2 under the Offer, this Prospectus is important and should be read in its entirety.

If you have any questions in relation to the Offer, please call the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time).

# Chairman's letter

3 October 2012



Dear Investors,

On behalf of the Directors, I am pleased to present you with an opportunity to invest in convertible preference shares ("CPS2").

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

The 2012 financial year saw us continue to deliver against our strategy and strengthen our competitive position. Net profit after tax attributable to owners of the company was \$724 million, up 60% on the 2011 financial year.

Suncorp intends to raise \$500 million through the offer of CPS2 with the ability to raise more or less. This offer will raise Tier 1 regulatory capital which forms part of our capital management strategy. The proceeds from the offer will be used for general corporate, funding and capital management purposes including to maintain appropriate levels of gearing following the proposed redemption of £253 million (A\$575 million) Tier 2 Subordinated Callable Notes<sup>1</sup> issued by Suncorp-Metway Limited and redeemable on 23 October 2012.

CPS2 are fully paid preference shares to be issued by Suncorp. They will pay, subject to the terms outlined in this Prospectus and at Suncorp's discretion, floating rate, quarterly, non-cumulative, and preferred dividends which are expected to be fully franked. We expect CPS2 will be quoted on ASX.

The CPS2 are unsecured and perpetual in nature. They will mandatorily convert into ordinary shares of Suncorp on 17 December 2019 (subject to certain conditions being satisfied), unless they are exchanged earlier. If the conditions to conversion are not satisfied on that date, mandatory conversion will be deferred until a later date when conditions are re-tested. The key features of CPS2 are set out in Section 2 of this Prospectus.

On behalf of the Directors, I encourage you to read this Prospectus carefully and consider the risk factors set out in Section 5. CPS2 are complex preference shares and have features that are more complicated than a simple debt or equity security. If, after reading this Prospectus, you have any questions about the offer or how to apply for CPS2 under the Securityholder Offer or General Offer, please call the Suncorp CPS2 Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time). You should also seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

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

The key dates for the offer are summarised on page 8. The offer may close early, so you are encouraged to submit your application as soon as possible after the opening date.

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

Yours faithfully,

A handwritten signature in black ink that reads "J. L. Switkowski".

Dr Ziggy Switkowski  
Chairman

<sup>1</sup> The £253 million (A\$575 million) Tier 2 Subordinated Callable Notes were hedged on issue at an exchange rate of AUD/GBP 2.27.

# ASIC guidance for retail investors

ASIC has published guidance which may be relevant to your consideration of CPS2 – namely, information for retail investors who are considering investing in hybrid securities called “Hybrid securities and notes” (under the heading “Complex securities” at [www.moneySMART.gov.au/investing](http://www.moneySMART.gov.au/investing)) (the “ASIC Guidance”). Free copies of the ASIC Guidance can be obtained from ASIC’s website at [www.moneySMART.gov.au/investing](http://www.moneySMART.gov.au/investing) or by calling ASIC on 1300 300 630 (from Australia) or + 61 3 5177 3988 (from outside Australia).

## **Where can I obtain further information about Suncorp and CPS2?**

Suncorp is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. In addition, Suncorp must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about Suncorp that a reasonable person would expect to have a material effect on the price or value of its securities including, once issued, CPS2.

Copies of documents lodged with ASIC and ASX can be obtained from, or inspected at, an ASIC office and can also be obtained from [www.asx.com.au](http://www.asx.com.au).

Further information about the Suncorp Group is available at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

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# Key dates

## Dates may change

These dates are indicative only and may change without notice.

Suncorp and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice or accepting late Applications, whether generally or in particular cases, or withdrawing the Offer at any time before CPS2 are issued, at their discretion.

You are encouraged to apply as soon as possible after the Opening Date.

## Key dates for the Offer

Record date for determining Eligible Securityholders	17 September 2012
Lodgement of the Original Prospectus with ASIC	25 September 2012
Bookbuild	2 October 2012
Announcement of the Margin	3 October 2012
Lodgement of this Prospectus with ASIC	3 October 2012
Opening Date	3 October 2012
Closing Date for the Securityholder Offer and the General Offer	30 October 2012
Closing Date for the Broker Firm Offer	5 November 2012
Issue Date	6 November 2012
CPS2 commence trading on ASX (deferred settlement basis)	7 November 2012
Holding Statements despatched by	8 November 2012
CPS2 commence trading on ASX (normal settlement basis)	9 November 2012

## Key dates for CPS2

Suncorp AGM	25 October 2012
First quarterly Dividend Payment Date	17 December 2012
Optional Exchange Date	17 December 2017
Scheduled Mandatory Conversion Date	17 December 2019





# Investment overview

This Section provides a summary of information that is key to a decision whether to invest in CPS2. Further details are provided in other Sections of this Prospectus, which you should read in its entirety.

# 1. Investment overview

## 1.1 Key features of the Offer and CPS2

TOPIC	SUMMARY	FURTHER INFORMATION
What is the Offer?	<ul style="list-style-type: none"> <li>The Offer is for the issue of CPS2 to raise \$500 million with the ability to raise more or less.</li> </ul>	Section 6.1
Who is the issuer?	<ul style="list-style-type: none"> <li>The issuer is Suncorp Group Limited ("<b>Suncorp</b>").</li> </ul>	Sections 1.2 and 3
What are CPS2?	<ul style="list-style-type: none"> <li>CPS2 are preference shares that have priority over Ordinary Shares for dividends and on a winding up. However, Suncorp can issue other securities that would rank equally or ahead of the CPS2 (which therefore could take priority over CPS2 for dividends or on a winding up).</li> <li>CPS2 are expected to be quoted on ASX. There may or may not be a liquid market for the CPS2, which in turn may affect the market price of the CPS2.</li> <li>CPS2 are not guaranteed or secured. They are also not deposit liabilities or policy liabilities of Suncorp or any other member of the Suncorp Group and are not protected accounts under the Banking Act or protected policies under the <i>Insurance Act 1973</i> (Cth).</li> <li>The issue price is \$100 per CPS2.</li> </ul>	Section 2
Why is Suncorp issuing CPS2?	<ul style="list-style-type: none"> <li>Suncorp is issuing the CPS2 to raise funds and to create regulatory capital which satisfies the Australian Prudential Regulation Authority's ("<b>APRA</b>") regulatory capital requirements. The CPS2 and Suncorp's other equity capital help to protect Suncorp Group's depositors, policy holders and other creditors by providing a loss-absorbing capital buffer which supports losses that are incurred by the Suncorp Group.</li> <li>The CPS2 Terms are complex and derive from the detailed capital requirements which APRA applies to these instruments. Suncorp's ability to pay Dividends, or to optionally Convert, Redeem or Resell the CPS2 are dependent on APRA either not objecting or giving prior approval.</li> <li>The proceeds from the Offer will be used for general corporate, funding and capital management purposes including to maintain appropriate levels of gearing following the proposed redemption of £253 million (A\$575 million) Tier 2 Subordinated Callable Notes issued by Suncorp-Metway Limited and redeemable on 23 October 2012.</li> </ul>	Section 2.2
Are CPS2 rated?	<ul style="list-style-type: none"> <li>Suncorp has not sought a credit rating for CPS2.</li> </ul>	Section 2.1.5
How are CPS2 treated by APRA for regulatory capital purposes?	<ul style="list-style-type: none"> <li>CPS2 qualify as Tier 1 Capital to satisfy Suncorp's regulatory capital requirements.</li> <li>Even though the CPS2 will qualify as Tier 1 Capital, not all of the CPS2 will count towards the Group's Tier 1 Capital on the Issue Date due to the current limit on the Group's Tier 1 Capital capacity. The surplus portion of the CPS2 will initially count towards the Group's Tier 2 Capital and will be treated as Tier 1 Capital to the extent there is additional capacity at a later time, or when the applicable limits are changed.</li> </ul>	Section 2.2.4

TOPIC	SUMMARY	FURTHER INFORMATION
What Dividends are payable?	<ul style="list-style-type: none"> <li>• Dividends on CPS2 are discretionary, which means Suncorp does not have to pay them. Dividends are also only payable if APRA does not object and Suncorp has met the other Dividend Payment Tests. These tests include the requirement that paying a Dividend would not result in a breach of APRA's regulatory capital guidelines.</li> <li>• Subject to these restrictions, CPS2 Holders may receive a Dividend four times per year. The Dividend Rate is calculated on a floating basis – using the Bank Bill Rate plus the Margin. The Margin is 4.65%, as determined under the Bookbuild.</li> <li>• Dividends are expected to be fully franked. CPS2 Holders should be aware that their ability to use franking credits depends on their individual circumstances.</li> <li>• If the Dividend is not paid, Suncorp is prevented from paying dividends on its Ordinary Shares for the next quarter.</li> <li>• Dividends are non-cumulative, which means that unpaid dividends do not add up or 'accumulate'. CPS2 Holders will not have any rights to compensation if Suncorp does not pay Dividends. Failure to pay a Dividend is not an event of default.</li> </ul>	Section 2.3
Will I get my capital back?	<ul style="list-style-type: none"> <li>• The CPS2 do not have any fixed maturity date and could remain on issue indefinitely if CPS2 are not Converted or Redeemed (or otherwise Exchanged) under the CPS2 Terms.</li> <li>• What will happen to the CPS2 in the future is therefore uncertain and depends on a number of factors including whether Mandatory Conversion will occur, whether Suncorp elects to Convert, Redeem or Resell CPS2 on the grounds set out in the CPS2 Terms and whether APRA's approval is given when required under the CPS2 Terms.</li> <li>• CPS2 Holders will have no right to request Suncorp to Convert the CPS2 to Ordinary Shares or Redeem or Resell them.</li> <li>• CPS2 are expected to be quoted on ASX. There may or may not be a liquid market for the CPS2, which in turn may affect the market price of the CPS2, and therefore whether you will get your capital back.</li> </ul>	Section 2.1.2
Will the CPS2 be Redeemed?	<ul style="list-style-type: none"> <li>• If certain conditions are met, Suncorp will have a right, but not an obligation, to Redeem the CPS2 on 17 December 2017 or on the occurrence of a Tax Event or a Regulatory Event.</li> <li>• There are significant restrictions on Suncorp's right to Redeem (i.e. pay out) the CPS2 with cash.</li> <li>• Most importantly, Suncorp can only Redeem the CPS2 if APRA is satisfied with Suncorp's capital position which may mean that Suncorp must replace the CPS2 with regulatory capital of the same or better quality. This is intended to protect Suncorp's creditors.</li> </ul>	Section 2.5.7

# Investment overview

## (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
Will the CPS2 Convert to Ordinary Shares?	<ul style="list-style-type: none"> <li>CPS2 must Convert into Ordinary Shares on a Mandatory Conversion, on a Non-Viability Trigger Event or on an Acquisition Event (for example, a takeover of Suncorp). This may or may not be advantageous for CPS2 Holders.</li> <li><b>Mandatory Conversion</b> can only occur on or after 17 December 2019 and if the Mandatory Conversion Conditions are met on the relevant date. These conditions are intended to protect CPS2 Holders against receiving Ordinary Shares worth less than approximately \$101 per CPS2 (although by the time of Conversion the value of Ordinary Shares received may be worth more or less than \$101).</li> <li><b>Non-Viability Trigger Event:</b> Suncorp will be required to Convert the CPS2 to Ordinary Shares (or, where that is not possible, Write Off CPS2) if APRA determines that Suncorp would be non-viable (including where Suncorp is unable to meet obligations to creditors). If Conversion occurs in this circumstance, CPS2 Holders are likely to receive Ordinary Shares that are worth significantly less than \$101 for each CPS2 they hold.</li> <li><b>Optional Conversion:</b> Suncorp may also choose to Convert the CPS2 to Ordinary Shares with APRA's written approval if certain events occur. Those events include if the CPS2 no longer qualify as Tier 1 regulatory capital and if Suncorp would have higher tax related costs associated with the CPS2. In addition, Suncorp may also Convert the CPS2 on 17 December 2017. Although Suncorp need have no reason to Convert on that date, an example of a circumstance in which it may elect to do so is where interest rates used for the dividend calculation on the CPS2 are, at that point in time, considered high.</li> <li>If Suncorp chooses to Convert the CPS2 in these circumstances, each CPS2 Holder should receive approximately \$101 worth of Ordinary Shares per CPS2 (although by the time of Conversion the value of Ordinary Shares received may be worth more or less than \$101).</li> </ul>	Section 2.4, 2.5 and 2.6

How would CPS2 rank in a winding up of Suncorp?	<ul style="list-style-type: none"> <li>In a winding up of Suncorp, CPS2 rank ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind all creditors of Suncorp, as shown below.</li> <li>However, any return in a winding up may be adversely affected if APRA determines that a Non-Viability Trigger Event has occurred.</li> </ul>	Sections 2.1.3 and 2.6.2
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	TYPE	ILLUSTRATIVE EXAMPLES
Higher ranking	Preferred and secured debt	Liabilities preferred by law including employee entitlements and secured creditors
	Unsubordinated and unsecured debt	Bonds and notes, trade and general creditors
Lower ranking	Subordinated and unsecured debt	Subordinated and unsecured debt obligations
	Preference shares	CPS2 and any securities expressed to rank equally with CPS2
	Ordinary Shares	Ordinary Shares

- CPS2 are claims on Suncorp. Suncorp is a non-operating holding company of the companies in the Suncorp Group and the claims Suncorp has on those companies rank behind those companies' depositors and policy holders in a winding up of those companies.

## 1.2 Overview of Suncorp and the Suncorp Group and its business model

TOPIC	SUMMARY	FURTHER INFORMATION
Overview	<ul style="list-style-type: none"> <li>Suncorp is the ultimate parent company of the Suncorp Group.</li> <li>The Suncorp Group is a financial services group in Australia and New Zealand and comprises general insurance businesses across Australia and New Zealand, a regional bank in Australia, and a life insurance business.</li> <li>The Suncorp Group operates a portfolio of general insurance, banking and life insurance brands, including AAMI, Suncorp Insurance, GIO, Vero, Apia, Suncorp Bank and Asteron Life.</li> <li>The Suncorp Group currently has approximately 16,000 employees across Australia and New Zealand and is headquartered in Brisbane, Queensland.</li> <li>Suncorp is listed on ASX under ASX code "SUN" and has a market capitalisation of \$11.9 billion as at 28 September 2012, ranking it among the 20 largest Australian listed companies.</li> </ul>	Sections 3.1 to 3.4
General insurance business in Australia and New Zealand	<ul style="list-style-type: none"> <li>The Suncorp Group is the largest general insurer of Australians by Gross Written Premium ("<b>GWP</b>") and the second largest general insurance company in New Zealand, reporting GWP for the year ended 30 June 2012 of \$7,955 million.</li> </ul>	Section 3.4.1
Regional bank in Australia	<ul style="list-style-type: none"> <li>Suncorp Bank is a regional bank in Australia with \$62 billion in total assets as at 30 June 2012.</li> </ul>	Section 3.4.2
Specialist life insurer	<ul style="list-style-type: none"> <li>Suncorp Life is a life insurance specialist and superannuation business.</li> <li>Suncorp Life protects more than 660,000 lives in Australia and New Zealand.</li> <li>Suncorp Life had an Embedded Value of \$2,604 million as at 30 June 2012.</li> </ul>	Section 3.4.3
Value enhancing strategy	<ul style="list-style-type: none"> <li>Suncorp Group's core purpose is "<b>Creating brighter futures</b>" for its stakeholders. Suncorp Group intends to do this through the 'One Company. Many Brands' business model.</li> <li>Suncorp Group's strategy is to simplify the business and build, in accordance with its risk appetite, the value of its shared strategic assets:</li> <li><b>Capital:</b> Leveraging the diversity and capital return of each business for the benefit of the entire Group.</li> <li><b>Cost:</b> Achieving the full benefits of scale of an ASX 20 organisation, without diminishing the differentiation of the Group's brands in the eyes of its customers.</li> <li><b>Customer:</b> Enhancing the value of the Group's customer connections by deepening their relationships with the Group's brands.</li> <li><b>Culture:</b> Building the common elements of the Suncorp culture to operate as 'One Company. Many Brands'. Positioning Suncorp as 'THE' place to work in Australia and New Zealand.</li> </ul>	Section 3.5
Strengthening financial performance	<ul style="list-style-type: none"> <li>For the full year ended 30 June 2012, the Suncorp Group reported: <ul style="list-style-type: none"> <li>Group Net Profit After Tax attributable to owners of the company ("<b>NPAT</b>") of \$724 million;</li> <li>Profit after tax from business lines<sup>2</sup> of \$770 million;</li> <li>General Insurance NPAT of \$493 million;</li> <li>reported Insurance Trading Result<sup>2</sup> of \$511 million representing an Insurance Trading Ratio ("<b>ITR</b>") of 7.5%;</li> <li>GWP<sup>2</sup> up 9.3% to \$7,955 million for the year;</li> <li>Core Bank NPAT of \$289 million, with net interest margin of 1.91%; and</li> <li>Suncorp Life NPAT of \$251 million including Life underlying profit<sup>2</sup> of \$146 million.</li> </ul> </li> </ul>	Section 4
Experienced management team	<ul style="list-style-type: none"> <li>Suncorp's management team has extensive experience in financial services.</li> </ul>	
What is the impact of the Offer on the Suncorp Group?	<ul style="list-style-type: none"> <li>See Section 4.2.2 for a pro forma consolidated statement of financial position of the Suncorp Group following the Offer.</li> </ul>	Section 4.2.2

2 Refer to the Glossary in Appendix B for definitions.

# Investment overview

## (continued)

### 1.3 Key risks associated with an investment in CPS2 and in Suncorp

Before applying for CPS2, you should consider whether CPS2 are a suitable investment for you. There are risks associated with an investment in CPS2 and in Suncorp and in the general insurance, banking and life insurance industries generally. Many of these risks are outside the control of Suncorp and its Directors. These risks include those in Sections 1.3 and 5 and other matters referred to in this Prospectus.

TOPIC	SUMMARY	FURTHER INFORMATION
<b>1.3.1. KEY RISKS ASSOCIATED WITH AN INVESTMENT IN CPS2</b>		
Market price of CPS2	<ul style="list-style-type: none"> <li>The price at which CPS2 Holders are able to sell CPS2 on ASX is uncertain.</li> <li>Circumstances in which the price of CPS2 may decline include general financial market conditions, the availability of better rates of return on other securities and investor perception of Suncorp's financial performance or position. Unlike Ordinary Shares, CPS2 do not provide a material exposure to growth in the Group's business.</li> </ul>	Section 5.1.1
Liquidity	<ul style="list-style-type: none"> <li>There may be no liquid market for CPS2.</li> <li>CPS2 Holders who wish to sell their CPS2 may be unable to do so at a price acceptable to them, or at all.</li> </ul>	Section 5.1.2
Fluctuation in Ordinary Share price	<ul style="list-style-type: none"> <li>The market price of Ordinary Shares may fluctuate due to various factors. These include investor perceptions, Australian and worldwide economic conditions and Suncorp's financial performance and position. The market price may be affected by the actual or prospective Conversion of CPS2. CPS2 Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all.</li> </ul>	Section 5.1.3
Dividends may not be paid	<ul style="list-style-type: none"> <li>There is a risk that Dividends will not be paid, including where the Directors determine not to pay a Dividend or where APRA objects to a Dividend payment.</li> <li>Dividends are non-cumulative. Accordingly, in the event that Suncorp does not pay a scheduled Dividend, a CPS2 Holder has no entitlement to that Dividend.</li> </ul>	Section 5.1.4
Changes in Dividend Rate	<ul style="list-style-type: none"> <li>The Dividend Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate.</li> <li>There is a risk that the Dividend Rate may become less attractive when compared with the rates of return available on comparable securities.</li> </ul>	Section 5.1.5
It is not certain whether and when CPS2 may be Exchanged	<ul style="list-style-type: none"> <li>There are a number of scenarios in which CPS2 may be Exchanged. It is uncertain whether and when Exchange may occur. The timing of any Exchange may not suit CPS2 Holders.</li> <li>CPS2 may not Exchange at all, in which case CPS2 are perpetual and have no maturity date.</li> </ul>	Section 5.1.6
Conversion on account of a Non-Viability Trigger Event	<ul style="list-style-type: none"> <li>If Conversion occurs following a Non-Viability Trigger Event, CPS2 Holders may receive significantly less than \$101 worth of Ordinary Shares per CPS2 and in cases where Suncorp is prevented from Converting CPS2 for any reason (within five days after the Non-Viability Conversion Date), CPS2 will be Written Off.</li> <li>If a Write Off occurs following a Non-Viability Trigger Event, the rights of CPS2 Holders to dividends and returns of capital will be broadly equivalent to the rights to dividends and, subject to Shareholder Approval, returns of capital in a winding up of a person holding the number of Ordinary Shares the CPS2 Holder would have held if the Conversion had occurred.</li> <li>Note that the ability to fully Write Off CPS2 is dependent on obtaining Shareholder Approval of certain amendments to the Constitution. The reasons for seeking Shareholder Approval and the consequences of not obtaining that approval are explained in Section 2.6.</li> </ul>	Section 5.1.11

TOPIC	SUMMARY	FURTHER INFORMATION
Restrictions on rights and ranking in a winding up of Suncorp	<ul style="list-style-type: none"> <li>In a winding up of Suncorp, CPS2 rank ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind all creditors of Suncorp.</li> <li>If there is a shortfall of funds on a winding up of Suncorp to pay all amounts ranking senior to and equally with CPS2, CPS2 Holders will lose all or some of their investment.</li> </ul>	Section 5.1.12
Shareholder Approval is not obtained	<ul style="list-style-type: none"> <li>If Shareholder Approval is not obtained at Suncorp's 2012 AGM (or at any subsequent meeting of Shareholders) the CPS2 will be issued, and remain on issue, however the CPS2 Terms as to Write Off will not fully comply with APRA's requirements for a write off and so the CPS2 would likely not be Basel III compliant. APRA has advised that if Shareholder Approval is not obtained by 31 March 2013 then CPS2 would only count as regulatory capital in accordance with APRA's "standard transitional treatment".</li> <li>Suncorp believes that the effect of standard transitional treatment is that from 1 January 2013 the proportion of the CPS2 that will count as Tier 1 Capital would progressively decrease. Refer to Attachment H of APRA's draft Prudential Standard GPS 112 ("Capital Adequacy: Measurement of Capital") for further information on these proposed transitional arrangements. To obtain a free copy of APRA's draft standard, please contact the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time).</li> <li>While generally the loss of desired regulatory treatment might be expected to be a ground for Suncorp to Redeem or Convert the CPS2, the CPS2 Terms provide that where the cause of such loss is a lack of Shareholder Approval, Suncorp will not be entitled to Redeem or Convert on the grounds of a Regulatory Event occurring and the CPS2 will remain outstanding.</li> </ul>	Section 5.1.19
<b>1.3.2. KEY RISKS ASSOCIATED WITH SUNCORP AND THE SUNCORP GROUP</b>		
Regulatory and compliance risk	<ul style="list-style-type: none"> <li>The Group is subject to extensive laws and regulations in the jurisdictions in which it operates, and is also supervised by a number of different regulatory authorities (including APRA) which have broad administrative powers over its businesses. If the Group fails to comply with applicable laws and regulations, it may be subject to fines, penalties, restrictions on its ability to do business, or loss of licence to conduct business.</li> <li>Changes to these laws and regulations could also adversely affect one or more of the Group's businesses, restrict its flexibility, require it to incur substantial costs and impact the profitability of one or more of the Group's business lines.</li> </ul>	Section 5.2.1
Dependence on Australian and New Zealand economies	<ul style="list-style-type: none"> <li>As the Group currently conducts the majority of its business in Australia and New Zealand, its performance is influenced by the level and cyclical nature of business activity in Australia and New Zealand, which is, in turn, impacted by both domestic and international economic and political events.</li> <li>There can be no assurance that a weakening in the Australian and/or New Zealand economies, and/or that a weakening in the economic and business conditions of other countries, will not have an adverse effect on the Group's financial condition and on the results of its operations.</li> </ul>	Section 5.2.2
Competitive environment	<ul style="list-style-type: none"> <li>If the Group is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences, habits and sentiment, the Group may lose customers to its competitors.</li> <li>The level of competition within the financial services industry continues to increase as the trend toward consolidation is creating competitors with a broader range of products and services, increased access to capital, and greater efficiency and enhanced pricing power. As a result, the Group could lose market share or be forced to reduce prices in order to compete effectively.</li> </ul>	Section 5.2.4

# Investment overview

## (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
Reputational damage	<ul style="list-style-type: none"> <li>The Group's ability to attract and retain customers and investors and the Group's prospects could be adversely affected if its reputation is damaged.</li> <li>Reputational damage could be caused by various sources such as potential conflicts of interest, failing to comply with legal and regulatory requirements, ethical issues, litigation, sales, pricing and trading practices, technology and security failures, and risk management failures. The Group's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of the Group's customers and counterparties.</li> </ul>	Section 5.2.5
Catastrophes	<ul style="list-style-type: none"> <li>Through its general insurance businesses, the Group is subject to claims arising from catastrophes, such as the recent Queensland floods and New Zealand earthquakes. Catastrophes may include, but are not limited to, cyclones, earthquakes, tsunami, wind, hail, fires, floods, volcanic activity and bushfires, in addition to man-made disasters. It is not possible to predict the timing or severity of catastrophes.</li> </ul>	Section 5.2.6
Reinsurance	<ul style="list-style-type: none"> <li>While the Group manages its exposure to catastrophes through the purchase of catastrophe reinsurance based on a set of model assumptions, the Group cannot be assured that such coverage will be adequate or will continue to be available at acceptable levels or at all.</li> <li>The Group is also exposed to the risk that its reinsurers default on their obligation to pay valid claims. Despite reinsurance, the Group is primarily liable to policyholders, and so a failure by a reinsurer to make payment, for whatever reason, could adversely affect the Group's businesses, financial performance, financial condition and prospects.</li> </ul>	Section 5.2.7
Credit Risk	<ul style="list-style-type: none"> <li>Credit risk is a significant risk and arises primarily from the Group's lending, reinsurance and investment activities.</li> <li>One of the areas of credit risk is the Group's non-core banking portfolio. The non-core banking portfolio is a run-off portfolio which is closed to new business.</li> </ul>	Section 5.2.9
Funding and liquidity risk	<ul style="list-style-type: none"> <li>Banks and other financial institutions (including Suncorp Group) are currently subject to global credit and capital market conditions which have experienced extreme volatility, disruption and decreased liquidity in recent years. In particular, there has been a recent focus on the potential for sovereign debt defaults and/or banking failures in Europe.</li> <li>If market conditions deteriorate due to economic, financial, political or other reasons, the Group's funding costs may be adversely affected and its liquidity and its funding of lending activities may be constrained.</li> </ul>	Section 5.2.11
Other	<ul style="list-style-type: none"> <li>There are a number of other risks that the Suncorp Group faces, which are discussed in more detail in Section 5.2.</li> </ul>	Section 5.2

### 1.4 Further information about the Offer

TOPIC	SUMMARY	FURTHER INFORMATION
When is the Offer Period?	<ul style="list-style-type: none"> <li>The Offer opens on 3 October 2012.</li> <li>The Securityholder Offer and General Offer close on 30 October 2012.</li> <li>The Broker Firm Offer closes on 5 November 2012.</li> </ul>	Key dates Section 6
Is there a minimum amount to be raised?	<ul style="list-style-type: none"> <li>No. The Offer is for the issue of CPS2 to raise \$500 million with the ability to raise more or less.</li> </ul>	Section 6
Is the Offer underwritten?	<ul style="list-style-type: none"> <li>No.</li> </ul>	Section 9.5
How is the Offer structured and who can apply?	<ul style="list-style-type: none"> <li>The Offer comprises: <ul style="list-style-type: none"> <li>– an Institutional Offer to certain Institutional Investors;</li> <li>– a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers;</li> <li>– a Securityholder Offer made to Eligible Securityholders; and</li> <li>– a General Offer made to members of the general public who are resident in Australia.</li> </ul> </li> </ul>	Sections 6.2 and 6.4.1



TOPIC	SUMMARY	FURTHER INFORMATION
How can I apply?	<ul style="list-style-type: none"> <li>• Broker Firm Applicants should contact their Syndicate Broker.</li> <li>• Securityholder Applicants and General Applicants should complete an electronic or paper copy of the Application Form and pay the Application Payment either electronically or by cheque or money order.</li> <li>• The allocation policy is described in Section 6.5.2.</li> </ul>	Section 6.4
Is there a minimum Application size?	<ul style="list-style-type: none"> <li>• Yes. Your Application must be for a minimum of 50 CPS2 (\$5,000).</li> <li>• If your Application is for more than 50 CPS2, then you must apply in multiples of 10 CPS2 (\$1,000) after that.</li> </ul>	Section 6.4.1
Is brokerage, commission or stamp duty payable?	<ul style="list-style-type: none"> <li>• No brokerage, commission or stamp duty is payable by you on your Application. You may be required to pay brokerage if you sell your CPS2 on ASX after CPS2 have been quoted on ASX.</li> </ul>	Section 6.4.5
What are the tax implications of investing in CPS2?	<ul style="list-style-type: none"> <li>• A general description of the Australian taxation consequences of investing in CPS2 is set out in Section 7.</li> </ul>	Section 7
When will I receive confirmation that my Application has been successful?	<ul style="list-style-type: none"> <li>• If you are an Applicant in the Broker Firm Offer, Securityholder Offer or General Offer, you will be able to call the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time) from 6 November 2012 to confirm your allocation.</li> <li>• Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Syndicate Broker from whom they received their allocation.</li> </ul>	Section 6.5.3
When will CPS2 be issued?	<ul style="list-style-type: none"> <li>• Suncorp expects that CPS2 will be issued on 6 November 2012.</li> </ul>	Key dates
When will CPS2 begin trading on ASX?	<ul style="list-style-type: none"> <li>• Suncorp expects that CPS2 will begin trading on ASX on 7 November 2012 on a deferred settlement basis, and on 9 November 2012 on a normal settlement basis.</li> </ul>	Key dates
When will Holding Statements be despatched?	<ul style="list-style-type: none"> <li>• Suncorp expects that Holding Statements will be despatched by 8 November 2012.</li> </ul>	Key dates
Where can I find more information about this Prospectus or the Offer?	<ul style="list-style-type: none"> <li>• If you have any questions in relation to the Offer, please call the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time).</li> <li>• If you are a Broker Firm Applicant, you should contact your Syndicate Broker.</li> </ul>	Section 6.7

## 1.5 Key information about people, interests and benefits

TOPIC	SUMMARY	FURTHER INFORMATION
Who are the Directors?	<ul style="list-style-type: none"> <li>• Dr Zygmunt E Switkowski (Chairman)</li> <li>• Mr Patrick J R Snowball</li> <li>• Ms Ilana R Atlas</li> <li>• Mr William J Bartlett</li> <li>• Mr Michael A Cameron</li> <li>• Ms Audette E Exel</li> <li>• Mr Ewoud J Kulk</li> <li>• Dr Douglas F McTaggart</li> <li>• Mr Geoffrey T Ricketts</li> </ul>	Section 8.1
What significant benefits and interests are payable to Directors and other persons associated with the Offer or Suncorp?	<ul style="list-style-type: none"> <li>• Interest or benefit: <ul style="list-style-type: none"> <li>– Directors – Directors' fees (including committee fees); and</li> <li>– advisers and other service providers – fees for services.</li> </ul> </li> </ul>	Section 8.2
How will the expenses of the Offer be paid?	<ul style="list-style-type: none"> <li>• The total expenses of the Offer will be paid out of the proceeds of the Offer.</li> </ul>	Section 8.3

# Investment overview

## (continued)

### 1.6 What you need to do

TOPIC	SUMMARY
Read this Prospectus in full	<ul style="list-style-type: none"><li>• If you are considering applying for CPS2 under the Offer, this Prospectus is important and should be read in its entirety.</li></ul>
Determine if you are eligible to apply	<ul style="list-style-type: none"><li>• The Offer is being made to:<ul style="list-style-type: none"><li>– Institutional Investors in Australia and in certain permitted jurisdictions outside Australia under the Institutional Offer where such offer is made, and accepted, in accordance with the laws of such jurisdictions;</li><li>– Australian resident retail and high net worth clients of Syndicate Brokers who are invited to apply under the Broker Firm Offer;</li><li>– Eligible Securityholders who apply under the Securityholder Offer; and</li><li>– members of the general public who are resident in Australia and who apply under the General Offer.</li></ul></li></ul>
Consider and consult	<ul style="list-style-type: none"><li>• In considering whether to apply for CPS2, it is important that you:<ul style="list-style-type: none"><li>– consider all risks and other information regarding an investment in CPS2 in light of your particular investment objectives and circumstances; and</li><li>– seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.</li></ul></li></ul>
Complete and submit your Application Form and Application Payment	<ul style="list-style-type: none"><li>• If you have decided to apply for CPS2, you need to apply pursuant to the Application Form (either electronic or paper) attached to or accompanying this Prospectus.</li><li>• The Application process varies depending on whether you participate in the Institutional Offer, Broker Firm Offer, Securityholder Offer or General Offer.</li><li>• See Section 6 for more details on how to apply.</li><li>• The Offer may close early so you are encouraged to consider submitting your Application as soon as possible after the Opening Date.</li></ul>



## About CPS2

This Section is intended to provide information about the key features of CPS2. Where indicated, more detailed information is provided in other Sections of this Prospectus.

# 2. About CPS2

## 2.1 General

TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.1.1. WHAT ARE CPS2?</b>	<ul style="list-style-type: none"> <li>CPS2 are perpetual, fully paid preference shares to be issued by Suncorp.</li> </ul>	Clauses 1.1, 3, 4, 5, 6 and 7 of the CPS2 Terms
<b>2.1.2. WHAT IS THE TERM OF CPS2?</b>	<ul style="list-style-type: none"> <li>CPS2 are perpetual and do not have a fixed maturity date.</li> <li>On 17 December 2019, CPS2 Holders will receive Ordinary Shares on Conversion of the CPS2 (subject to the Mandatory Conversion Conditions being satisfied and unless CPS2 have been Exchanged earlier).</li> <li>Suncorp must also Convert CPS2 if a Non-Viability Trigger Event occurs, and:               <ul style="list-style-type: none"> <li>such Conversion is not subject to the Mandatory Conversion Conditions and can occur at any time.</li> <li>If such Conversion is prevented for any reason (within five days after the Non-Viability Conversion Date), CPS2 will not be Converted but instead Written Off. This means the rights of a CPS2 Holder to dividends and returns of capital will be broadly equivalent to the rights to dividends and, subject to Shareholder Approval, returns of capital in a winding up of a person holding the number of Ordinary Shares the CPS2 Holder would have held if the Conversion had occurred.</li> </ul> </li> <li>Subject to APRA's prior written approval, Suncorp may elect to Exchange some or all CPS2 on 17 December 2017 or following the occurrence of a Tax Event or a Regulatory Event.</li> <li>Suncorp must, following the occurrence of an Acquisition Event, or may, following the occurrence of a Potential Acquisition Event, Convert (but not otherwise Exchange) CPS2 (subject to certain conversion conditions).</li> </ul>	Clauses 1.1, 3, 4, 5, and 6 and 7.12 of the CPS2 Terms
<b>2.1.3. HOW DO CPS2 RANK IN RELATION TO OTHER SUNCORP INSTRUMENTS?</b>	<ul style="list-style-type: none"> <li>On a winding up of Suncorp, CPS2 rank for payment of \$100 (plus the amount of any Dividend resolved to be paid but unpaid) ahead of Ordinary Shares, equally with all Equal Ranking Instruments, but behind all creditors of Suncorp. Any return in a winding up may be adversely affected if a Non-Viability Trigger Event occurs (see Section 2.6 – Non-Viability Conversion).</li> <li>For the payment of Dividends, CPS2 rank ahead of Ordinary Shares, equally with other securities ranking equally with CPS2, but behind all creditors of Suncorp.</li> </ul>	Clauses 10.1 and 10.2 of the CPS2 Terms
<b>2.1.4. WILL CPS2 BE QUOTED ON ASX?</b>	<ul style="list-style-type: none"> <li>Suncorp has applied for CPS2 to be quoted on ASX and CPS2 are expected to trade under ASX code "SUNPC".</li> </ul>	Clause 17 of the CPS2 Terms
<b>2.1.5. WILL CPS2 BE RATED?</b>	<ul style="list-style-type: none"> <li>Suncorp has not sought a credit rating for CPS2.</li> </ul>	
<b>2.1.6. WILL CPS2 BE GUARANTEED?</b>	<ul style="list-style-type: none"> <li>CPS2 are not guaranteed.</li> <li>This means that CPS2 are not guaranteed by any member of the Group or otherwise.</li> <li>In addition, CPS2 are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, or by any other person.</li> <li>CPS2 do not represent deposits or policy liabilities of Suncorp, or any member of the Group, and are not protected accounts for the purposes of the depositor protection provisions of the Banking Act and are not protected policies for the purposes of the policy holder protection provisions of the <i>Insurance Act 1973</i> (Cth).</li> </ul>	
<b>2.1.7. ARE CPS2 SECURED?</b>	<ul style="list-style-type: none"> <li>CPS2 are unsecured.</li> <li>This means that CPS2 are not secured against any asset of Suncorp or the Group or otherwise.</li> </ul>	Clause 11.3 of the CPS2 Terms

## 2.2 Regulatory treatment of CPS2

TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.2.1. WHO IS APRA?</b>	<ul style="list-style-type: none"> <li>APRA is the prudential regulator of the Australian financial services industry. APRA oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies, and most members of the superannuation industry.</li> <li>APRA's mission is to establish and enforce prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions APRA supervises are met within a stable, efficient and competitive financial system.</li> <li>APRA's website (<a href="http://www.apra.gov.au">www.apra.gov.au</a>) includes further details of its functions and prudential standards.</li> </ul>	
<b>2.2.2. WHAT IS REGULATORY CAPITAL?</b>	<ul style="list-style-type: none"> <li>Any business requires capital to support its income generating activities in its chosen industry.</li> <li>APRA's regulatory capital prudential standards aim to ensure that banks, general insurers, life insurers and non-operating holding companies of banks, general insurers and life insurers, such as Suncorp, maintain adequate capital to support the risks associated with their activities. APRA has detailed guidelines and restrictions on the types of capital instruments that are permitted to form the capital base. The types of capital deemed eligible for inclusion in the capital base are referred to as regulatory capital.</li> <li>APRA classifies regulatory capital into two tiers for its supervisory purposes – referred to as Tier 1 Capital and Tier 2 Capital. Tier 1 Capital is generally considered from the perspective of a financial institution to be a higher quality capital than Tier 2 Capital, generally due to features such as longevity and loss absorption.</li> </ul>	
<b>2.2.3. WHAT IS TIER 1 CAPITAL?</b>	<ul style="list-style-type: none"> <li>APRA has revised its capital standards for banks and is reviewing its capital standards for general insurers, life insurers and non-operating holding companies of banking and general and life insurance groups, such as Suncorp. The aims of the review include improving the risk sensitivity of the capital standards and achieving better alignment across APRA regulated industries.</li> <li>In May 2012, APRA released draft prudential standards for general insurers and life insurers. Under APRA's proposed capital requirements, Tier 1 Capital is comprised of: <ul style="list-style-type: none"> <li>Common Equity Tier 1 Capital; and</li> <li>Additional Tier 1 Capital.</li> </ul> </li> <li>These categories will replace the categories of Tier 1 Capital permitted under existing capital standards of Fundamental Tier 1 and Residual Tier 1 Capital.</li> <li>Common Equity Tier 1 Capital is recognised from the perspective of a financial institution as the highest quality component of capital. Common Equity Tier 1 Capital for insurers (and their non-operating holding companies) will comprise paid-up ordinary shares, retained earnings, other disclosed reserves permitted for inclusion by APRA and certain other items permitted by APRA less regulatory adjustments applied in the calculation of Common Equity Tier 1 Capital.</li> <li>The non-common equity components of Tier 1 Capital which do not satisfy all of the criteria for inclusion in Common Equity Tier 1 Capital are referred to as Additional Tier 1 Capital. These instruments must be able to absorb losses on a going-concern basis, and can include both equity instruments and for banks, general insurers, life insurers and non-operating holding companies of banks, general insurers and life insurers, such as Suncorp, capital instruments classified as liabilities for accounting purposes.</li> <li>It is possible that APRA's final prudential standards may be released during the Offer Period. If those final standards are different to the draft standards released in May 2012, and the differences are material to investors in CPS2, Suncorp will update investors appropriately.</li> </ul>	

# About CPS2

## (continued)

### 2.2.4. WHAT IS THE REGULATORY TREATMENT OF CPS2?

- CPS2 are eligible for inclusion as Residual Tier 1 Capital and qualify as regulatory capital of the Group for APRA purposes.
- APRA has not yet determined the final form of prudential rules applied to entities regulated by APRA resulting from the Basel III Consultation Papers (other than for banks). Should CPS2 not comply with those rules when finalised, APRA has confirmed that CPS2 will be fully eligible for inclusion as Additional Tier 1 Capital until the Optional Exchange Date, subject to Suncorp obtaining Shareholder Approval by 31 March 2013. However, if Shareholder Approval is not obtained by 31 March 2013, APRA has advised that the CPS2 will only be eligible for standard transitional treatment. Further, if Shareholder Approval is not obtained by 31 December 2012, APRA has advised that the CPS2 will only be eligible for standard transitional treatment for the March quarter 2013 unless the approval is obtained by 31 March 2013, in which case the CPS2 will cease to be covered by the standard transitional treatment and be fully eligible until the Optional Exchange Date.
- Suncorp believes that the effect of standard transitional treatment is that from 1 January 2013 the proportion of the CPS2 that will count as Tier 1 Capital would progressively decrease. Refer to Attachment H of APRA's draft Prudential Standard GPS 112 ("Capital Adequacy: Measurement of Capital") for further information on these proposed transitional arrangements. To obtain a free copy of APRA's draft standard, please contact the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time).

## 2.3 Dividends

TOPIC	SUMMARY	FURTHER INFORMATION										
2.3.1. WHAT ARE DIVIDENDS?	<ul style="list-style-type: none"> <li>• Dividends on CPS2 are preferred, discretionary, non-cumulative floating rate payments and are subject to certain Dividend Payment Tests.</li> <li>• Dividends are scheduled to be paid quarterly in arrears on the Dividend Payment Dates, subject to the Dividend Payment Tests.</li> <li>• CPS2 Holders are expected to receive cash Dividends which have been fully franked. The value and availability of franking credits to a CPS2 Holder will differ depending on the CPS2 Holder's particular tax circumstances. Each CPS2 Holder will only receive the benefit of the franking credits where those credits are able to be claimed in the CPS2 Holder's tax return. If any Dividend payment is not fully franked, then CPS2 Holders will be entitled to an additional cash payment to compensate for the unfranked amount. This payment will also be subject to the Dividend Payment Tests.</li> <li>• Dividends are non-cumulative. If a Dividend or part of a Dividend is not paid on a Dividend Payment Date, CPS2 Holders have no claim or entitlement in respect of non-payment and no right to receive that Dividend at any later time.</li> </ul>	Clauses 2 and 19.2 of the CPS2 Terms										
2.3.2. HOW WILL THE DIVIDEND RATE BE CALCULATED?	<ul style="list-style-type: none"> <li>• The Dividend Rate for each quarterly Dividend will be calculated using the following formula:  <b>Dividend Rate = (Bank Bill Rate + Margin) x (1 – T)</b>            where:           <ul style="list-style-type: none"> <li>– <b>Bank Bill Rate</b> is the 90-day BBSW rate on the first Business Day of the relevant Dividend Period;</li> <li>– <b>Margin</b> is 4.65%, as determined under the Bookbuild; and</li> <li>– <b>T</b> is the Australian corporate tax rate applicable to the franking account of Suncorp at the relevant Dividend Payment Date.</li> </ul>           As an example, assuming the Bank Bill Rate for the first Dividend Period is 3.37% per annum, the Margin is 4.65% per annum and T is 30%, then the Dividend Rate for that Dividend Period would be calculated as follows:           <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Bank Bill Rate</td> <td style="text-align: right;">3.37% per annum</td> </tr> <tr> <td>plus Margin</td> <td style="text-align: right;">4.65% per annum</td> </tr> <tr> <td style="border-top: 1px solid black;">Equivalent unfranked dividend rate</td> <td style="text-align: right; border-top: 1px solid black;">8.02% per annum</td> </tr> <tr> <td>Multiplied by (1 – T)</td> <td style="text-align: right;">x 0.70</td> </tr> <tr> <td style="border-top: 1px solid black;">Indicative fully franked Dividend Rate =</td> <td style="text-align: right; border-top: 1px solid black;">5.6140% per annum</td> </tr> </table> </li> </ul>	Bank Bill Rate	3.37% per annum	plus Margin	4.65% per annum	Equivalent unfranked dividend rate	8.02% per annum	Multiplied by (1 – T)	x 0.70	Indicative fully franked Dividend Rate =	5.6140% per annum	Clause 2.1 of the CPS2 Terms
Bank Bill Rate	3.37% per annum											
plus Margin	4.65% per annum											
Equivalent unfranked dividend rate	8.02% per annum											
Multiplied by (1 – T)	x 0.70											
Indicative fully franked Dividend Rate =	5.6140% per annum											

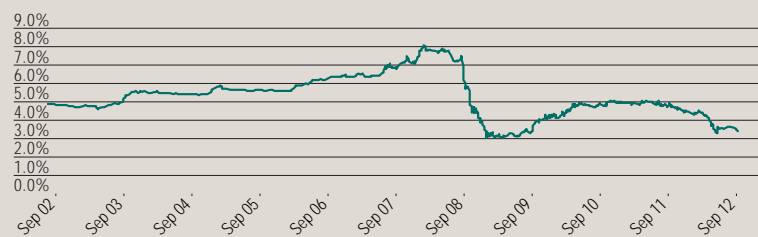
TOPIC	SUMMARY	FURTHER INFORMATION
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**2.3.3. WHAT IS THE BANK BILL RATE?**

- The Bank Bill Rate is the 90-day bank bill swap rate (BBSW) which is a reference rate displayed on Reuters page BBSW (or any page which replaces that page) on the first Business Day of each relevant Dividend Period.
  - The 90-day BBSW rate represents the average interest rate at which institutions on the Australian Financial Markets Association's BBSW panel will trade 90-day Australian dollar bills of exchange accepted by an approved bank.
  - The BBSW rate is one of the interest rate benchmarks published daily by the Australian Financial Markets Association and appearing on information services (e.g. Reuters page BBSW). BBSW rates provide references for the pricing, rate-setting and valuation of Australian dollar financial securities.
- The graph below illustrates the movement in BBSW over the last 10 years. The rate on 28 September 2012 was 3.37% per annum.

Clause 2.1 of the CPS2 Terms

**BBSW**



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

**2.3.4. HOW WILL THE DIVIDEND BE CALCULATED FOR EACH DIVIDEND PERIOD?**

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

Clause 2.1 of the CPS2 Terms

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

where:

**Dividend Rate** means the rate (expressed as a percentage per annum) calculated as set out in Section 2.3.2; and

**N** means the number of days in the Dividend Period calculated as set out in the CPS2 Terms.

Following the formula above, if the Dividend Rate was 5.6140% per annum, then the Dividend on each CPS2 for the first Dividend Period (if the Dividend Period was 91 days) would be calculated as follows:

Indicative fully franked Dividend Rate	5.6140% per annum
Multiplied by the Issue Price	x \$100.00
Multiplied by the number of days in the Dividend Period	x 91
Divided by 365	÷ 365
<hr/>	
Indicative fully franked Dividend payment for the first Dividend Period per CPS2	\$1.400

The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Dividend payment for the first or any subsequent Dividend Period. Actual Dividend payments may be higher or lower than this example. The Dividend Rate for the first Dividend Period will be set on the Issue Date and will include the Margin of 4.65%, as determined under the Bookbuild.

# About CPS2

## (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.3.5. WHAT IS THE IMPACT OF FRANKING CREDITS?</b>	<ul style="list-style-type: none"> <li>Dividends are expected to be fully franked. The franking credits represent a CPS2 Holder's share of tax paid by Suncorp on the profits from which the cash Dividend is paid.</li> <li>CPS2 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. CPS2 Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each CPS2 Holder.</li> <li>CPS2 Holders should refer to the Australian taxation summary in Section 7 and seek professional advice in relation to their tax position.</li> </ul>	Section 7
<b>2.3.6. WHEN ARE THE DIVIDEND PAYMENT DATES?</b>	<ul style="list-style-type: none"> <li>Dividends are payable quarterly in arrears on the Dividend Payment Dates.</li> <li>The first Dividend Payment Date is 17 December 2012.</li> <li>Subsequent Dividend Payment Dates are 17 March, 17 June, 17 September and 17 December each year.</li> <li>If any of these dates is not a Business Day, then the Dividend Payment Date will be the next Business Day.</li> </ul>	Clause 2.5 of the CPS2 Terms
<b>2.3.7. WHAT ARE THE DIVIDEND PAYMENT TESTS?</b>	<ul style="list-style-type: none"> <li>Dividends may not always be paid. The payment of each Dividend is subject to the following Dividend Payment Tests being satisfied: <ul style="list-style-type: none"> <li>the Directors of Suncorp, at their absolute discretion, resolving to pay a Dividend;</li> <li>paying the Dividend not resulting in the Eligible Capital of the Group not complying with APRA's then current capital adequacy guidelines as they are applied to the Group at that time;</li> <li>paying the Dividend not resulting in Suncorp becoming, or being likely to become, insolvent; and</li> <li>APRA not otherwise objecting to the payment of the Dividend.</li> </ul> </li> </ul>	Clause 2.3 of the CPS2 Terms
<b>2.3.8. WHAT IS THE DISTRIBUTION RESTRICTION AND WHEN WILL IT APPLY?</b>	<ul style="list-style-type: none"> <li>If for any reason a Dividend has not been paid on a Dividend Payment Date ("<b>Relevant Dividend Payment Date</b>"), Suncorp must not, subject to certain exceptions, without the approval of a Special Resolution, until and including the next Dividend Payment Date: <ul style="list-style-type: none"> <li>declare, determine to pay or pay a dividend or distribution on Ordinary Shares; or</li> <li>buy back or reduce capital on Ordinary Shares,</li> </ul>                     unless the Dividend is paid in full within 3 Business Days of the Relevant Dividend Payment Date.                 </li> <li>The CPS2 Terms contain no events of default and accordingly, failure to pay a Dividend when scheduled will not constitute an event of default.</li> </ul>	Clauses 2.8, 2.9 and 11.5 of the CPS2 Terms

## 2.4 Mandatory Conversion

TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.4.1. WHAT IS MANDATORY CONVERSION?</b>	<ul style="list-style-type: none"> <li>CPS2 Holders will receive Ordinary Shares on Conversion of the CPS2 on the Mandatory Conversion Date unless the Mandatory Conversion Conditions are not satisfied or the CPS2 have otherwise been Exchanged.<sup>3</sup></li> <li>Upon Conversion on a Mandatory Conversion Date, CPS2 Holders will receive approximately \$101 worth of Ordinary Shares per CPS2 based on the VWAP (the volume weighted average price of Ordinary Shares) during a period usually 20 Business Days before the Mandatory Conversion Date. The VWAP during the 20 Business Days before the Mandatory Conversion Date that is used to calculate the number of Ordinary Shares that CPS2 Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than approximately \$101 when they are issued or at any time after that.</li> </ul>	Clauses 3.1, 3.2, 7.1 and 19.2 of the CPS2 Terms

<sup>3</sup> This includes a Conversion or Write Off required by APRA following the occurrence of a Non-Viability Trigger Event.



TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.4.2. WHAT ARE THE CONSEQUENCES OF MANDATORY CONVERSION?</b>	<ul style="list-style-type: none"> <li>If the Mandatory Conversion Conditions are satisfied, CPS2 will be Converted and CPS2 Holders will receive approximately \$101 of Ordinary Shares on Conversion of their CPS2 on a Mandatory Conversion Date. The value of Ordinary Shares received may be more or less than approximately \$101 when they are issued, as noted in Section 2.4.1 above.</li> <li>As a result of any Conversion of CPS2 to Ordinary Shares, CPS2 Holders will become holders of Ordinary Shares in the capital of Suncorp, which will rank equally with existing Ordinary Shares from the date of issue. The value of any holding of Ordinary Share may fluctuate from time to time.</li> <li>For the Group more broadly, the composition of the capital base will alter as a consequence of any Conversion and result in Common Equity Tier 1 Capital increasing and Additional Tier 1 Capital decreasing.</li> </ul>	Clause 3 of the CPS2 Terms
<b>2.4.3. WHEN IS THE MANDATORY CONVERSION DATE?</b>	<ul style="list-style-type: none"> <li>The Mandatory Conversion Date will be 17 December 2019, provided the Mandatory Conversion Conditions are satisfied.</li> <li>If any of the Mandatory Conversion Conditions are not satisfied on this date, then the Mandatory Conversion Date will be the next Dividend Payment Date on which they are satisfied.</li> </ul>	Clause 3.2 of the CPS2 Terms
<b>2.4.4. WHAT ARE THE MANDATORY CONVERSION CONDITIONS?</b>	<ul style="list-style-type: none"> <li>The Mandatory Conversion Conditions are as follows: <ul style="list-style-type: none"> <li><b>First Mandatory Conversion Condition:</b> the VWAP of Ordinary Shares on the 25th Business Day before a possible Mandatory Conversion Date<sup>4</sup> is greater than <math>(110\% \times \text{Relevant Fraction}) \times \text{Issue Date VWAP}</math>;</li> <li><b>Second Mandatory Conversion Condition:</b> the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date ("<b>VWAP Period</b>") is greater than <math>(101.01\% \times \text{Relevant Fraction}) \times \text{Issue Date VWAP}</math>; and</li> <li><b>Third Mandatory Conversion Condition:</b> no Delisting Event applies to Ordinary Shares in respect of a possible Mandatory Conversion Date (broadly, a Delisting Event occurs when Suncorp is delisted, its Ordinary Shares have been suspended from trading for a certain period, or it is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting CPS2).</li> </ul> </li> <li>The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to provide protection to CPS2 Holders against receiving less than approximately \$101 worth of Ordinary Shares per CPS2 on Conversion (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date).</li> <li>The Relevant Fraction means: <ul style="list-style-type: none"> <li>in the case of a Conversion (other than a Conversion on account of a Non-Viability Trigger Event) 0.5; and</li> <li>in the case of a Conversion on account of a Non-Viability Trigger Event 0.5 or, once the Australian Basel III Rules are implemented and Holders have been notified in writing by Suncorp that such other percentage is to be applied, the lowest fraction less than 0.5 as is permitted by APRA under the Australian Basel III Rules (which Suncorp currently expects to be 0.2). The different rates referred to in the Relevant Fraction definition are set with a view to complying with prudential regulatory and rating agency requirements. The prudential regulatory requirements are expected to change when the Australian Basel III Rules take effect.</li> </ul> </li> <li>In the case that the Relevant Fraction is equal to 0.5, the Issue Date VWAP will be multiplied by 55% in the case of the First Mandatory Condition and 50.51% in the case of the Second Mandatory Condition.</li> <li>The Third Mandatory Conversion Condition is intended to provide protection for CPS2 Holders by making Conversion conditional on CPS2 Holders receiving Ordinary Shares which are capable of being sold on ASX.</li> </ul>	Clause 3.3 of the CPS2 Terms

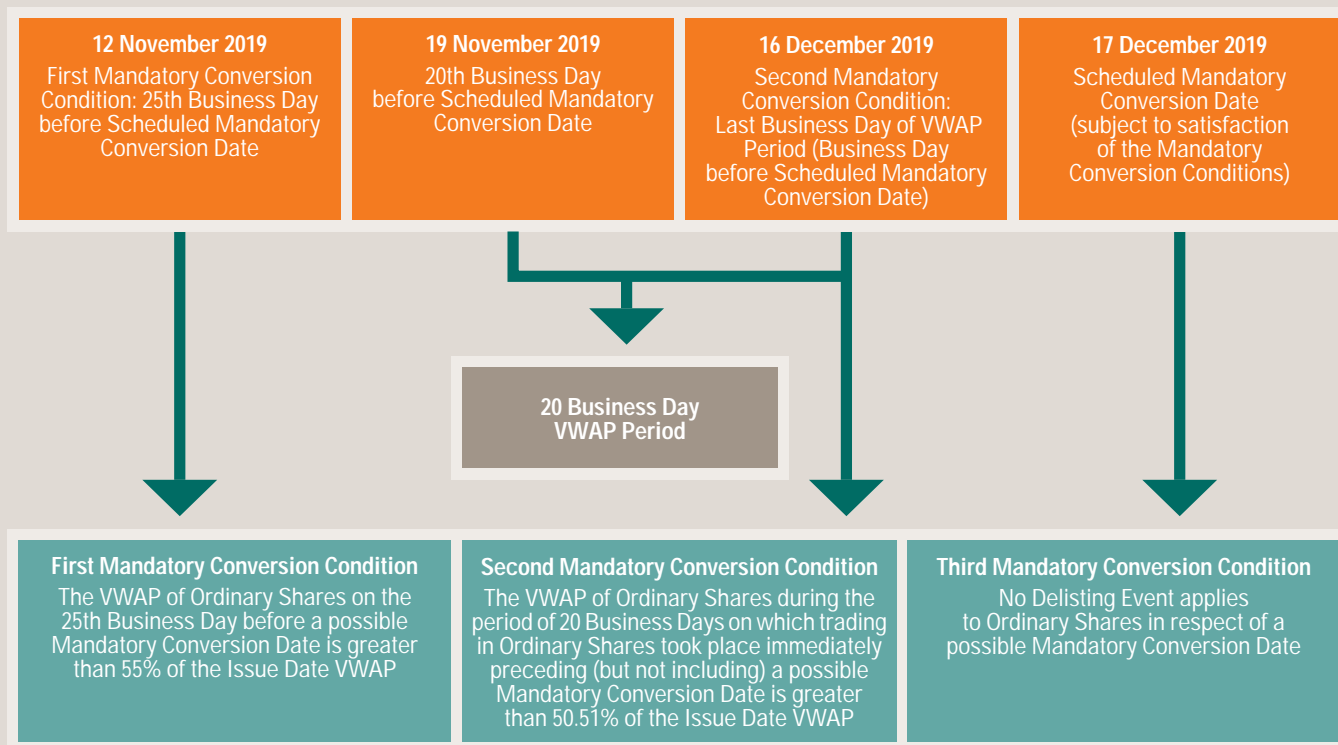
4 If no trading in Ordinary Shares took place on that date, the VWAP is the VWAP on the first Business Day preceding that date on which trading in Ordinary Shares took place.

# About CPS2

## (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
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The following diagram sets out the timeframes that are relevant for testing whether Conversion will occur, using the Scheduled Mandatory Conversion Date (17 December 2019) and a Relevant Fraction of 0.5. These dates are indicative only and may change.



**Note:** In the diagram above, the 20th Business Day before the Scheduled Mandatory Conversion Date (17 December 2019) rests on the assumption that during the VWAP period, trading takes place on each of the Business Days, which may not be the case if trading in Ordinary Shares is suspended during the period leading up to the possible Mandatory Conversion Date.

TOPIC	SUMMARY	FURTHER INFORMATION
<p><b>2.4.5. HOW MANY ORDINARY SHARES WILL A CPS2 HOLDER RECEIVE ON THE MANDATORY CONVERSION DATE?</b></p>	<ul style="list-style-type: none"> <li>• A CPS2 Holder will receive on a Mandatory Conversion Date a number of Ordinary Shares per CPS2 ("<b>Conversion Number</b>") calculated in accordance with the following formula:           <math display="block">\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}</math> <p>subject to the Conversion Number being no greater than the Maximum Conversion Number,</p> <p>where:</p> <ul style="list-style-type: none"> <li>– <b>VWAP</b> is the volume weighted average price of Ordinary Shares during the VWAP Period (described in Section 2.4.4).</li> </ul> <p><i>Illustrative example of Conversion</i></p> <p>As an example, in the case of the Scheduled Mandatory Conversion on 17 December 2019, assuming the Issue Date VWAP was \$9.00, and using a Relevant Fraction of 0.5, whether the Mandatory Conversion Conditions are satisfied and what is the number of shares received on Conversion would be determined as follows:</p> <p><b>Step 1 – passing the Mandatory Conversion Conditions – worked example</b></p> <p><i>The First Mandatory Conversion Condition</i></p> <p>This condition requires that the VWAP on the 25th Business Day immediately preceding (but not including) 17 December 2019 (assuming there is trading in Ordinary Shares on that day) is greater than the First Test Date Percentage (being 110% x Relevant Fraction) of the Issue Date VWAP:</p> <ul style="list-style-type: none"> <li>– Assume on 17 December 2019, the First Test Date Percentage is 55% (being 110% of the Relevant Fraction (0.5))</li> <li>– The First Test Date Percentage of the Issue Date VWAP would therefore be \$4.95 (being 55% of \$9.00)</li> <li>– Assume the VWAP on 12 November 2019 (being the 25th Business Day immediately preceding, but not including, 17 December 2019) is \$12.00</li> <li>– Since the VWAP on 12 November 2019 (\$12.00) is greater than the First Test Date Percentage of the Issue Date VWAP (\$4.95), the First Mandatory Conversion Condition is satisfied</li> </ul> <p><i>The Second Mandatory Conversion Condition</i></p> <p>This condition requires that the VWAP during the period of 20 Business Days in which trading in Ordinary Shares took place immediately preceding 17 December 2019 is greater than the Conversion Test Date Percentage (being 101.01% x Relevant Fraction) of the Issue Date VWAP:</p> <ul style="list-style-type: none"> <li>– Assume on 17 December 2019, the Conversion Test Date Percentage is 50.51% (being 101.01% of the Relevant Fraction (0.5))</li> <li>– The Conversion Test Date Percentage of the Issue Date VWAP would be \$4.55 (being 50.51% of \$9.00)</li> <li>– Assume the VWAP during the period from 19 November 2019 to 16 December 2019 (being the 20 Business Days in which trading in Ordinary Shares took place immediately preceding 17 December 2019) is \$12.25</li> <li>– Since the VWAP from 19 November 2019 to 16 December 2019 (\$12.25) is greater than the Conversion Test Date Percentage of the Issue Date VWAP (\$4.55), the Second Mandatory Conversion Condition is satisfied</li> </ul> <p><i>The Third Mandatory Conversion Condition</i></p> <p>This condition requires that no Delisting Event applies on 17 December 2019:</p> <ul style="list-style-type: none"> <li>– Assume on 17 December 2019, Suncorp is listed on the ASX, trading in its Ordinary Shares has not been suspended during the five preceding Business Days and on that date and no Inability Event subsists</li> <li>– In these circumstances, the Third Mandatory Conversion Condition is satisfied</li> </ul> </li> </ul>	<p>Clause 7.1 of the CPS2 Terms</p>

# About CPS2

## (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
	<p><b>Step 2 – calculating the number of shares received on Conversion</b></p> <p>On 17 December 2019, CPS2 Holders would be entitled to receive in respect of CPS2 the Conversion Number of Ordinary Shares determined as follows:</p> <p><b>Conversion Number = <math>\frac{\text{Issue Price}}{99\% \times \text{VWAP}}</math></b></p> <ul style="list-style-type: none"> <li>– Assume the VWAP from 19 November 2019 to 16 December 2019 (being the 20 Business Days on which trading in Ordinary Shares took place immediately preceding 17 December 2019) is \$12.25</li> <li>– The Issue Price is \$100</li> <li>– The Conversion Number would be 8.2457 (being \$100 divided by (99% x \$12.25))</li> <li>– Assuming a CPS2 Holder has 100 CPS2, the total number of Ordinary Shares to which they would be entitled would be 824 (i.e. 100 x 8.2457, which number is rounded down to disregard the fraction of the Ordinary Share)</li> </ul> <p>This example is for illustrative purposes only. The figures in it are not forward-looking statements and do not indicate, guarantee or forecast the First Test Date Percentage, the Conversion Test Date Percentage, the Issue Date VWAP or future VWAP or other price of Ordinary Shares.</p>	
<p><b>2.4.6. WHAT IS THE MAXIMUM CONVERSION NUMBER?</b></p>	<ul style="list-style-type: none"> <li>• The Maximum Conversion Number is calculated in accordance with the following formula:</li> </ul> <p><b>Maximum Conversion Number = <math>\frac{\text{Issue Price}}{(\text{Issue Date VWAP} \times \text{Relevant Fraction})}</math></b></p> <p>where:</p> <p><b>Relevant Fraction</b> is:</p> <ul style="list-style-type: none"> <li>– in the case of a Conversion (other than a Conversion on account of a Non-Viability Trigger Event) 0.5;</li> <li>– in the case of a Conversion on account of a Non-Viability Trigger Event 0.5 or, once the Australian Basel III Rules are implemented and Holders have been notified in writing by Suncorp that such other percentage is to be applied, 0.2 (or the lowest other fraction less than 0.5 as is permitted by APRA under the Australian Basel III Rules).</li> </ul>	<p>Clause 7.1 of the CPS2 Terms</p>
<p><b>2.4.7. WHAT ADJUSTMENTS TO THE ISSUE DATE VWAP ARE MADE TO ACCOUNT FOR CHANGES TO SUNCORP'S CAPITAL?</b></p>	<ul style="list-style-type: none"> <li>• The Issue Date VWAP, and consequently the Maximum Conversion Number, will be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the CPS2 Terms (but not other transactions, including rights issues, which may affect the capital of Suncorp).</li> <li>• However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent of the Issue Date VWAP then in effect.</li> </ul>	<p>Clauses 7.4 to 7.7 of the CPS2 Terms</p>
<p><b>2.4.8. WHAT CAN HAPPEN IF THE MANDATORY CONVERSION CONDITIONS ARE NOT SATISFIED?</b></p>	<ul style="list-style-type: none"> <li>• If any of the Mandatory Conversion Conditions are not satisfied, CPS2 continue to be on issue and Conversion is deferred until the next Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied.</li> </ul>	<p>Clause 3.2 of the CPS2 Terms</p>

## 2.5 Optional Exchange by Suncorp

TOPIC	SUMMARY	FURTHER INFORMATION
2.5.1. WHEN MAY SUNCORP CHOOSE TO EXCHANGE?	<ul style="list-style-type: none"> <li>• Suncorp may choose to Exchange:               <ul style="list-style-type: none"> <li>– all or some CPS2 on the Optional Exchange Date;</li> <li>– all or some CPS2 after a Tax Event or a Regulatory Event; or</li> <li>– all CPS2 after a Potential Acquisition Event (provided that the Exchange Date for that Potential Acquisition Event does not occur in the period from 17 December 2017 to 17 December 2019).</li> </ul> </li> <li>• Exchange means:               <ul style="list-style-type: none"> <li>– Suncorp Converts CPS2 into a variable number of Ordinary Shares with a value (based on the VWAP during a period, usually 20 Business Days, before the Exchange Date) of approximately \$101<sup>5</sup> per CPS2;</li> <li>– Suncorp Redeems CPS2 for \$100 per CPS2 (other than in the case of a Potential Acquisition Event); or</li> <li>– Suncorp Resells CPS2 for \$100 per CPS2 (other than in the case of a Potential Acquisition Event).</li> </ul> </li> <li>• Suncorp's right to elect to Exchange is subject to APRA's prior written approval and is restricted in circumstances described further in Sections 2.5.4, 2.5.5, 2.5.6 and 2.5.7, all below.</li> <li>• CPS2 Holders should not expect that APRA will give its approval to any Exchange.</li> </ul>	Clauses 5, 7, 8 and 19.2 of the CPS2 Terms
2.5.2. WHEN IS THE OPTIONAL EXCHANGE DATE?	<ul style="list-style-type: none"> <li>• The Optional Exchange Date is 17 December 2017.</li> </ul>	Clauses 5.1 and 19.2 of the CPS2 Terms
2.5.3. WHAT IS A TAX EVENT, REGULATORY EVENT OR POTENTIAL ACQUISITION EVENT?	<ul style="list-style-type: none"> <li>• A summary of these events, which give Suncorp the right to Exchange CPS2 is as follows:               <ul style="list-style-type: none"> <li>– a <b>Tax Event</b> means that the Directors receive advice that as a result of a change in law in Australia (which Suncorp did not expect at the time of issue of the CPS2), there is a more than insubstantial risk that a Dividend would not be frankable or that Suncorp will be exposed to an increase in Suncorp's costs, which is not insignificant, in relation to CPS2 being on issue;</li> <li>– a <b>Regulatory Event</b> will broadly occur if:                   <ul style="list-style-type: none"> <li>– Suncorp receives legal advice that, as a result of a change of law or regulation on or after the Issue Date, additional requirements would be imposed on Suncorp in relation to CPS2 which the Directors determine to be unacceptable; or</li> <li>– the Directors determine that Suncorp is not or will not be entitled to treat some or all CPS2 as Residual Tier 1 Capital, except where the reason is or will be because of a limit or other restriction on the recognition of Residual Tier 1 Capital which is in effect on the Issue Date or which on the Issue Date is expected by Suncorp may come into effect (including a limit which applies in the event that the Shareholder Approval is not obtained or a limit or other restriction arising on a given date under the Basel III Consultation Papers known to Suncorp as at the Issue Date); and</li> </ul> </li> <li>– a <b>Potential Acquisition Event</b> will broadly occur if:                   <ul style="list-style-type: none"> <li>– a takeover bid is made to acquire Suncorp's Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or a majority of Directors recommend acceptance of the offer (without the need that all regulatory approvals necessary for the acquisition have been obtained); or</li> <li>– a court orders the holding of meetings to approve a scheme of arrangement with respect to Suncorp which would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue after the scheme is implemented.</li> </ul> </li> </ul> </li> </ul>	Clauses 5.2 and 19.2 of the CPS2 Terms

<sup>5</sup> If Conversion occurs as a result of an Acquisition Event or Potential Acquisition Event, the period for calculating the VWAP may be less than 20 Business Days before the Acquisition Conversion Date or the Exchange Date (as the case may be).

# About CPS2

## (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.5.4. WHAT ARE THE REQUIREMENTS FOR CONVERSION TO BE ELECTED AS THE EXCHANGE METHOD?</b>	<ul style="list-style-type: none"> <li>Suncorp may not elect to Convert CPS2 under an Optional Exchange if, on the second Business Day before the date on which Suncorp sends a notice advising CPS2 Holders that it wishes to Convert CPS2 (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) ("<b>Non-Conversion Test Date</b>"), an Optional Conversion Restriction applies.</li> <li>Further, if Suncorp has elected to Convert CPS2, Suncorp may not proceed to Convert CPS2 if, on the Exchange Date, certain further Conversion restrictions apply.</li> </ul>	Clause 5.5 of the CPS2 Terms
<b>2.5.5. WHAT ARE THE OPTIONAL CONVERSION RESTRICTIONS?</b>	<ul style="list-style-type: none"> <li>The Optional Conversion Restrictions are:               <ul style="list-style-type: none"> <li><b>First Optional Conversion Restriction:</b> the VWAP on the Non-Conversion Test Date is less than or equal to the First Test Date Percentage of the Issue Date VWAP; and</li> <li><b>Second Optional Conversion Restriction:</b> a Delisting Event applies in respect of the Non-Conversion Test Date.</li> </ul> </li> </ul>	Clause 5.5 of the CPS2 Terms
<b>2.5.6. WHAT ARE THE FURTHER CONVERSION RESTRICTIONS ON THE EXCHANGE DATE?</b>	<ul style="list-style-type: none"> <li>The further Conversion restrictions on the Exchange Date are that the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Exchange Date if the Exchange Date were a possible Mandatory Conversion Date.</li> <li>If the further Conversion restrictions on the Exchange Date apply, Suncorp will notify CPS2 Holders and the Conversion will be deferred until the next Dividend Payment Date on which all the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date unless the CPS2 are otherwise Exchanged in accordance with the CPS2 Terms.</li> </ul>	
<b>2.5.7. WHAT ARE THE REQUIREMENTS FOR REDEMPTION OR RESALE TO BE ELECTED AS THE EXCHANGE METHOD?</b>	<ul style="list-style-type: none"> <li>Suncorp may only specify Redemption or Resale as the Exchange Method:               <ul style="list-style-type: none"> <li>on 17 December 2017; and</li> <li>in the case of a Tax Event or Regulatory Event,</li> </ul>               and provided in all cases where Suncorp elects Redemption that APRA is satisfied that either:               <ul style="list-style-type: none"> <li>the CPS2 which are the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of CPS2 is done under conditions that are sustainable for Suncorp's income capacity; or</li> <li>the Group's capital position is well above its minimum capital requirements after Suncorp elects to Redeem the CPS2.</li> </ul> </li> </ul>	Clause 5.4 of the CPS2 Terms
<b>2.5.8. WHAT IS A RESALE?</b>	<ul style="list-style-type: none"> <li>Suncorp may appoint one or more third parties (Nominated Purchaser(s)) to purchase some or all CPS2.</li> <li>If Suncorp appoints more than one Nominated Purchaser, some or all CPS2 may be purchased by any one or any combination of Nominated Purchasers, as determined by Suncorp. This process is called a Resale.</li> </ul>	Clause 9 of the CPS2 Terms
<b>2.5.9. WHAT WILL I RECEIVE IF CPS2 IS RESOLD?</b>	<ul style="list-style-type: none"> <li>Each CPS2 Holder will receive the Resale Price, being \$100 per CPS2. The Resale Price is equivalent to the Issue Price.</li> </ul>	Clause 9 of the CPS2 Terms
<b>2.5.10. WHEN CAN A RESALE OCCUR?</b>	<ul style="list-style-type: none"> <li>A Resale can occur on the Optional Exchange Date or following a Tax Event or a Regulatory Event.</li> </ul>	Clause 5.4 of the CPS2 Terms
<b>2.5.11. ARE THERE ANY RESTRICTIONS ON THE IDENTITY OF NOMINATED PURCHASER(S) THAT SUNCORP CAN APPOINT?</b>	<ul style="list-style-type: none"> <li>Suncorp may not appoint a person as a Nominated Purchaser unless that person:               <ul style="list-style-type: none"> <li>has undertaken to acquire CPS2 from each CPS2 Holder on the terms and conditions that Suncorp reasonably determines for the benefit of each CPS2 Holder;</li> <li>has a long-term counterparty credit rating from one of Standard &amp; Poor's, Moody's or Fitch of not less than investment grade; and</li> <li>is not a Controlled Entity of Suncorp.</li> </ul> </li> </ul>	Clause 9.3 of the CPS2 Terms
<b>2.5.12. WHAT IF A NOMINATED PURCHASER DOES NOT PAY THE RESALE PRICE?</b>	<ul style="list-style-type: none"> <li>If a Nominated Purchaser does not pay the Resale Price on the Exchange Date when the Resale Price is due, the Resale to that Nominated Purchaser will not occur and CPS2 Holders will continue to hold CPS2 in accordance with the CPS2 Terms until CPS2 are otherwise Converted, Redeemed or Resold.</li> </ul>	Clause 9.6 of the CPS2 Terms
<b>2.5.13. CAN CPS2 HOLDERS REQUEST EXCHANGE?</b>	<ul style="list-style-type: none"> <li>CPS2 Holders do not have a right to request Exchange.</li> </ul>	

## 2.6 Non-Viability Conversion

TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.6.1. WHY DOES CPS2 INCLUDE A NON-VIABILITY TRIGGER EVENT?</b>	<ul style="list-style-type: none"> <li>A Non-Viability Trigger Event is an additional APRA regulatory requirement for CPS2 to be characterised as Additional Tier 1 Capital under the Basel III Consultation Papers.</li> </ul>	
<b>2.6.2. WHAT IS A NON-VIABILITY TRIGGER EVENT?</b>	<ul style="list-style-type: none"> <li>A Non-Viability Trigger Event means APRA has provided a written determination to Suncorp that the conversion or write off of Relevant Tier 1 Capital Instruments is necessary as without:               <ul style="list-style-type: none"> <li>that conversion or write off; or</li> <li>a public sector injection of capital into (or equivalent capital support in respect to) Suncorp,</li> </ul>               APRA considers that Suncorp would become non-viable.             </li> <li>A determination by APRA may specify that the conversion or write off is of:               <ul style="list-style-type: none"> <li>all Relevant Tier 1 Capital Instruments; or</li> <li>a specified equal proportion of the Relevant Tier 1 Capital Instruments if APRA is satisfied that conversion or write off of that proportion will be sufficient to ensure that Suncorp does not become non-viable.</li> </ul> </li> <li>If a Non-Viability Trigger Event occurs, Suncorp must immediately Convert some or all of the CPS2 into the Conversion Number of Ordinary Shares in accordance with APRA's determination.</li> <li>As at the date of this Prospectus there are no capital instruments of Suncorp within the definition of Relevant Tier 1 Capital Instruments.</li> </ul>	Clause 4 of the CPS2 Terms
<b>2.6.3. WHAT DOES NON-VIABLE MEAN?</b>	<ul style="list-style-type: none"> <li>APRA has not provided guidance as to how it would determine non-viability.</li> <li>Non-viability would be expected to include serious impairment of Suncorp's financial position and insolvency. However it is possible that APRA's definition of non-viable may not necessarily be confined to solvency measures or capital ratios.</li> <li>APRA may publish further guidance on the parameters used to determine non-viability, however it is possible that it will not provide any further guidance and Suncorp has no control over whether it will do so.</li> </ul>	Clause 4.1 of the CPS2 Terms
<b>2.6.4. WHEN DOES CONVERSION ON ACCOUNT OF A NON-VIABILITY TRIGGER EVENT OCCUR?</b>	<ul style="list-style-type: none"> <li>If a Non-Viability Trigger Event occurs, Suncorp must on that date, immediately and irrevocably, Convert some or all of the CPS2 into Ordinary Shares in accordance with APRA's determination.</li> <li>Conversion on the occurrence of a Non-Viability Trigger Event is not subject to the Mandatory Conversion Conditions being satisfied.</li> <li>Conversion may occur automatically without the need for any further act or step by Suncorp. In that case, Suncorp will recognise CPS2 Holders as having been issued the Conversion Number of Ordinary Shares. Suncorp expects any ASX trades in CPS2 that have not settled on the date a Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although Suncorp expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which CPS2 have been Converted as a result of the occurrence of the Non-Viability Trigger Event.</li> <li>Further, Suncorp may make such decisions with respect to the identity of CPS2 Holders as at the date of Non-Viability Conversion as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of CPS2 that have not been settled or registered at that time.</li> <li>Suncorp must give CPS2 Holders notice as soon as practicable after a Non-Viability Trigger Event has occurred, including details of the number of CPS2 Converted.</li> </ul>	Clauses 4.2 and 4.3 of the CPS2 Terms

# About CPS2

## (continued)

TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.6.5. HOW MANY ORDINARY SHARES WILL CPS2 HOLDERS RECEIVE ON THE NON-VIABILITY CONVERSION DATE?</b>	<ul style="list-style-type: none"> <li>The number of Ordinary Shares a CPS2 Holder will receive per CPS2 on account of a Non-Viability Conversion is the Conversion Number (calculated as described below) but cannot be more than the Maximum Conversion Number. Since there are no conditions to a Non-Viability Conversion, the Ordinary Shares a CPS2 Holder may receive on account of a Non-Viability Conversion may be worth significantly less than \$101 per CPS2 and a CPS2 Holder may suffer a loss as a consequence.</li> <li>The Conversion Number in the event of a Non-Viability Conversion is calculated in accordance with the following formula, subject to the Conversion Number being no greater than the Maximum Conversion Number:  <b>Conversion Number = <math>\frac{\text{Issue Price}}{99\% \times \text{VWAP}}</math></b>            where:           <ul style="list-style-type: none"> <li><b>VWAP</b> is the volume weighted average price of Ordinary Shares during the period of five Business Days on which trading in Ordinary Shares occurred before the Non-Viability Conversion Date.</li> </ul>           The Maximum Conversion Number is calculated as:  <b>Maximum Conversion Number = <math>\frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}</math></b>  <i>Illustrative example of Conversion</i>            Step 1 – calculating the potential number of shares to be received on Conversion            On 5 May 2014, a Non-Viability Trigger Event occurs. CPS2 Holders would be entitled to receive in respect of CPS2 the Conversion Number of Ordinary Shares determined as follows:  <b>Conversion Number = <math>\frac{\text{Issue Price}}{99\% \times \text{VWAP}}</math></b>  <ul style="list-style-type: none"> <li>Assume the VWAP from 30 April 2014 to 4 May 2014 (being the 5 Business Days on which trading in Ordinary Shares took place immediately preceding 5 May 2014) is \$1.00</li> <li>The Issue Price is \$100</li> <li>The Conversion Number would be 101.01 (being \$100 divided by (99% x \$1.00))</li> <li>Assuming a CPS2 Holder has 100 CPS2, the total number of Ordinary Shares to which they would be entitled would be 10,101 (i.e. 100 x 101.01, which number is rounded down to disregard the fraction of the Ordinary Share).</li> </ul>           Step 2 – calculating the maximum number of shares to be received on conversion            The Maximum Conversion Number is determined as:  <b>Maximum Conversion Number = <math>\frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \text{Relevant Fraction}}</math></b>            On the basis of the assumptions made in Step 1 above, and an Issue Date VWAP is \$9.00 and a Relevant Fraction of 0.2, the Maximum Conversion Number would be 55.55 (being \$100 / (\$9.00 x 0.2))            Step 3 – calculate the number of shares to be received            Since the Conversion Number is greater than the Maximum Conversion Number the number of Ordinary Shares which the holder of 100 CPS2 would be the Maximum Conversion Number, namely 5,555.            The market value of the Ordinary Shares received based on the Maximum Conversion Number is \$5,555 which is considerably less than \$10,000 (which is the 100 CPS2 of \$100 each).</li> </ul>	Clauses 4.2, 7.1, 7.12 and 19.2 of the CPS2 Terms



TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.6.6. WHAT HAPPENS IF CPS2 CANNOT BE CONVERTED ON THE NON-VIABILITY CONVERSION DATE?</b>	<ul style="list-style-type: none"> <li>• The Maximum Conversion Number is described in Section 2.4.6 (as that number may be adjusted as described in Section 2.4.7).<sup>6</sup></li> <li>• Additionally, if on the occurrence of a Non-Viability Trigger Event APRA makes a determination that only a specified equal proportion of CPS2 and other Relevant Tier 1 Capital Instruments are required to be Converted, Suncorp must endeavour to treat CPS2 Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of CPS2 and other logistical considerations.</li> </ul> <p>If, following a Non-Viability Trigger Event, Suncorp is prevented for any reason from Converting CPS2 (within five days after the Non-Viability Conversion Date) which would otherwise be Converted (an “<b>Inability Event</b>”), CPS2 will not be Converted but instead Written Off.</p> <ul style="list-style-type: none"> <li>• This means that CPS2 Holders will effectively lose their rights to preferred dividends and, subject to Shareholder Approval, preferred returns of capital.</li> <li>• Instead the rights attached to the CPS2 in respect of dividends and return of capital on and from the sixth day after the Non-Viability Conversion Date will be as follows: <ul style="list-style-type: none"> <li>– if a winding up of Suncorp occurs and Shareholder Approval has been obtained, instead of a claim for payment of \$100 out of the surplus available to shareholders in a winding up (plus the amount of any Dividend resolved to be paid but unpaid), a CPS2 Holder’s claim is for the sum which would have been paid in respect of the CPS2 out of the surplus available to shareholders in a winding up as if each CPS2 were the Conversion Number of Ordinary Shares; and</li> <li>– instead of the Dividends as described in Section 2.3, if a dividend is paid on Ordinary Shares, a non-cumulative dividend is payable in respect of the CPS2 in an amount determined as if the CPS2 were a number of Ordinary Shares equal to the Conversion Number,</li> </ul> <p>in each case with that Conversion Number being finally determined as if the CPS2 had Converted on the Non-Viability Conversion Date (and in any case not exceeding the Maximum Conversion Number) (the “<b>Fixed Conversion Number</b>”).</p> </li> <li>• The laws under which an Inability Event may arise include laws relating to the insolvency, winding up or other external administration of Suncorp. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of CPS2, or other reasons which prevent Conversion, may change.</li> </ul>	Clauses 4.2, 7.1, 7.12 and 19.2 of the CPS2 Terms
<b>2.6.7. WHAT IS SHAREHOLDER APPROVAL?</b>	<ul style="list-style-type: none"> <li>• Suncorp’s Constitution does not presently contemplate the issue of preference shares on the terms contemplated where a Write Off is to apply.</li> <li>• Suncorp will seek Shareholder Approval at its 2012 AGM (by special resolution of its ordinary shareholders) to amend the Constitution to facilitate the inclusion of that feature in its preference share terms (including for the CPS2 Terms).</li> </ul>	
<b>2.6.8. WHAT WILL HAPPEN IF SHAREHOLDER APPROVAL IS NOT OBTAINED AT SUNCORP’S 2012 AGM?</b>	<ul style="list-style-type: none"> <li>• If Shareholder Approval is not obtained at the 2012 AGM, Suncorp will proceed with the Offer and issue CPS2 on the Issue Date.</li> <li>• Suncorp may convene a further general meeting of Shareholders to obtain Shareholder Approval.</li> <li>• If a further general meeting of Shareholders is not convened or if Shareholder Approval is not obtained at that subsequent general meeting, then the CPS2 will remain on issue but will not be Basel III compliant. APRA has advised that unless Shareholder Approval is obtained before 31 March 2013, CPS2 will only qualify as regulatory capital in accordance with APRA’s standard transitional treatment. For further details on what standard transitional treatment means, see Section 2.2.4.</li> </ul>	Section 5.1.19
<b>2.6.9. WILL I BE TOLD ABOUT THE SHAREHOLDER APPROVAL?</b>	<ul style="list-style-type: none"> <li>• The results of the Shareholder Approval will be publicly announced to the market through ASX. CPS2 Holders will not otherwise receive individual notices regarding the Shareholder Approval.</li> </ul>	

6 If the number of Ordinary Shares to be issued calculated based on VWAP is less than the Maximum Conversion Number, the VWAP during the five Business Days before the Non-Viability Conversion Date may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be listed or may not be able to be sold at prices representing their value based on the VWAP calculation or at all.

# About CPS2

## (continued)

### 2.7 Conversion on an Acquisition Event

TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.7.1. WHAT IS AN ACQUISITION EVENT?</b>	<ul style="list-style-type: none"> <li>An Acquisition Event means: either:               <ul style="list-style-type: none"> <li>a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and:                   <ul style="list-style-type: none"> <li>the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or</li> <li>a majority of Directors recommend acceptance of the offer; or</li> </ul> </li> <li>a court approves a scheme of arrangement which when implemented will result in a person other than Suncorp having a relevant interest in more than 50% of the Ordinary Shares on issue; and</li> </ul> </li> </ul> <p>all regulatory approvals necessary for the acquisition to occur have been obtained.</p>	Clause 19.2 of the CPS2 Terms
<b>2.7.2. WHAT MUST SUNCORP DO ON THE OCCURRENCE OF AN ACQUISITION EVENT?</b>	<ul style="list-style-type: none"> <li>If an Acquisition Event occurs, Suncorp must (by giving an Acquisition Conversion Notice) Convert each CPS2 into a number of Ordinary Shares with a value of \$101.01 (based on the VWAP during a period, usually 20 Business Days, before the Acquisition Conversion Date but a lesser period if trading in Ordinary Shares in the period after the Acquisition Event and before the Acquisition Conversion Date is less than 20 Business Days), provided certain conditions are satisfied.</li> <li>If the restrictions to electing Conversion apply, Suncorp will not be required to give an Acquisition Event Notice to CPS2 Holders and accordingly, will not be required to Convert CPS2 at that time. However, Suncorp must Convert CPS2 if the conditions to the election are satisfied before a subsequent Dividend Payment Date.</li> </ul>	Clauses 6.2 and 6.4 of the CPS Terms
<b>2.7.3. WHAT ARE THE REQUIREMENTS FOR CONVERSION TO OCCUR FOLLOWING AN ACQUISITION EVENT?</b>	<ul style="list-style-type: none"> <li>The Optional Conversion Restrictions in relation to Optional Exchange also apply to Conversion following an Acquisition Event.</li> </ul>	Clauses 5.5 and 6.4 of the CPS2 Terms
<b>2.7.4. WHAT ARE THE FURTHER CONVERSION RESTRICTIONS ON THE ACQUISITION CONVERSION DATE?</b>	<ul style="list-style-type: none"> <li>On the occurrence of an Acquisition Event, Suncorp may not proceed to Convert CPS2 if, on the date on which Conversion is to occur ("<b>Acquisition Conversion Date</b>"), certain further restrictions apply.</li> <li>These Conversion restrictions on the Acquisition Conversion Date apply if the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Acquisition Conversion Date if the Acquisition Conversion Date were a possible Mandatory Conversion Date.</li> </ul>	Clause 6.5 of the CPS2 Terms
<b>2.7.5. WHAT HAPPENS IF CONVERSION DOES NOT OCCUR?</b>	<ul style="list-style-type: none"> <li>If Suncorp is not required to give an Acquisition Event Notice or the further Conversion restrictions prevent Conversion, Suncorp will give a new Acquisition Event Notice on the next Dividend Payment Date, unless the restrictions to Conversion apply. Conversion will not occur if the further Conversion restrictions apply on that date. This process will be repeated until Conversion occurs.</li> </ul>	Clause 6.5 of the CPS2 Terms
<b>2.7.6. WHAT OTHER OBLIGATIONS DOES SUNCORP HAVE IN CONNECTION WITH A TAKEOVER OR SCHEME OF ARRANGEMENT?</b>	<ul style="list-style-type: none"> <li>On the occurrence of a recommended takeover or scheme of arrangement which would result in an Acquisition Event, if the Directors consider that Suncorp will not be permitted to Convert CPS2 or the Second Mandatory Conversion Condition or Third Mandatory Conversion Condition will not be satisfied, the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to CPS2 Holders or that CPS2 Holders are entitled to participate in the scheme of arrangement or a similar transaction.</li> </ul>	Clause 13 of the CPS2 Terms

## 2.8 Other

TOPIC	SUMMARY	FURTHER INFORMATION
<b>2.8.1. CAN SUNCORP ISSUE FURTHER CPS2, OR OTHER INSTRUMENTS?</b>	<ul style="list-style-type: none"> <li>Suncorp reserves the right to issue further CPS2 or other instruments, or permit the conversion of shares to preference shares or other instruments, which rank behind, equal with or ahead of CPS2, or have different rights from the CPS2, whether in respect of dividends, return of capital in a winding up of Suncorp or otherwise.</li> <li>However, at the time of issue, the CPS2 will be the only convertible preference shares issued by Suncorp.</li> <li>CPS2 confer no rights on a CPS2 Holder to subscribe for new securities in Suncorp or to participate in any bonus issues of shares in Suncorp's capital.</li> </ul>	Clauses 11.1 and 11.6(b) of the CPS2 Terms
<b>2.8.2. WHAT VOTING RIGHTS DO CPS2 CARRY?</b>	<ul style="list-style-type: none"> <li>CPS2 Holders have no voting rights at meetings of holders of shares in Suncorp except in the following circumstances: <ul style="list-style-type: none"> <li>on any proposal: <ul style="list-style-type: none"> <li>to reduce Suncorp's capital;</li> <li>that affects rights attached to the CPS2;</li> <li>to wind up Suncorp; or</li> <li>to dispose of the whole of the property, business and undertaking of Suncorp; or</li> </ul> </li> <li>on any resolution to approve terms of a buy-back agreement;</li> <li>during a period in which a Dividend (or part of a Dividend) is in arrears; or</li> <li>during the winding up of Suncorp.</li> </ul> </li> </ul>	Clause 12 of the CPS2 Terms
<b>2.8.3. CAN SUNCORP AMEND THE CPS2 TERMS?</b>	<ul style="list-style-type: none"> <li>Subject to complying with all applicable laws, and with APRA's prior written approval where required, Suncorp may amend the CPS2 Terms without the approval of CPS2 Holders in certain circumstances. That may include amendments which may affect the rights of CPS2 Holders, including changes to dates or time periods necessary or desirable to facilitate a Mandatory Conversion, Non-Viability Conversion or Exchange or if in Suncorp's opinion they are not likely to be materially prejudicial to the interests of CPS2 Holders as a whole.</li> <li>Suncorp may also, with APRA's prior written approval where required, amend the CPS2 Terms if the amendment has been approved by a Special Resolution.</li> <li>APRA's prior written approval to amend the CPS2 Terms is required only where the amendment may affect the eligibility of CPS2 as Residual Tier 1 Capital.</li> </ul>	Clause 15 of the CPS2 Terms
<b>2.8.4. WHAT ARE THE TAXATION IMPLICATIONS OF INVESTING IN CPS2?</b>	<ul style="list-style-type: none"> <li>The taxation implications of investing in CPS2 will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice.</li> <li>A general outline of the Australian taxation implications is included in the Australian taxation summary in Section 7.</li> </ul>	Section 7
<b>2.8.5. IS BROKERAGE, COMMISSION OR STAMP DUTY PAYABLE?</b>	<ul style="list-style-type: none"> <li>No brokerage, commission or stamp duty is payable on Applications for CPS2. CPS2 Holders may have to pay brokerage on any subsequent transfer of CPS2 on ASX after quotation.</li> </ul>	Section 6.4.5

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# About Suncorp

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

# 3. About Suncorp

## 3.1 Introduction

Suncorp is a top 20 ASX-listed company. It is a Non-Operating Holding Company (“**NOHC**”), and it replaced Suncorp-Metway Limited (“**SML**”) as the ultimate parent company of the Suncorp Group in January of 2011. The Suncorp Group comprises general insurance businesses across Australia and New Zealand, a regional bank in Australia, and a life insurance business.

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

More information about Suncorp Group and its businesses, including the information relating to the NOHC restructure, can be found at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

## 3.2 Overview of the Suncorp Group

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

The Suncorp Group currently has approximately 16,000 employees across Australia and New Zealand and is headquartered in Brisbane, Queensland.

Suncorp is listed on ASX under ASX code “SUN” and has a market capitalisation of \$11.9 billion as at 28 September 2012, ranking it among the 20 largest Australian listed companies.

### FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2012

- Group NPAT attributable to owners of the company of \$724 million (FY11: \$453 million)
- Profit after tax from business lines<sup>7</sup> of \$770 million (FY11: \$625 million)
- General Insurance NPAT of \$493 million (FY11: \$392 million)
- Reported Insurance Trading Result<sup>7</sup> of \$511 million representing an ITR<sup>7</sup> of 7.5%
- Underlying ITR<sup>7</sup> of 12.1% (FY11: 10.8%)
- GWP<sup>7</sup> up 9.3% to \$7,955 million
- Combined Bank NPAT of \$26 million (FY11: \$84 million)
- Core Bank NPAT of \$289 million, up 11.6%. Net interest margin of 1.91%
- Non-Core Bank loss after tax of \$263 million. Portfolio reduced \$2.8 billion, or 38.9%, to \$4.5 billion and impaired assets reduced \$386 million, or 17%, to \$1.8 billion
- Suncorp Life NPAT of \$251 million, up 68.5% with Life underlying profit<sup>7</sup> of \$146 million, up 11.5% after adjusting for businesses divested in 2011
- Suncorp Life Embedded Value<sup>7</sup> of \$2,604 million, up 9.5%
- Capital levels remain stable with the General Insurance Group minimum capital requirement (“**MCR**”) coverage at 1.61 times, Bank net tier 1 ratio at 9.64% and \$468 million of core capital held at the NOHC level and \$792 million of capital in excess of operating targets
- Full year dividend of 55 cents per share, fully franked

<sup>7</sup> Refer to the Glossary in Appendix B for definitions.

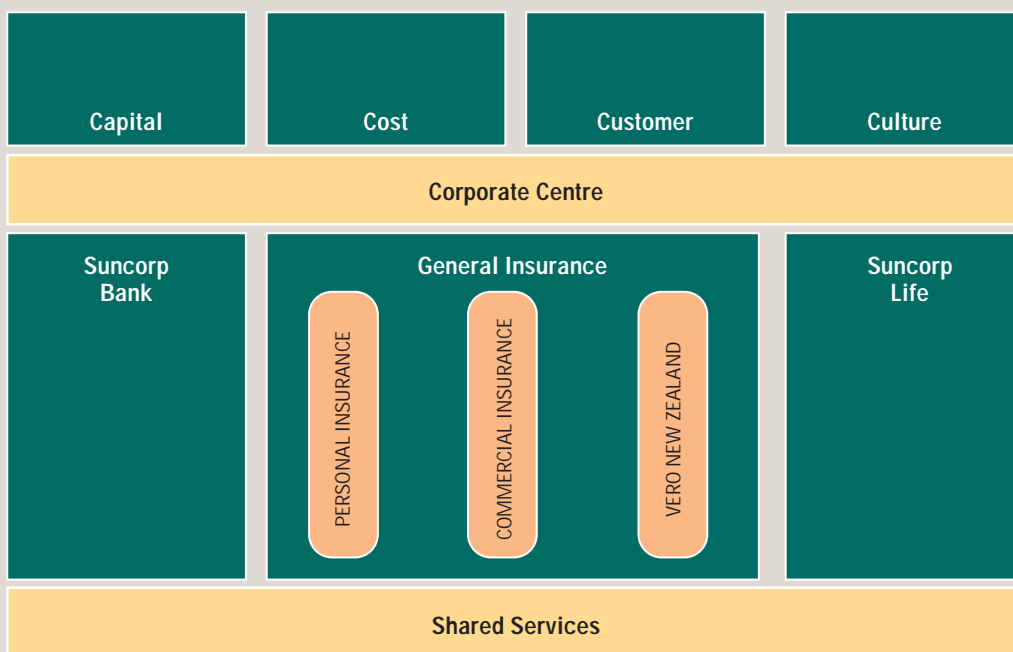
### 3.3 The Suncorp Group's major brands and operating model

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

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

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

#### The Suncorp Group's operating model



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

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

# About Suncorp

(continued)

## The Suncorp Group's major brands



## 3.4 Business lines

### 3.4.1. GENERAL INSURANCE

The Suncorp Group is the largest general insurer of Australians by GWP and the second largest general insurance company in New Zealand, reporting GWP for the year ended 30 June 2012 of \$7,955 million.

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

#### Personal Insurance

- Personal Insurance is the largest part of the Suncorp Group. It manages 12 brands that make up a unique portfolio, addressing many customers and their particular needs.
- Personal Insurance provides a broad range of personal insurance products including home and contents, motor, boat, travel and caravan personal insurances to customers in Australia.

#### Commercial Insurance

- The Suncorp Group's commercial insurance products are focused primarily on providing insurance packages to small to medium-sized enterprises in Australia.
- Products include commercial motor, property, marine, public liability, professional indemnity, workers' compensation and compulsory third party (CTP) insurance.

#### Vero NZ

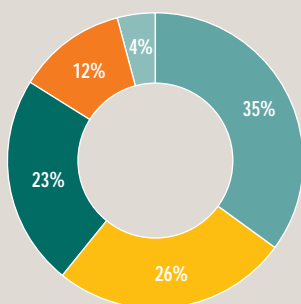
- Vero NZ is the second largest general insurer in New Zealand, providing intermediated commercial and corporate property, liability, motor and marine cargo insurance products. Intermediated personal lines include home, contents, motor, warranty, and travel.
- AA Insurance, the joint venture in which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



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

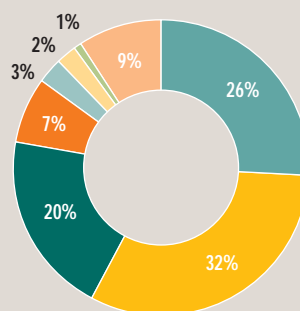
## General Insurance product portfolio

% GWP BY PRODUCTS FOR THE YEAR ENDED 30 JUNE 2012



## General Insurance geographic presence

% GWP BY GEOGRAPHY FOR THE YEAR ENDED 30 JUNE 2012



### 3.4.2. SUNCORP BANK

Suncorp Bank is a regional bank in Australia with \$62 billion in assets as at 30 June 2012.

Suncorp Bank maintains separate core and non-core lending portfolios.

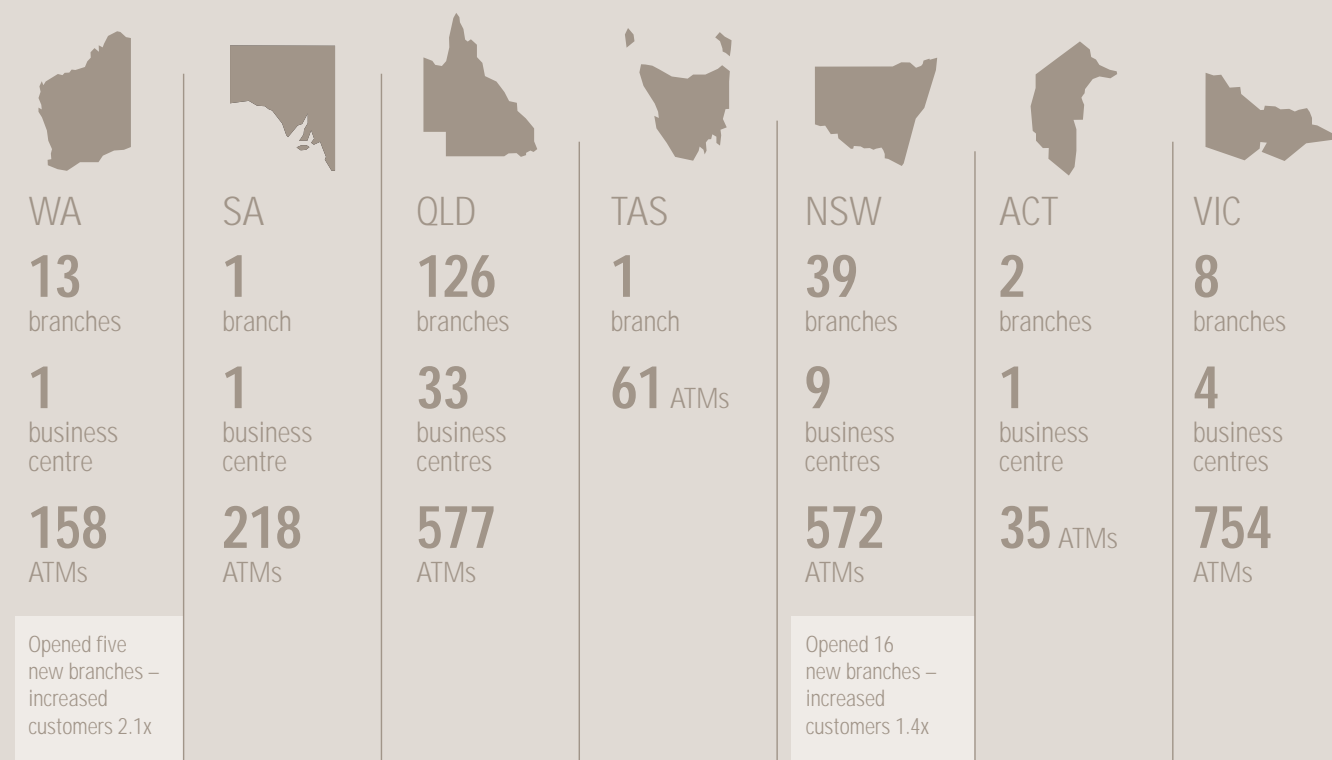
Suncorp Bank's core banking business is focused on relationship-based lending and deposit gathering and provides a range of services including:

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

# About Suncorp

## (continued)

### Suncorp Bank's points of presence



Total customer base of **over 1 million** Complete customer growth of **33%**

Note: Branch, business centre and ATM data as at 30 June 2012. New branch openings and customer growth data since 1 January 2010.

Suncorp Bank also has a non-core banking portfolio of development finance, property investment, lease finance and corporate lending which is closed to new business and proceeding through an orderly run-off process. Suncorp Bank's non-core banking portfolio has reduced from around \$18 billion in June 2009 to \$4.5 billion as at 30 June 2012 and run-off is progressing ahead of target.

#### 3.4.3. SUNCORP LIFE

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

Suncorp Life protects more than 660,000 lives with products that include term life, trauma and income protection. It supports the financial futures of Australians with more than \$7 billion in superannuation funds under administration.

Suncorp Life had an Embedded Value of \$2,604 million as at 30 June 2012.

#### 3.4.4. CORPORATE/SHARED BUSINESS SERVICES GROUP

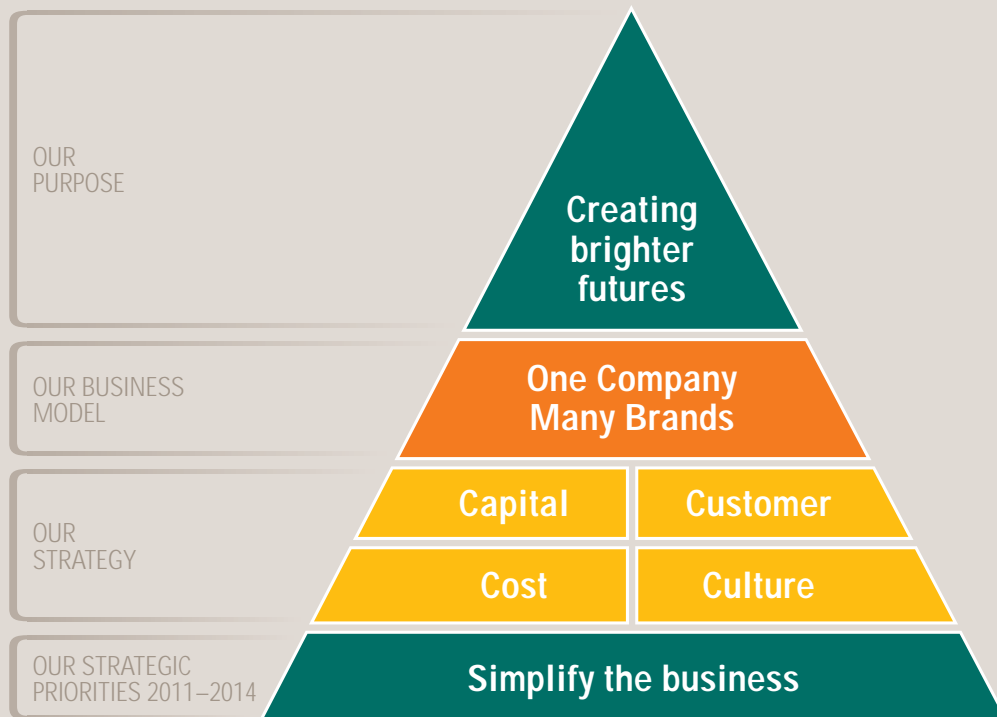
The corporate/shared business services group manages Suncorp's technology, real estate and procurement portfolios.

### 3.5 Strategy

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

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

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



# About Suncorp

## (continued)

### 3.6 Reinsurance program

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

Suncorp Group's General Insurance business has a significant reinsurance program. Reinsurance security has been renewed for the financial year to 30 June 2013 to provide similar levels of protection to the 2012 financial year program.

Suncorp Group has a significant share of the Queensland home insurance market and, to reduce its geographical concentration, the Group has entered into a 30%, multi-year, sharing arrangement (known as proportional quota share reinsurance) covering this portfolio from 30 June 2012.

As a result, the upper limit on Suncorp Group's main catastrophe program, which covers the Group's home, motor and commercial property portfolios for major events such as earthquakes, cyclones, storms, floods and bushfires, has reduced to \$5.3 billion from \$5.8 billion.

The maximum event retention is \$250 million. Additional cover has been purchased to reduce this retention to \$200 million for a second Australian event.

Additional multi-year cover has also been purchased to reduce the first event retention for New Zealand risks to NZ\$50 million and the second and third event retentions to NZ\$25 million.

The Group is exposed to the risk that its reinsurers default on, or dispute, their obligation to pay valid claims. To manage this risk, the Group purchases reinsurance from counterparties with high credit ratings. The overall credit quality of the 2013 financial year program is high, with over 85% of long tail and short tail business protected by reinsurers rated 'A+' or better.

### 3.7 Regulation

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

#### 3.7.1. AUSTRALIA

##### APRA

APRA regulates companies operating in the Australian financial services industry. APRA has established prudential standards for all general insurers, banks and life insurance companies and is in the process of developing standards for conglomerate groups (due for implementation in January 2014).

APRA is currently revising its standards for both life and general insurers (the LAGIC standards) to harmonise the treatment of capital across all regulated industries, and to make capital requirements more risk sensitive. Although transitional arrangements have been established for certain aspects of the standards to enable the industry to meet the changed capital requirements, the LAGIC standards are due to be implemented from 1 January 2013. From a capital perspective, the impact of the LAGIC standards is not expected to be significant for Suncorp Group.

From 1 January 2013 APRA is also implementing a package of Australian Basel III reforms for application to Australian authorised deposit-taking institutions. These reforms include stricter eligibility criteria for capital instruments, introduction of capital conservation and countercyclical buffers. Suncorp Group believes it is well prepared to meet these revised capital requirements.

#### 3.7.2. NEW ZEALAND

##### Reserve Bank of New Zealand

The Reserve Bank of New Zealand ("RBNZ") regulates Suncorp Group's general and life insurance businesses in New Zealand. Regulations in relation to these businesses have been significantly revised in recent years including new licensing requirements, required capital methodologies and reinsurance purchase requirements (up to a 1-in-1,000 year event).

The new regulatory regime is expected to have limited impact on the Group's New Zealand business as existing governance frameworks are consistent with the new regulatory requirements and expected to be fully compliant within the transitional timeframe.



4.

# Financial information

This Section sets out:

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

# 4. Financial information

## 4.1 Introduction

This Section provides summary actual historical financial and capital information and summary pro forma financial and capital information for the Suncorp Group. The pro forma financial and capital information has been included to illustrate the Suncorp Group's financial and capital adequacy position as at 30 June 2012, assuming the CPS2 were issued on that date. It does not represent what Suncorp's or the Suncorp Group's financial and capital adequacy position actually would have been if the CPS2 were issued on 30 June 2012. The adjustments do not impact the Suncorp Group's consolidated statement of comprehensive income or Suncorp Group Limited's summary financial results.

The summary actual financial information presented in this Section has been extracted from the Suncorp Group's audited consolidated financial report for the year ended 30 June 2012. The Suncorp Group's 2012 Annual Report is available at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

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

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

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

## 4.2 Consolidated summarised financial information of the Suncorp Group

### 4.2.1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

\$ MILLION	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2012
<b>Revenue</b>		
Insurance premium income	7,874	8,355
Reinsurance and other recoveries income	4,786	1,917
Banking interest income	4,401	4,025
Investment revenue	1,358	1,183
Other income	614	554
<b>Total revenue</b>	<b>19,033</b>	<b>16,034</b>
<b>Expenses</b>		
General Insurance claims expense	(9,331)	(7,122)
Life insurance claims expense and movement in policy owner liabilities	(862)	(314)
Outwards reinsurance premium expense	(1,001)	(946)
Interest expense	(3,532)	(3,146)
Fees and commissions expense	(485)	(535)
Operating expenses	(2,654)	(2,601)
Impairment expense on Banking loans, advances and other receivables	(325)	(405)
Loss on sale of subsidiaries	(109)	–
Outside beneficial interests in managed funds	(32)	(2)
<b>Total expenses</b>	<b>(18,331)</b>	<b>(15,071)</b>
<b>Profit before income tax</b>	<b>702</b>	<b>963</b>
Income tax expense	(245)	(235)
<b>Profit for the financial year</b>	<b>457</b>	<b>728</b>
<b>Other comprehensive income</b>		
Net change in fair value of cash flow hedges	60	(66)
Net change in fair value of available-for-sale financial assets	31	(60)
Exchange differences on translation of foreign operations	(39)	10
Actuarial (losses) gains on defined benefit plans	(11)	(51)
Income tax (expense) benefit on other comprehensive income	(21)	53
<b>Other comprehensive income net of income tax</b>	<b>20</b>	<b>(114)</b>
<b>Total comprehensive income for the financial year</b>	<b>477</b>	<b>614</b>
<b>Profit for the financial year attributable to:</b>		
Owners of Suncorp	453	724
Non-controlling interests	4	4
<b>Profit for the financial year</b>	<b>457</b>	<b>728</b>
<b>Total comprehensive income for the financial year attributable to:</b>		
Owners of Suncorp	473	610
Non-controlling interests	4	4
<b>Total comprehensive income for the financial year</b>	<b>477</b>	<b>614</b>

# Financial information

## (continued)

### 4.2.2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table sets out the Suncorp Group's consolidated statement of financial position as at 30 June 2011 and 30 June 2012, as well as the pro forma consolidated statement of financial position as at 30 June 2012, incorporating the adjustments detailed below.

\$ MILLION	ACTUALS		ADJUSTMENTS		PRO FORMA AS AT 30 JUNE 2012	NOTES
	AS AT 30 JUNE 2011	AS AT 30 JUNE 2012	OTHER	FOR THE OFFER		
<b>Assets</b>						
Cash and cash equivalents	1,271	866	(1,023)	487	330	1, 2, 3
Receivables due from other banks	226	154	–	–	154	
Trading securities	4,952	4,787	–	–	4,787	
Derivatives	166	393	–	–	393	
Investment securities	24,014	24,881	–	–	24,881	
Banking loans, advances and other receivables	48,639	49,180	–	–	49,180	
General Insurance assets	8,054	7,688	–	–	7,688	
Life assets	671	721	–	–	721	
Property, plant and equipment	351	216	–	–	216	
Deferred tax assets	148	181	–	–	181	
Other assets	686	731	–	–	731	
Goodwill and intangible assets	6,310	6,264	–	–	6,264	
<b>Total assets</b>	<b>95,488</b>	<b>96,062</b>	<b>(1,023)</b>	<b>487</b>	<b>95,526</b>	
<b>Liabilities</b>						
Deposit and short-term borrowings	38,858	40,708	–	–	40,708	
Derivatives	2,580	2,406	(180)	–	2,226	2
Payables due to other banks	31	41	–	–	41	
Payables and other liabilities	2,224	2,602	–	–	2,602	
Current tax liabilities	145	51	(1)	–	50	2
General Insurance liabilities	14,831	14,835	–	–	14,835	
Life liabilities	6,183	5,786	–	–	5,786	
Managed funds units on issue	701	1	–	–	1	
Securitisation liabilities	3,532	3,800	–	–	3,800	
Debt issues	10,031	9,569	–	–	9,569	
Subordinated notes	1,524	1,374	(392)	–	982	2
Preference shares	830	762	–	487	1,249	3
<b>Total liabilities</b>	<b>81,470</b>	<b>81,935</b>	<b>(573)</b>	<b>487</b>	<b>81,849</b>	
<b>Net assets</b>	<b>14,018</b>	<b>14,127</b>	<b>(450)</b>	<b>–</b>	<b>13,677</b>	
<b>Equity</b>						
Share capital	12,662	12,672	–	–	12,672	
Reserves	33	(55)	–	–	(55)	
Retained profits	1,306	1,493	(450)	–	1,043	1, 2
<b>Total equity attributable to owners of Suncorp</b>	<b>14,001</b>	<b>14,110</b>	<b>(450)</b>	<b>–</b>	<b>13,660</b>	
Non-controlling interests	17	17	–	–	17	
<b>Total equity</b>	<b>14,018</b>	<b>14,127</b>	<b>(450)</b>	<b>–</b>	<b>13,677</b>	

Notes:

- 1 Assumes the Suncorp Group's 2012 final and special dividends on Ordinary Shares payable on 1 October 2012 were paid on 30 June 2012, resulting in \$450 million cash disbursements net of an expected \$2 million dividends payable for Treasury Shares. Ordinary Shares allotted under the Dividend Reinvestment Plan (DRP) will be acquired on market for delivery to Shareholders and results in no issue of new Ordinary Shares. The cost of acquiring Ordinary Shares on market for the DRP is included in the cash disbursement amount.
- 2 Assumes £253 million subordinated notes issued by Suncorp-Metway Limited redeemable on 23 October 2012 were redeemed on 30 June 2012. This results in a loss before tax of \$3 million and an income tax benefit of \$1 million, which consequently decreases closing retained profits by \$2 million. The loss before tax is calculated based on \$575 million cash disbursements for the redemption of subordinated notes carried at \$392 million and the maturity of the associated foreign exchange derivative liability carried at \$180 million at 30 June 2012. Actual carrying amounts and gain or loss on redemption date may be different to the amounts at 30 June 2012.
- 3 Assumes \$500 million of CPS2 were issued on 30 June 2012, net of issue transaction costs of \$13 million. The actual issue amount may be more or less than \$500 million.



## 4.3 Summarised financial information of Suncorp Group Limited

The following table contains information extracted from the Suncorp Group Limited's audited consolidated financial report for the year ended 30 June 2012. The Suncorp Group applied amendments to the Corporations Act that removed the requirement to prepare parent entity financial statements for Suncorp Group Limited for the financial year ended 30 June 2011 onwards. The disclosures represent the specific parent entity disclosures for the year ended 30 June 2012.

### 4.3.1. SUMMARY FINANCIAL RESULTS

As Suncorp Group Limited was incorporated on 25 August 2010, profit for the period ended 30 June 2011 represents the period from 25 August 2010 to 30 June 2011.

\$ MILLION	PERIOD ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2012
<b>Results of Suncorp</b>		
Profit for the financial year	534	<b>724</b>
<b>Total comprehensive income for the financial year</b>	534	<b>724</b>

### 4.3.2. PRO FORMA SUMMARY FINANCIAL POSITION

The following table sets out Suncorp Group Limited's summary financial position as at 30 June 2011 and 30 June 2012, as well as the pro forma summary financial position as at 30 June 2012, incorporating the adjustments detailed below.

\$ MILLION	ACTUALS AS AT 30 JUNE 2011	ACTUALS AS AT 30 JUNE 2012	ADJUSTMENTS		PRO FORMA AS AT 30 JUNE 2012	NOTES
			OTHER	FOR THE OFFER		
<b>Financial position of Suncorp at the end of the financial year</b>						
Current assets	832	<b>1,186</b>	(450)	(13)	<b>723</b>	1, 2
Total assets	14,260	<b>14,913</b>	(450)	487	<b>14,950</b>	1, 2
Current liabilities	151	<b>582</b>	–	–	<b>582</b>	
Total liabilities	151	<b>582</b>	–	487	<b>1,069</b>	2
<b>Total equity of Suncorp consists of:</b>						
Share capital	12,780	<b>12,792</b>	–	–	<b>12,792</b>	
Common control reserve	987	<b>987</b>	–	–	<b>987</b>	
Retained earnings	342	<b>552</b>	(450)	–	<b>102</b>	1
<b>Total equity</b>	<b>14,109</b>	<b>14,331</b>	<b>(450)</b>	–	<b>13,881</b>	

Notes:

- 1 Assumes the Suncorp Group's 2012 final and special dividends on Ordinary Shares payable on 1 October 2012 were paid on 30 June 2012, resulting in \$450 million cash disbursements. Ordinary Shares allotted under the DRP will be acquired on market for delivery to Shareholders and results in no issue of new Ordinary Shares. The cost of acquiring Ordinary Shares on market for the DRP is included in the cash disbursement amount.
- 2 Assumes \$500 million of CPS2 were issued on 30 June 2012, net of issue transaction costs of \$13 million. The actual issue amount may be more or less than \$500 million. Assumes the CPS2 proceeds of \$500 million were invested in the Suncorp Group's banking operations.

# Financial information

## (continued)

### 4.4 Capital management

The principle behind the capital management strategy of the Suncorp Group is to optimise shareholder value by managing the level, mix and use of capital resources both at a Group level and at the regulated entity level. The main objectives are to ensure there are sufficient capital resources to maintain the business and operational requirements of the Suncorp Group, retain sufficient capital to exceed externally imposed capital requirements, and ensure the Suncorp Group's ability to continue as a going concern. Under the NOHC structure, each regulated entity is separately capitalised to meet internal and external requirements with surplus capital retained by the NOHC.

The Suncorp Group uses a range of instruments and methodologies to effectively manage capital including share issues, dividend policies and tier 1 hybrid and subordinated debt issues.

The Suncorp Group's capital policy is reviewed regularly and where appropriate, adjustments are made to internal capital targets to reflect changes in economic conditions and risk characteristics of the Suncorp Group's activities. The Suncorp Group's capital position is monitored on a continuous basis.

The Suncorp Group and its insurance and banking entities are subject to, and are in compliance with, externally imposed capital requirements set and monitored by APRA.

APRA also requires regulated entities to maintain internal capital targets. It is the Suncorp Group's policy to hold regulatory capital levels in excess of minimum APRA requirements for total capital. The minimum regulatory total capital requirements for Suncorp Group's three businesses comprise:

- General Insurance – the 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;
- Bank – the capital target is a ratio representing total capital as a percentage of total risk-weighted assets referred to as the Capital Adequacy Ratio (“CAR”); and
- Life – the current regulatory regime sets minimum requirements for Total Assets. For consistency and comparison between the businesses, these minimum requirements are re-expressed in terms of Adjusted Net Assets.

#### Capital targets and actual capital ratios as at 30 June 2012

\$ MILLION	GENERAL INSURANCE	BANK	NOHC AND OTHER GROUP ENTITIES
Target capital ratios	1.45 x MCR	12.5% CAR	0.05 x MCR + c.\$60m for Life + c.\$100m for Group risks – elimination for intra-Group transactions
Actual ratios	1.61 x MCR	12.6% CAR 7.29% CET1	

The Life business capital target of \$1,952 million at 30 June 2012 (see Section 4.5) is an amalgamation of target capital for Statutory Funds, minimum capital required for Shareholder Funds and net tangible asset requirements for investment management entities.

At 30 June 2012, the actual capital of the Life business was 103.2% of the Life business internal capital target. Additional target capital is held at the NOHC of circa \$60 million in respect of the Life business.

From 1 January 2013, the Suncorp Group will be required to comply with the Basel III framework (for regulated banking entities) and APRA's revised capital standards for general insurers and life insurers, referred to as LAGIC (for regulated general and life insurance entities).

The anticipated impacts on minimum requirements from these regulatory changes are not considered material. Capital targets based on the new minimum requirements may change as part of the regular annual review process, but are unlikely to significantly change from current levels.

## 4.5 Pro forma capital adequacy position

The following table sets out the Suncorp Group's pro forma capital adequacy position based on the Suncorp Group's financial position as at 30 June 2012, incorporating the adjustments detailed below.

	GENERAL INSURANCE	BANK	LIFE	SUNCORP, CORPORATE SERVICES & CONSOLIDATION	SUNCORP GROUP TOTAL	PRO FORMA ADJUST- MENTS	PRO FORMA SUNCORP GROUP TOTAL	NOTES
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Tier 1 capital	2,905	3,201	2,014	468	8,588	29	8,617	1, 3
Tier 2 capital	764	1,005	–	–	1,769	(117)	1,652	2, 3
<b>Total capital base</b>	<b>3,669</b>	<b>4,206</b>	<b>2,014</b>	<b>468</b>	<b>10,357</b>	<b>(88)</b>	<b>10,269</b>	
Represented by:								
Capital in regulated entities	3,648	4,179	2,010	–	9,837	(88)	9,749	
Capital in unregulated entities	21	27	4	468	520	–	520	4
<b>Target capital base</b>	<b>3,301</b>	<b>4,131</b>	<b>1,952</b>	<b>181</b>	<b>9,565</b>	<b>–</b>	<b>9,565</b>	

Notes:

- 1 The Suncorp Group's 2012 final and special dividends on Ordinary Shares payable on 1 October 2012 are not included in the pro forma adjustments as the \$450 million dividend accrual has been deducted from Tier 1 capital at 30 June 2012 in accordance with current APRA Prudential Standards.
- 2 Assumes £253 million subordinated notes issued by Suncorp-Metway Limited redeemable on 23 October 2012 were redeemed on 30 June 2012. This pro forma adjustment impacts Tier 2 capital and is calculated based on \$575 million for the redemption of subordinated notes and the maturity of the associated foreign exchange derivative.
- 3 Assumes \$500 million of CPS2 were issued on 30 June 2012, net of issue transaction costs of \$13 million. The actual issue amount may be more or less than \$500 million. This pro forma adjustment impacts both Tier 1 capital and Tier 2 capital. The CPS2 is a Tier 1 capital instrument, however under the current APRA Prudential Standards the CPS2 issue would have exceeded the threshold for eligible Tier 1 capital as at the pro forma date of 30 June 2012. The ineligible portion for inclusion in Tier 1 would have been recognised as Tier 2 capital instead, as at that date.
- 4 Capital in unregulated entities includes capital in authorised NOHCs such as Suncorp Group Limited.

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# Investment risks

This Section describes some of the risks associated with an investment in CPS2 and in Suncorp.

# 5. Investment risks

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

Before applying for CPS2, you should consider whether CPS2 are a suitable investment for you. There are risks associated with an investment in CPS2 and in Suncorp, many of which are outside the control of Suncorp and its Directors. These risks include those referred to in this Section and other matters referred to in this Prospectus.

## 5.1 Risks associated with investing in CPS2

### 5.1.1. MARKET PRICE OF CPS2

The market price of CPS2 may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions, interest rates, movements in foreign exchange rates, movements in the market price of Ordinary Shares or senior or subordinated debt, and factors that may affect Suncorp's financial performance and position. CPS2 may trade at a market price below the Issue Price. There is no guarantee that CPS2 will remain continuously quoted on ASX.

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

You should carefully consider this additional volatility risk before deciding whether to make an investment in CPS2.

The Ordinary Shares held as a result of any Conversion will, following Conversion, rank equally with existing Ordinary Shares. Accordingly, the ongoing value of any Ordinary Shares received upon Conversion will depend upon the market price of Ordinary Shares after the date on which CPS2 are Converted. That market price is also subject to the factors outlined above and may also be volatile.

### 5.1.2. LIQUIDITY

Although Suncorp intends to have the CPS2 quoted on ASX, there is no guarantee that a liquid market will develop for CPS2. The market for CPS2 may be less liquid than the market for Ordinary Shares or comparable securities issued by Suncorp or other entities and may be volatile. The market price of CPS2 is likely to fluctuate and, if CPS2 Holders wish to sell or otherwise transfer their CPS2 prior to Exchange they may be unable to do so at a price acceptable to them, or at all, if insufficient liquidity exists in the market for CPS2.

CPS2 are expected to Convert into Ordinary Shares on 17 December 2019 (subject to certain conditions being satisfied) unless CPS2 are otherwise Exchanged<sup>8</sup> on or before that date. Where CPS2 are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

### 5.1.3. FLUCTUATION IN ORDINARY SHARE PRICE

Upon Conversion, other than Conversion resulting from a Non-Viability Trigger Event (see Section 5.1.11), CPS2 Holders will receive \$101.01 worth of Ordinary Shares per CPS2 (based on the VWAP during the 20 Business Days before the

Mandatory Conversion Date or other date on which CPS2 are Converted). The market price of Ordinary Shares may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions and Suncorp's financial performance and position and may be affected by the actual or prospective Conversion of CPS2 – see Section 5.1.1. The VWAP during the relevant period before the date of Conversion that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the date of Conversion. As a result, the value of Ordinary Shares received upon Conversion may be greater than or less than \$101.01 per CPS2 when they are issued or at any time after that, and could be less than the Issue Price. CPS2 Holders receiving Ordinary Shares on Conversion may not be able to sell those Ordinary Shares at the price on which the Conversion calculation was based, or at all. In relation to Conversion on account of a Non-Viability Trigger Event – see further detail in Section 5.1.11.

### 5.1.4. DIVIDENDS MAY NOT BE PAID

There is a risk that Dividends will not be paid. The CPS2 Terms do not oblige Suncorp to pay Dividends.

The payment of Dividends is subject to the Dividend Payment Tests – see Section 2.3.7. The Dividend Payment Tests require, among other things, that the Directors, at their absolute discretion, resolve to pay a Dividend. There is a risk that one or more elements of the Dividend Payment Tests will not be satisfied, and there is therefore a risk that a Dividend may not be paid in full or at all.

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

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

The CPS2 Terms contain no events of default and accordingly, failure to pay a Dividend when scheduled will not constitute an event of default. Further, in the event that Suncorp does not pay a Dividend when scheduled, a CPS2 Holder:

- has no right to apply for Suncorp to be wound up or placed in administration, or to cause a receiver or a receiver and manager to be appointed in respect of Suncorp merely on the grounds that Suncorp does not or may become unable to pay a Dividend when scheduled; and
- will have no right of set-off and no offsetting rights or claims on Suncorp under the CPS2 Terms.

Dividends are non-cumulative, and therefore if a Dividend is not paid CPS2 Holders will have no recourse whatsoever to payment from Suncorp and will not receive payment of those Dividends.

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

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

Suncorp may also be prevented from paying Dividends by the terms of other securities of members of the Group if a dividend or other distribution has not been paid on those securities. If such a constraint applies, Suncorp may not be able to pay Dividends on CPS2 without the approval of the holders of those other securities.

Changes in regulations applicable to Suncorp (including the Australian Basel III Rules as they will apply to general insurance groups) may impose additional

requirements which prevent Suncorp from paying a Dividend in additional circumstances.

#### **5.1.5. CHANGES IN DIVIDEND RATE**

The Dividend Rate is calculated for each Dividend Period by reference to the Bank Bill Rate, which is influenced by a number of factors and varies over time. The Dividend Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate – see Sections 2.3.2 and 2.3.3.

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

#### **5.1.6. CPS2 ARE PERPETUAL AND MANDATORY CONVERSION MAY NOT OCCUR ON THE SCHEDULED MANDATORY CONVERSION DATE OR AT ALL**

CPS2 are expected to Convert into Ordinary Shares on 17 December 2019 (subject to certain conditions being satisfied). However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or where a Delisting Event applies. The Ordinary Share price may be affected by transactions affecting the share capital of Suncorp, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. The Issue Date VWAP is adjusted only for transactions by way of a reorganisation and pro rata bonus issues of Ordinary Shares as described in clauses 7.5 and 7.6 of the CPS2 Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends. The CPS2 Terms do not limit the transactions which Suncorp may undertake with respect to its share capital and any such action may affect whether Conversion will occur and may adversely affect the position of CPS2 Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, Mandatory Conversion would then occur on the next Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied unless CPS2 are otherwise Exchanged on or before that date. If Mandatory Conversion does not occur on

a possible Mandatory Conversion Date and CPS2 are not otherwise Exchanged, Dividends may continue to be paid on CPS2, subject to the Dividend Payment Tests.

CPS2 are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Mandatory Conversion Conditions will never be satisfied and, if this occurs, unless CPS2 are otherwise Converted, CPS2 will never Convert.

#### **5.1.7. EXCHANGE IS AT SUNCORP'S OPTION**

Suncorp may (subject to APRA's prior written approval) elect to Exchange some or all CPS2 on the Optional Exchange Date or on the occurrence of a Tax Event or a Regulatory Event and may elect to Exchange by way of Conversion all (but not some) CPS2 after a Potential Acquisition Event (provided that, in respect of a Potential Acquisition Event, the relevant Exchange Date may not occur in the period between 17 December 2017 and 17 December 2019). In addition, Suncorp must (subject to certain conditions) Convert all CPS2 on the occurrence of an Acquisition Event. CPS2 Holders have no right to request or require an Exchange.

Any Exchange at Suncorp's option may occur on dates not previously contemplated by CPS2 Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which CPS2 Holders will be entitled to the benefit of the rights attaching to CPS2 (such as Dividends) is unknown.

Subject to certain conditions, Suncorp also has discretion to elect which Exchange Method will apply to an Exchange. The method chosen by Suncorp may be disadvantageous to CPS2 Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

For example, if APRA approves an election by Suncorp to Redeem the CPS2, CPS2 Holders will receive cash equal to \$100 per CPS2 rather than Ordinary Shares and accordingly, they will not benefit from any subsequent increases in the Ordinary

# Investment risks

## (continued)

Share price after the Exchange occurs. In addition, where CPS2 Holders receive cash on Redemption, the rate of return at which they could reinvest their funds may be lower than the Dividend Rate at the time. Where CPS2 Holders receive Ordinary Shares on Conversion, they will have the same rights as other holders of Ordinary Shares, which are different to the rights attaching to CPS2.

### 5.1.8. CONVERSION ON AN ACQUISITION EVENT

The CPS2 are issued by Suncorp, which, as an ASX-listed company, may be affected by merger and acquisition activity, including the possibility of being acquired by, or merged with, another company or group of companies, potentially resulting in a change of control.

Where this corporate activity constitutes an Acquisition Event, as defined in the CPS2 Terms, subject to certain conditions, Suncorp is required to Convert all CPS2 in accordance with clause 6 of the CPS2 Terms. Conversion may occur on dates not previously contemplated by CPS2 Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which CPS2 Holders will be entitled to the benefit of the rights attaching to CPS2 (such as Dividends) is unknown.

### 5.1.9. EXCHANGE BY SUNCORP IS SUBJECT TO CERTAIN EVENTS OCCURRING

If Suncorp elects to Exchange CPS2 by way of Conversion (other than where it is obliged to Convert), Redemption or Resale, APRA's prior written approval is required. CPS2 Holders should not expect that APRA will give its approval to any Exchange.

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

if a Delisting Event applies, Suncorp is not permitted to choose Conversion as the Exchange Method.

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

If the requirements for Conversion on the Exchange Date are not satisfied, Suncorp will notify CPS2 Holders and the Conversion will be deferred until the next Dividend Payment Date on which the requirements for Conversion would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date.

The choice of Redemption as the Exchange Method is subject to the condition that APRA is satisfied that either the CPS2 the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of CPS2 is done under conditions that are sustainable for Suncorp's income capacity, or that the Group's capital position is well above its minimum capital requirements after Suncorp elects to Redeem the CPS2. Suncorp is not permitted to elect to Redeem or Resell CPS2 on account of an Acquisition Event or a Potential Acquisition Event.

### 5.1.10. CONVERSION CONDITIONS

The only conditions to Conversion are, in the case of Mandatory Conversion, the Mandatory Conversion Conditions and, in the case of Conversion following an Acquisition Event, the conditions expressly applicable to such Conversion under clauses 5.5 and 5.6 of the CPS2 Terms. No other conditions will affect the Conversion except as expressly provided by the CPS2 Terms.

Although one condition to Conversion is that a Delisting Event does not apply, other events and conditions may affect the ability of CPS2 Holders to trade or dispose of the Ordinary Shares issued on Conversion e.g. the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, any disruption to the market for the Ordinary Shares or to

capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time.

Further, as outlined in Section 5.1.11, Conversion following a Non-Viability Trigger Event is not subject to any conditions.

### 5.1.11. CONVERSION ON ACCOUNT OF A NON-VIABILITY TRIGGER EVENT

Suncorp must immediately Convert CPS2 into Ordinary Shares if at any time a Non-Viability Trigger Event occurs. This could be at any time. Accordingly, any such Conversion on account of a Non-Viability Trigger Event may occur on dates not previously contemplated by CPS2 Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.

A Non-Viability Trigger Event occurs if APRA has provided a written determination to Suncorp that the conversion or write off of Relevant Tier 1 Capital Instruments is necessary because either:

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

### Non-Viability Trigger Event

If APRA makes a determination that only a specified equal proportion of some CPS2 and other Relevant Tier 1 Capital Instruments are required to be Converted, Suncorp must endeavour to treat CPS2 Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of CPS2 and other logistical considerations. Accordingly, should a Non-Viability Trigger Event occur and APRA make a determination that only some CPS2 be Converted not all CPS2 Holders may have their CPS2 Converted into Ordinary Shares.

APRA has not provided guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of Suncorp's financial



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

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

#### **Effect of a Non-Viability Trigger Event**

If a Non-Viability Trigger Event occurs:

- Suncorp must immediately Convert all (or some) CPS2 on issue (as specified in APRA's determination) into the Conversion Number of Ordinary Shares;
- Conversion may occur automatically without the need for any further act or step by Suncorp. In this case, Suncorp will recognise CPS2 Holders as having been issued the Conversion Number of Ordinary Shares. Suncorp expects any ASX trades in CPS2 that have not settled on the date a Non-Viability Trigger Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Conversion Number of Ordinary Shares into which CPS2 have been Converted as a result of the occurrence of the Non-Viability Trigger Event;
- Alternatively, Suncorp may immediately seek a trading halt to prevent further trading in CPS2 on ASX, and if ASX permits, may refuse to register transfers of CPS2 that have not settled – this may result in disruption or failures in trading or dealings in CPS2 (which may cause a CPS2 Holder to suffer loss);
- Suncorp may make such decisions with respect to the identity of CPS2 Holders as at the Non-Viability Conversion Date as may be necessary or desirable to ensure

Conversion occurs in an orderly manner, including disregarding any transfers of CPS2 that have not been settled or registered at that time;

- Conversion is not subject to the Mandatory Conversion Conditions being satisfied;
- CPS2 Holders will not receive prior notice of Non-Viability Conversion or have any rights to vote in respect of any Non-Viability Conversion; and
- the Ordinary Shares issued on Non-Viability Conversion may not be quoted at the time of issue, or at all.

The number of Ordinary Shares that a CPS2 Holder will receive on Conversion following a Non-Viability Trigger Event is calculated in accordance with the Conversion Number formula which provides for a calculation based on a discounted five Business Day VWAP but cannot be more than the Maximum Conversion Number. Accordingly, this may result in a CPS2 Holder receiving significantly less than \$101.01 worth of Ordinary Shares per CPS2 and suffering loss as a result. This is because:

- the number of Ordinary Shares is limited to the Maximum Conversion Number and this number of Ordinary Shares may have a value of less than \$101.01;
- the number of shares is calculated by reference to the five Business Days before the Non-Viability Conversion Date which may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be listed or may not be able to be sold at prices representing their value based on the VWAP. In particular, VWAP prices will be based wholly or partly on trading days which occurred before the Non-Viability Trigger Event; and
- as noted in Section 2.4.7, the Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example rights issues, returns of capital, buy-backs or special dividends. The CPS2 Terms do not limit the transactions that Suncorp

may undertake with respect to its share capital and any such action may increase the risk that CPS2 Holders receive only the Maximum Conversion Number and so may adversely affect the position of CPS2 Holders.

#### **Inability Event**

If, following a Non-Viability Trigger Event, Suncorp is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of Suncorp) or by any other reason from Converting CPS2 (within five days after the Non-Viability Conversion Date) which would otherwise be Converted (an **"Inability Event"**), CPS2 will not be Converted but instead Written Off. This means that the rights of a CPS2 Holder in respect of dividends and returns of capital in any subsequent winding-up of Suncorp are broadly equivalent to the rights in respect of dividends and, subject to Shareholder Approval being obtained, returns of capital of the holder of the number of Ordinary Shares the CPS2 Holder would have held if the Conversion had occurred. However the CPS2 in these circumstances are not identical to Ordinary Shares, do not have the voting rights of Ordinary Shares and may not be able to be sold at the same price as the equivalent number of Ordinary Shares or at all.

The laws under which an Inability Event may arise include laws relating to the insolvency, winding up or other external administration of Suncorp. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of CPS2 may change and the change may be adverse to the interests of CPS2 Holders.

#### **5.1.12. RESTRICTIONS ON RIGHTS AND RANKING IN A WINDING UP OF SUNCORP**

CPS2 are issued by Suncorp under the CPS2 Terms. A CPS2 Holder has no claim on Suncorp in respect of CPS2 except as provided in the CPS2 Terms. CPS2 are unsecured.

In the event of a winding-up of Suncorp, and assuming CPS2 have not been Exchanged and are not required to be Converted due to a Non-Viability Trigger Event, CPS2 Holders will be entitled to

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claim for the Liquidation Sum. This is an amount for each CPS2 equal to \$100 in respect of its Issue Price and any Dividend resolved by the Directors to be paid but unpaid at the commencement of the winding-up of Suncorp.

However, where CPS2 are required to be Converted on account of a Non-Viability Trigger Event and Suncorp is prevented by applicable law or order of any court or the action of any government authority or any other reason from Converting CPS2 (within five days after the Non-Viability Conversion Date) and, accordingly, CPS2 have been Written Off (as described in Section 2.6.6 and clause 7.12 of the CPS2 Terms), the Liquidation Sum (if Shareholder Approval has been obtained) will be equal to the amount which would have been paid in respect of the CPS2 out of the surplus available to shareholders in a winding-up as if the CPS2 were the Conversion Number of Ordinary Shares, that Conversion Number (the “**Fixed Conversion Number**”) being finally determined as if the CPS2 had Converted on the Non-Viability Conversion Date (and in any case not exceeding the Maximum Conversion Number).

Claims in respect of CPS2 are subordinated, in and notwithstanding a winding up of Suncorp, so as to rank as preference shares as set out in the CPS2 Terms.

If there is a shortfall of funds on a winding up of Suncorp to pay all amounts ranking senior to and equally with CPS2, CPS2 Holders will not receive all or some of the Liquidation Sum.

Although the CPS2 may pay a higher rate of dividend than comparable securities and instruments which are not subordinated, there is a significant risk that a CPS2 Holder will lose all or some of their investment should Suncorp become insolvent.

### 5.1.13. FUTURE ISSUES OR REDEMPTIONS OF SECURITIES BY SUNCORP

CPS2 do not in any way restrict Suncorp from issuing further securities or from incurring further indebtedness. Suncorp's obligations under CPS2 rank subordinate and junior in a winding up to Suncorp's obligations to holders of senior ranking securities and instruments, and all creditors, including subordinated creditors

(other than creditors whose claims are subordinated to rank equally with or behind CPS2). Accordingly, Suncorp's obligations under CPS2 will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to CPS2.

Suncorp may in the future issue securities that:

- rank for dividends or payments of capital (including on the winding up of Suncorp) equal with, behind or ahead of CPS2;
- have the same or different dividend, interest or distribution rates as those for CPS2;
- have payment tests and distribution restrictions or other covenants which affect CPS2 (including by restricting circumstances in which Dividends can be paid or CPS2 can be Redeemed); or
- have the same or different terms and conditions as CPS2.

Suncorp may incur further indebtedness and may issue further securities including further Tier 1 Capital securities before, during or after the issue of CPS2.

An investment in CPS2 carries no right to participate in any future issue of securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise) by Suncorp.

No prediction can be made as to the effect, if any, which the future issue of securities by Suncorp may have on the market price or liquidity of CPS2 or of the likelihood of Suncorp making payments on CPS2.

Similarly, CPS2 do not restrict any member of the Suncorp Group from redeeming, buying back or undertaking a reduction of capital or otherwise repaying its other securities (whether existing securities or those that may be issued in the future), (other than to the extent the Distribution Restriction applies or insofar as CPS2 Holders have a right to vote in respect of a buy-back or reduction of capital of Suncorp shares). Additionally, Suncorp may Redeem CPS2 on the occurrence of a Regulatory Event.

An investment in CPS2 carries no right to be redeemed or otherwise repaid at the same time as Suncorp redeems, or otherwise repays, holders of other

securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise).

### 5.1.14. EXPOSURE TO THE GROUP'S FINANCIAL PERFORMANCE AND POSITION

If the Group's financial performance or position declines, or if market participants anticipate that it may decline, an investment in CPS2 could decline in value even if CPS2 have not been Converted. Accordingly, when you evaluate whether to invest in CPS2 you should carefully evaluate the investment risks associated with an investment in Suncorp – see Section 5.2.

### 5.1.15. DIVIDENDS MAY NOT BE FULLY FRANKED

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

If any Dividend payment is not fully franked, then CPS2 Holders will be entitled to an additional cash payment, reflecting the fact that the Dividend payment has been paid out of profits which have not been subject to tax. This payment is subject to the Dividend Payment Tests.

The value and availability of franking credits to a CPS2 Holder will differ depending on the CPS2 Holder's particular tax circumstances. CPS2 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. CPS2 Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each CPS2 Holder. CPS2 Holders should also refer to the Australian taxation summary in Section 7 and seek professional advice in relation to their tax position.

### 5.1.16. THE DISTRIBUTION RESTRICTION APPLIES IN LIMITED CIRCUMSTANCES

The Distribution Restriction restricts distributions in respect of Ordinary Shares and not distributions in respect of securities ranking equally with or junior to CPS2 (other than Ordinary Shares). Accordingly, a failure to make a scheduled payment on CPS2 may not restrict the making of payments in respect of instruments that

may in the future rank equally with CPS2. Further, the restriction in CPS2 only applies until the next Dividend Payment Date. The dates for distribution with respect to Ordinary Shares are determined by Suncorp in its discretion and do not bear a fixed relationship to the Dividend Payment Dates for CPS2. Accordingly, as soon as the Distribution Restriction ceases to apply (as will be the case if the next scheduled Dividend on CPS2 is paid) Suncorp will not be restricted from paying a distribution on its Ordinary Shares.

#### 5.1.17. CHANGES TO CREDIT RATINGS

Suncorp's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings (including any long-term credit ratings or the ratings assigned to any class of its securities). Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though CPS2 will not be rated, such changes could adversely affect the market price, liquidity and performance of CPS2 or Ordinary Shares received on Conversion.

#### 5.1.18. REGULATORY CLASSIFICATION AND PRUDENTIAL SUPERVISION

CPS2 are eligible Residual Tier 1 Capital which qualify as regulatory capital of the Group for APRA purposes.

Further, APRA has not yet determined the final form of prudential rules that will apply to entities regulated by APRA resulting from the Basel III Consultation Papers (other than for banks). Should CPS2 not comply with those rules when finalised, APRA has confirmed that, subject to obtaining Shareholder Approval by 31 March 2013, CPS2 will be eligible for inclusion as Additional Tier 1 Capital from 1 January 2013 until 17 December 2017. If Shareholder Approval is not obtained by 31 March 2013, then APRA has advised that CPS2 will only qualify as regulatory capital in accordance with APRA's standard transitional treatment. For further information, see Section 2.2.4.

However, in certain circumstances, if APRA subsequently determines that some or all CPS2 do not qualify as Residual Tier 1 Capital, Suncorp may decide that a Regulatory Event has occurred. Suncorp may then elect, at its option to Exchange all or

some CPS2 on issue (subject to APRA's prior written approval where required). Suncorp is not permitted to decide that a Regulatory Event has occurred as a result of:

- a failure to obtain the Shareholder Approval; or
- where the reason Suncorp is not entitled to treat some or all of the CPS2 as Residual Tier 1 Capital is because Suncorp has exceeded a limit on the recognition of Residual Tier 1 Capital which was in effect on the Issue Date or which on the Issue Date is expected by Suncorp may come into effect, including a limit or other restriction arising on a given date under the Basel III Consultation Papers which is known to Suncorp as at the Issue Date.

Any such Exchange at Suncorp's option may occur on dates not previously contemplated by CPS2 Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which CPS2 Holders will be entitled to the benefit of the rights attaching to CPS2 (such as Dividends) is unknown.

The Exchange Method chosen by Suncorp may also be disadvantageous to CPS2 Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

#### 5.1.19. SHAREHOLDER APPROVAL IS NOT OBTAINED

The Constitution does not presently contemplate the issue of preference shares on terms which include the loss of the right to preferred returns of capital as contemplated in the event of a Write Off. Suncorp will seek shareholder approval (by special resolution of its ordinary shareholders) at its 2012 AGM to amend the Constitution to facilitate the inclusion of that feature in its preference share terms (including for the CPS2 Terms).

If Shareholder Approval is not obtained at the 2012 AGM, the Offer will proceed. Suncorp may convene a further general meeting of Shareholders to obtain Shareholder Approval. If a further general meeting of Shareholders is not convened

or if Shareholder Approval is not obtained at that subsequent general meeting, then the CPS2 will remain on issue. However, the CPS2 would not be Basel III compliant and APRA has advised that if Shareholder Approval is not obtained by 31 March 2013, then CPS2 would only count as regulatory capital in accordance with APRA's standard transitional treatment. For further information on the effect of not obtaining Shareholder Approval and on what standard transitional treatment means, see Section 2.2.4.

#### 5.1.20. AUSTRALIAN TAX CONSEQUENCES

A general outline of the tax consequences of investing in CPS2 for certain potential investors who are Australian residents for tax purposes is set out in the Australian taxation summary in Section 7. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor.

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

If a change is made in Australian tax law, or an administrative pronouncement or ruling, and that change leads to a more than insubstantial risk that there would be a significant increase in Suncorp's costs in relation to CPS2 being on issue, Suncorp is entitled to Exchange all or some CPS2 (subject to APRA's prior written approval where required) – see Section 2.5.

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

#### 5.1.21. ACCOUNTING STANDARDS

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

#### 5.1.22. SHAREHOLDING LIMITS

The *Financial Sector (Shareholdings) Act 1998* (Cth) restricts ownership by people (together with their associates) of general insurer holding companies, such as Suncorp, to a 15% stake. A shareholder

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may apply to the Australian Treasurer to extend their ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 15% is in the national interest.

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

CPS2 Holders should take care to ensure that by acquiring any CPS2 (taking into account any Ordinary Shares into which they may Convert), CPS2 Holders do not breach any applicable restrictions on ownership.

### 5.1.23. AMENDMENT OF CPS2 TERMS

Suncorp may, with APRA's prior written approval where required, amend the CPS2 Terms without the approval of CPS2 Holders. These include necessary or desirable amendments to dates and time periods to facilitate any Mandatory Conversion, Non-Viability Event Conversion or Exchange or any change which Suncorp considers not likely to be materially prejudicial to the interests of CPS2 Holders as a whole. Suncorp may also, with APRA's prior written approval where required, amend the CPS2 Terms if the amendment has been approved by a special resolution of CPS2 Holders. Amendments under these powers are binding on all CPS2 Holders despite the fact that a CPS2 Holder may not agree with the amendment.

APRA's prior written approval to amend the CPS2 Terms is required only where the amendment may affect the eligibility of CPS2 as Residual Tier 1 Capital.

### 5.1.24 CPS2 HOLDERS MAY BE SUBJECT TO FATCA WITHHOLDING AND INFORMATION REPORTING

It is possible that, in order to comply with FATCA, Suncorp (or if CPS2 are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the US Internal Revenue Service (**IRS**) or under applicable law) to request certain information from CPS2 Holders or beneficial owners of CPS2, which information may be provided to the IRS, and to withhold US tax on some portion of payments made after 31 December 2016 with respect to CPS2 if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS (and are not otherwise required to comply with the FATCA regime under applicable laws or are otherwise exempt from complying with the requirement to enter into a FATCA agreement with the IRS). If Suncorp or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of CPS2, CPS2 Holders and beneficial owners of CPS2 will not be entitled to receive any gross up or additional amounts to compensate them for such withholding. This description is based on guidance issued to date by the IRS, including recently issued proposed regulations. Future guidance may affect the application of FATCA to CPS2.

## 5.2 Risks associated with Suncorp and the Suncorp Group

Set out below are investment risks associated with Suncorp and the Suncorp Group. These are relevant to an investment in CPS2 as the value of your investment will depend on the financial performance and position of Suncorp and the Group.

### 5.2.1. REGULATORY AND COMPLIANCE RISK

The Group is subject to extensive laws and regulations in the jurisdictions in which it operates, including Australia and New Zealand and is licensed to operate in the various countries, states and territories in which it operates. The Group is also supervised by a number of different

regulatory authorities which have broad administrative powers over its businesses. In Australia and New Zealand, the relevant regulatory authorities include APRA, RBA, RBNZ, ASIC, ASX, ACCC and AUSTRAC. In particular, the Group is subject to prudential supervision by APRA and is required, amongst other things, to meet minimum capital requirements within its operations.

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

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

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

- in December 2010 the Basel Committee on Banking Supervision announced a revised global regulatory capital framework, known as Basel III. Basel III will, among other things, increase the required quality and quantity of capital held by banks and introduces new minimum standards for the management of liquidity risk. APRA has announced that it supports the Basel III framework and released final prudential standards for Australian authorised deposit-taking institutions on 28 September 2012. The

Basel III framework comes into effect from 1 January 2013, subject to various transitional arrangements.

- APRA is also implementing revised capital standards for general insurers and life insurers, referred to as LAGIC, with final prudential standards due to come into effect on 1 January 2013. The intention of LAGIC is to bring greater consistency and risk sensitivity to capital frameworks for general insurers and life insurers. These revised standards may require the Group to hold more capital and may require changes to investment and reinsurance arrangements.
- The Commonwealth Treasury has recently announced a consultation on a series of reform proposals directed at strengthening APRA's crisis management powers. While at the early stages of consultation, if implemented, these proposals could impact substantially on the regulatory framework applying to the Group and its shareholders, including CPS2 Holders, particularly in circumstances where Suncorp is financially distressed.

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

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

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

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

#### **5.2.2. DEPENDENCE ON THE AUSTRALIAN AND NEW ZEALAND ECONOMIES**

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

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

#### **5.2.3. RISK OF A MAJOR SYSTEMIC SHOCK TO THE AUSTRALIAN, NEW ZEALAND OR OTHER FINANCIAL SYSTEMS**

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

As outlined above, the financial services industry and capital markets have been, and may continue to be, adversely affected by continuing market volatility and the negative outlook for global economic conditions. Recently there has been an increased focus on the potential for sovereign debt defaults and/or significant bank failures in the 17 countries comprising the Eurozone. There can be no assurance that the market disruptions in the Eurozone, including the increased cost of funding for certain Eurozone governments, will not spread, nor can there be any assurance that future assistance packages will be available or sufficiently robust to address any further market contagion in the Eurozone or elsewhere.

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

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

# Investment risks

## (continued)

### 5.2.4. COMPETITIVE ENVIRONMENT

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

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

The Group is also dependent on its ability to offer products and services that match evolving customer preferences, habits and sentiment. If the Group is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences, habits and sentiment, the Group may lose customers to its competitors. This could adversely affect the Group's businesses, financial performance, financial condition and prospects.

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

### 5.2.5. REPUTATIONAL DAMAGE

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

There are various potential sources of reputational damage including potential conflicts of interest, pricing policies, failing to comply with legal and regulatory

requirements (including without limitation, money laundering laws, trade sanctions legislation or privacy laws), ethical issues, litigation, failing to comply with information security policies, improper sales and trading practices, or personnel and supplier policies, improper conduct of companies in which it holds strategic investments, technology failures, security breaches and risk management failures. The Group's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of its customers and counterparties.

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

### 5.2.6. CATASTROPHES

Through its general insurance businesses, the Group is subject to claims arising from catastrophes, such as the recent Queensland floods and New Zealand earthquakes. Catastrophes may include, but are not limited to, cyclones, earthquakes, tsunami, wind, hail, fires, floods, volcanic activity and bushfires, in addition to man-made disasters. It is not possible to predict the timing or severity of catastrophes. The extent of insured losses from catastrophes is determined by the total amount of insured exposure in the area affected by the event and the severity of the event. While the Group manages its exposure to catastrophes through the purchase of catastrophe reinsurance based on a set of model assumptions, the Group cannot be assured that such coverage will be adequate or will continue to be available at acceptable levels or at all and, if that reinsurance is inadequate, that could adversely affect the Group's businesses, financial performance, financial condition and prospects.

### 5.2.7. REINSURANCE

The Group enters into a number of reinsurance arrangements. These arrangements allow the Group to limit its risk from particular lines of business or from specific events and to increase its

capacity to write new policies. Under these arrangements, other insurers and reinsurers assume a portion of the Group's exposure to reported and unreported losses in exchange for a premium. The availability, amount and cost of reinsurance capacity depend on prevailing market conditions, and may vary significantly. Recent catastrophes both in Australia and New Zealand, as well as globally, have led to increases in reinsurance rates, and changes in terms and availability.

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

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

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

### 5.2.8. ESTIMATION OF CLAIMS PROVISIONS

The Group's provisions for insurance liabilities may prove to be inadequate to cover its ultimate liability under policies written by its insurance subsidiaries. Within its general insurance business, the

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

#### **5.2.9. CREDIT RISK ASSOCIATED WITH THE GROUP'S LENDING ACTIVITIES INCLUDING THE NON-CORE BANKING PORTFOLIO AND IMPLICATIONS**

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

One of the areas of credit risk is in the Group's non-core banking portfolio, which was formed in 2009, as a result of a strategic review of its Banking operations. The Bank's former corporate banking, property investment and development finance divisions were placed into an \$18 billion lending portfolio and the Bank embarked on an orderly run-off strategy to maximise shareholder value. The portfolio is closed to new business and is now in advanced stages of run-off with outstanding balances of \$4.5 billion

at 30 June 2012, including an impaired portfolio of \$1.8 billion as at 30 June 2012. The orderly run-off strategy to maximise shareholder value continues to be executed. As a run-off portfolio, the non-core banking portfolio's performance is not directly comparable to the core bank portfolio nor portfolios of other institutions that remain open to new business.

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

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

As at 30 June 2012, the Group held specific provisions to cover bad and doubtful debts. Deterioration in economic conditions, inadequate provisioning or a significant breakdown in credit disciplines, could diminish available capital and could adversely affect the Group's businesses, financial performance, liquidity, capital resources and financial condition.

#### **5.2.10. DECLINES IN ASSET MARKETS INCLUDING POTENTIAL IMPLICATIONS FOR THE NON-CORE BANKING PORTFOLIO**

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

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

In particular, the residential, commercial and rural property lending sectors are

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

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

The Group's non-core banking portfolio (see Section 3.4.2) has specific exposure to corporate lending and development finance, including land and commercial property investment. Ongoing volatility in these sectors could impact the customers' ability to repay or refinance their exposures and ultimately may impact the Group's ability to recover amounts owing to it if the customers or counterparties were to default.

#### **5.2.11. FUNDING AND LIQUIDITY RISK**

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

While there have been periods of stability in these markets, the environment has become more volatile and unpredictable. Recently there has been a particular focus on the potential for sovereign debt defaults and/or banking failures in Europe. The vulnerable nature of several sovereign nations has resulted in a tightening of credit markets and wholesale funding conditions. This is discussed further in Section 5.2.4.

# Investment risks

## (continued)

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

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

### 5.2.12. CREDIT RATINGS

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

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

If Suncorp, or any member of the Suncorp Group, fails to maintain its current credit ratings, this could adversely affect the Group's cost of funds and related margins, competitive position and its access to capital and funding markets, which, in turn, could adversely affect the Group's businesses, financial performance,

capital resources, financial condition and prospects. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether the ratings of Suncorp, or any member of the Suncorp Group, differ among agencies (split ratings) and whether any ratings changes also impact the Group's peers or the general insurance, banking or life insurance sectors.

### 5.2.13. MARKET RISK

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

### 5.2.14. INVESTMENT PERFORMANCE

The Group has a significant investment portfolio supporting liabilities arising from its general insurance and life businesses.

The Group's investment portfolio consists of assets which back:

- shareholder funds; and
- technical reserves, which represent assets to support outstanding claims and unearned premium liabilities.

The investment portfolio is managed in accordance with the Group's risk appetite and investment approach. The Group's investment approach for shareholder funds is to invest in a range of assets including international and Australian equities and fixed income portfolios. The Group's investment approach for technical reserves is to mostly invest in high quality fixed income portfolios, however some equity exposure is still taken in certain portfolios. As a result, the Group is exposed to risk and volatility in the markets, securities and

other assets in which it invests. Those risks include, but are not limited to:

- credit risks from counterparty or issuer default;
- market risks that the value of an investment portfolio will decrease, including as a result of fluctuations in share prices, interest rates, exchange rates or commodity prices;
- liquidity risk, including that assets cannot be sold without a significant impairment in value; and
- hedging risk, including as a result of fluctuations in foreign currency exposures.

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

### 5.2.15. OPERATIONAL RISK

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

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

- complete or partial failure of the information technology systems;
- inadequacy of internal, partner or third party information technology systems;
- capacity of the existing systems to effectively accommodate the Group's



planned growth and integrate existing and future acquisitions and alliances;

- systems integration programs not being completed within the timetable or budget; and
- compromise of information or technology arising from external or internal security threats.

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

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

#### **5.2.16. ACCOUNTING POLICIES**

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

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

#### **5.2.17. STRUCTURAL SUBORDINATION**

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

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

#### **5.2.18. MERGERS AND ACQUISITIONS**

The Group may engage in merger or acquisition activity which facilitates the Group's strategic direction. Whilst the Group recognises that benefits may arise from merger or acquisition activities, significant risks exist in both the execution and implementation of such activities.

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

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

As a target in any future merger or acquisition activity the issues identified above may also be relevant. For a discussion of the consequences of an Acquisition Event under the CPS2 Terms – see Section 5.1.8.

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

#### **5.2.19. LITIGATION AND REGULATORY PROCEEDINGS**

Suncorp and the Group, like all entities in the banking, insurance or finance sectors, are exposed to the risk of litigation and/or regulatory proceedings brought by or on behalf of policyholders, deposit holders, reinsurers, government agencies or other potential claimants. While there are no material legal proceedings that are current or known to be threatened against the Group, there can be no assurance that significant litigation will not arise in the future and that the outcome of legal proceedings from time to time will not have an adverse effect on the Group's businesses, financial performance, financial condition or prospects.

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

#### **5.2.20. ENVIRONMENTAL RISK**

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

# Investment risks

## (continued)

### 5.2.21. FAILURE OF RISK MANAGEMENT STRATEGIES

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

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

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



## About the Offer

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

# 6. About the Offer

## 6.1 The Offer

The Offer is for the issue of CPS2 with an issue price of \$100 each to raise approximately \$500 million with the ability to raise more or less. All CPS2 issued will be allotted under and subject to the disclosures made in this Prospectus.

## 6.2 Structure of the Offer

The Offer comprises:

- an Institutional Offer made to certain Institutional Investors;
- a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers;
- a Securityholder Offer made to Eligible Securityholders; and
- a General Offer made to members of the general public who are resident in Australia.

## 6.3 Obtaining a Prospectus and Application Form

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

During the Offer Period, an electronic version of this Prospectus with an Application Form will be available through the Suncorp Group's website ([www.suncorpgroup.com.au](http://www.suncorpgroup.com.au)) and may be available through your Syndicate Broker. You can also request a free paper copy of this Prospectus and an Application Form by calling the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time) or by registering online to receive a Prospectus at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

Eligible Securityholders will also have access to download an electronic version of this Prospectus as well as be able to download a personalised Application Form through [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

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

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

### 6.3.1. ELECTRONIC ACCESS TO THIS PROSPECTUS

The following conditions apply if this Prospectus is accessed electronically:

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

## 6.4 Applying for CPS2

### 6.4.1. OVERVIEW

For all Offers (Institutional Offer, Broker Firm Offer, Securityholder Offer and General Offer), Applications must be for a minimum of 50 CPS2 (\$5,000) and after that in multiples of 10 CPS2 (\$1,000).

	WHO CAN APPLY?	WHEN TO APPLY?	HOW TO APPLY ONLINE	HOW TO APPLY USING A PAPER APPLICATION FORM
Institutional Offer	<p>Institutional Investor</p> <ul style="list-style-type: none"> <li>i.e. an investor who was invited by the Joint Lead Managers to bid for CPS2 in the Bookbuild and who has applied through the Institutional Offer (provided that such investor may not be in the United States).</li> </ul>	<ul style="list-style-type: none"> <li>The Bookbuild was conducted on 2 October 2012.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Application and settlement procedures for Institutional Investors will be advised by the Joint Lead Managers.</li> </ul>
Broker Firm Offer	<p>Broker Firm Applicant</p> <ul style="list-style-type: none"> <li>i.e. an Australian resident retail or high net worth client of a Syndicate Broker invited to participate through the Broker Firm Offer.</li> </ul>	<ul style="list-style-type: none"> <li>Applications will only be accepted during the Offer Period, which is expected to open on 3 October 2012.</li> <li>The Closing Date for the Broker Firm Offer is 10:00am (Sydney time) on 5 November 2012.</li> <li>Your completed Application Form and Application Payment must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.</li> <li>If you are a client of a Syndicate Broker, you must contact your broker directly for instructions as to how to participate in the Broker Firm Offer.</li> </ul>	<ul style="list-style-type: none"> <li>Contact your Syndicate Broker for instructions.</li> </ul>	<ul style="list-style-type: none"> <li>There are paper Application Forms in the back of this Prospectus that may be used by Broker Firm Applicants.</li> <li>General instructions on how to complete the paper Application Form are set out on the Application Form.</li> <li>You must contact your Syndicate Broker for their specific instructions on how to submit the paper Application Form and your Application Payment to your Syndicate Broker.</li> <li>You must not return your paper Application Form to the Registry.</li> <li>Your Syndicate Broker must have received your completed paper Application Form and Application Payment (as applicable) in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer being 5 November 2012.</li> <li>Your Syndicate Broker will act as your agent in processing your paper Application Form and providing your Application details and Application Payment to Suncorp.</li> </ul>

9 These dates are indicative only and may change without notice. You are encouraged to apply as soon as possible after the Opening Date.

# About the Offer

## (continued)

	WHO CAN APPLY?	WHEN TO APPLY <sup>9</sup>	HOW TO APPLY ONLINE	HOW TO APPLY USING A PAPER APPLICATION FORM
Securityholder Offer	<p>Securityholder Applicant</p> <ul style="list-style-type: none"> <li>i.e. an Eligible Securityholder who is applying through the Securityholder Offer.</li> </ul>	<ul style="list-style-type: none"> <li>Applications will only be accepted during the Offer Period, which is expected to open on 3 October 2012.</li> <li>The Closing Date for the Securityholder Offer is 5:00pm (Sydney time) on 30 October 2012.</li> <li>Your completed personalised paper Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date and time.</li> <li>If you pay by BPAY<sup>®</sup> or if you apply online, you will not be required to return a personalised paper Application Form.</li> </ul>	<ul style="list-style-type: none"> <li>All Eligible Securityholders will have the ability to apply online.</li> <li>Please go to <a href="http://www.suncorpgroup.com.au">www.suncorpgroup.com.au</a> and follow the instructions to apply online.</li> <li>When applying online, you will be required to pay for CPS2 using BPAY<sup>®</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>You can request a paper copy of the Prospectus and your personalised Application Form by calling the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time).</li> <li>Instructions on how to complete the paper Application Form are set out on the Application Form.</li> <li>You will be required to pay your Application Payment by 5:00pm (Sydney time) on 30 October 2012 by cheque(s), money order(s) or BPAY<sup>®</sup>.</li> <li>You will be required to post your completed personalised Application Form so that it reaches the Registry prior to the Closing Date and time only if you intend on paying by cheque(s) and/or money order(s).</li> </ul>
General Offer	<p>General Applicant</p> <ul style="list-style-type: none"> <li>i.e. a member of the general public who is resident in Australia applying through the General Offer.</li> </ul>	<ul style="list-style-type: none"> <li>Applications will only be accepted during the Offer Period, which is expected to open on 3 October 2012.</li> <li>The Closing Date for the General Offer is 5:00pm (Sydney time) on 30 October 2012.</li> <li>Your completed paper Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date and time.</li> <li>If you apply online, you will not be required to return a paper Application Form.</li> </ul>	<ul style="list-style-type: none"> <li>Please go to <a href="http://www.suncorpgroup.com.au">www.suncorpgroup.com.au</a> and follow the instructions to apply online.</li> <li>When applying online, you will be required to pay for CPS2 using BPAY<sup>®</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>There are paper Application Forms at the back of this Prospectus that should be used by General Applicants.</li> <li>You can request a paper copy of the Prospectus and paper Application Form by calling the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time).</li> <li>Instructions on how to complete the paper Application Form are set out on the Application Form.</li> <li>If applying using the paper Application Form, you will be required to pay for CPS2 using cheque(s) and/or money order(s). If you wish to pay by BPAY<sup>®</sup>, you need to make an online Application.</li> <li>You will be required to post your completed paper Application Form so that it reaches the Registry prior to the Closing Date and time only if you intend on paying by cheque(s) and/or money order(s).</li> </ul>

9 These dates are indicative only and may change without notice. You are encouraged to apply as soon as possible after the Opening Date.

#### 6.4.2. DELIVERING PAPER APPLICATION FORMS

If you are a Securityholder Applicant or you are a General Applicant and paying by cheque and/or money order, you should return your completed paper Application Form and Application Payment to one of the addresses below so that they are received by the Registry before the Closing Date and time, which is expected to be 5:00pm (Sydney time) on 30 October 2012.

#### Securityholder Applicants

Suncorp CPS2 Offer  
C/- Link Market Services Limited  
GPO Box 3560  
Sydney NSW 2001

or

Suncorp CPS2 Offer  
C/- Link Market Services Limited  
Locked Bag 3415  
Brisbane QLD 4001

or

Suncorp CPS2 Offer  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

#### General Applicants

Suncorp CPS2 Offer  
C/ – Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138

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

#### 6.4.3. HOW TO PAY

	HOW TO PAY ONLINE	HOW TO PAY USING A PAPER APPLICATION FORM
Institutional Offer	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Broker Firm Offer	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>You must contact your Syndicate Broker for information on how to submit the paper Application Form and your Application Payment to your Syndicate Broker.</li> </ul>
Securityholder Offer	<ul style="list-style-type: none"> <li>If you apply using an online Application Form, you must complete your Application by making a BPAY® payment.</li> <li>Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application.</li> <li>If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by Suncorp.</li> <li>Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date and time.</li> </ul>	<ul style="list-style-type: none"> <li>You can complete your Application by: <ul style="list-style-type: none"> <li>making a BPAY® payment; or</li> <li>making payment by cheque(s) and/or money order(s).</li> </ul> </li> <li>If you are making a BPAY® payment, you do not need to complete or return the personalised Application Form. Simply use the biller code and customer reference number provided on your personalised Application Form and follow the BPAY® instructions. By completing a BPAY® payment, you acknowledge you are applying pursuant to the personalised Application Form.</li> <li>If you do not wish to pay by BPAY®, your completed personalised Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'Suncorp Group Preference Share Account'.</li> <li>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</li> <li>You will be required to post your completed personalised Application Form so that it reaches the Registry prior to the Closing Date and time only if you intend on paying by cheque(s) or money order(s).</li> </ul>
General Offer	<ul style="list-style-type: none"> <li>If you apply using an online Application Form, you must complete your Application by making a BPAY® payment.</li> <li>Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application.</li> <li>If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by Suncorp.</li> <li>Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date and time.</li> </ul>	<ul style="list-style-type: none"> <li>Your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'Suncorp Group Preference Share Account'.</li> <li>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</li> <li>You cannot pay by BPAY® if you apply using a paper Application Form. If you wish to pay by BPAY®, you need to complete an online Application Form.</li> <li>You will be required to post your completed Application Form so that it reaches the Registry prior to the Closing Date and time only if you intend on paying by cheque(s) or money order(s).</li> </ul>

# About the Offer

## (continued)

### 6.4.4. HOW TO USE B<sub>PAY</sub><sup>®</sup>

If you are a Securityholder Applicant or a General Applicant and apply using an online Application Form, you must complete your Application by making a B<sub>PAY</sub><sup>®</sup> payment. Securityholder Applicants will not be required to return a personalised Application Form if paying by B<sub>PAY</sub><sup>®</sup>.

Using the B<sub>PAY</sub><sup>®</sup> details provided, you need to:

- access your participating B<sub>PAY</sub><sup>®</sup> financial institution either through telephone banking or internet banking;
- select B<sub>PAY</sub><sup>®</sup> and follow the prompts;
- enter the biller code supplied;
- enter the unique Customer Reference Number supplied for each Application;
- enter the total amount to be paid which corresponds to the number of CPS2 you wish to apply for under each Application (i.e. a minimum of \$5,000 (50 CPS2) and incremental multiples of \$1,000 (10 CPS2) after that). Note that your financial institution may apply limits on your use of B<sub>PAY</sub><sup>®</sup> and that you should make enquiry about the limits that apply in your own personal situation;
- select the account you wish your payment to be made from;
- schedule your payment for the same day that you complete your online Application Form since Applications without payment cannot be accepted; and
- record your B<sub>PAY</sub><sup>®</sup> receipt number and date paid. Retain these details for your records.

B<sub>PAY</sub><sup>®</sup> payments must be made from an Australian dollar account of an Australian financial institution. You will need to check with your financial institution in relation to their B<sub>PAY</sub><sup>®</sup> closing times to ensure that your Application Payment will be received together with your Application Form prior to the Offer Closing Date and time.

### 6.4.5. BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable on your Application. You may have to pay brokerage, but will not have to pay any stamp duty, on any later sale of your CPS2 on ASX after CPS2 have been quoted on ASX.

### 6.4.6. APPLICATION PAYMENTS HELD ON TRUST

All Application Payments received before CPS2 are issued will be held by Suncorp on trust in an account established solely for the purposes of depositing Application Payments received. After CPS2 are issued to successful Applicants, the Application Payments held on trust will be payable to Suncorp.

### 6.4.7. REFUNDS

Applicants who are not allotted any CPS2, or are allotted fewer CPS2 than the number applied and paid for as a result of a scale back, will have all or some of their Application Payments (as applicable) refunded (without interest) as soon as practicable after the Issue Date.

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

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



## 6.5 Bookbuild and allocation policy

### 6.5.1. BOOKBUILD

The Bookbuild is a process that was conducted by the Joint Lead Managers before the Opening Date to determine the Margin and firm allocations of CPS2 to Bookbuild participants (being Syndicate Brokers and certain Institutional Investors), by agreement with Suncorp. In this process, the Bookbuild participants were invited to lodge bids for a number of CPS2. On the basis of those bids, the Joint Lead Managers and Suncorp, by mutual agreement, determined the Margin and the firm allocations to Syndicate Brokers and to certain Institutional Investors.

The Bookbuild was conducted in the manner contemplated in this Prospectus and otherwise on the terms and conditions agreed to by Suncorp and the Joint Lead Managers under the Offer Management Agreement – see Section 9.5.

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

### 6.5.2. WHAT IS THE ALLOCATION POLICY?

Institutional Offer	<ul style="list-style-type: none"><li>• Allocations to Institutional Investors have been agreed by the Joint Lead Managers and Suncorp following completion of the Bookbuild.</li></ul>
Broker Firm Offer	<ul style="list-style-type: none"><li>• Allocations to Syndicate Brokers have been agreed by the Joint Lead Managers and Suncorp following completion of the Bookbuild.</li><li>• Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.</li></ul>
Securityholder Offer and General Offer	<ul style="list-style-type: none"><li>• Allocations for the Securityholder Offer and General Offer will be determined by Suncorp in consultation with the Joint Lead Managers after the Closing Date.</li><li>• If there is excess demand for CPS2 after allocations to Institutional Investors and Syndicate Brokers, Applicants under the Securityholder Offer will be given priority over General Applicants.</li><li>• Suncorp and the Joint Lead Managers have absolute discretion to determine the method and extent of the priority allocation to Securityholder Applicants.</li><li>• Suncorp (at its discretion and in consultation with the Joint Lead Managers) reserves the right to scale back Applications from Securityholder Applicants and General Applicants. Any scale back will be announced on ASX on the day CPS2 commence trading on a deferred settlement basis – expected to be 7 November 2012.</li><li>• Suncorp, after consultation with the Joint Lead Managers, has absolute discretion to determine the method and extent of the allocation.</li><li>• Suncorp (at its discretion and in consultation with the Joint Lead Managers) and the Joint Lead Managers reserve the right to:<ul style="list-style-type: none"><li>– allocate to any Securityholder Applicant or General Applicant all CPS2 for which they have applied;</li><li>– reject any Application by a Securityholder Applicant or General Applicant; or</li><li>– allocate to any Securityholder Applicant or General Applicant a lesser number of CPS2 than that applied for, including less than the minimum Application of CPS2, or none at all.</li></ul></li><li>• No assurance is given that any Securityholder Applicant or General Applicant will receive an allocation.</li></ul>

### 6.5.3. HOW WILL THE FINAL ALLOCATION POLICY BE ANNOUNCED?

Institutional Offer	<ul style="list-style-type: none"><li>• Allocations to Institutional Investors will be advised to those investors under the Bookbuild.</li></ul>
Broker Firm Offer	<ul style="list-style-type: none"><li>• Allocations to Syndicate Brokers will be advised to those brokers under the Bookbuild.</li><li>• Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through the Syndicate Broker from whom they received their allocation.</li><li>• However, if you sell CPS2 before receiving a Holding Statement, you do so at your own risk, even if you confirmed your firm allocation through a Syndicate Broker.</li></ul>
Securityholder Offer and General Offer	<ul style="list-style-type: none"><li>• Applicants in the Securityholder Offer or General Offer will be able to call the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time) to confirm your allocation. It is expected that this information will be advertised in <i>The Sydney Morning Herald</i>, <i>The Age</i>, <i>The Australian</i>, <i>The Australian Financial Review</i> and <i>The Courier-Mail</i> on or about 7 November 2012.</li><li>• However, if you sell CPS2 before receiving a Holding Statement, you do so at your own risk, even if you obtained details of your holding by calling the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time).</li></ul>

# About the Offer

## (continued)

### 6.6 Other information

#### 6.6.1. RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, CPS2 or the Offer or otherwise to permit a public offering of CPS2 in any jurisdiction outside Australia.

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

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither the CPS2 nor the Ordinary Shares have been or will be registered under the US Securities Act or the securities laws of any state of the United States, and they may not be offered or sold in the United States. The CPS2 are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the US Securities Act.

Any offer, sale or resale of CPS2 in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

Subject to Suncorp approval, CPS2 may be offered in certain permitted jurisdictions outside Australia under the Institutional Offer where such offer is made, and accepted, in accordance with the laws of such jurisdictions.

Each person submitting an Application Form will be deemed to have acknowledged that they are aware of the restrictions referred to in this Section 6.6.1 and to have represented and warranted that they are able to apply for and acquire CPS2 in compliance with those restrictions.

#### 6.6.2. APPLICATION TO ASX FOR QUOTATION OF CPS2

Suncorp has applied to ASX for CPS2 to be quoted on ASX. If ASX does not grant permission for CPS2 to be quoted within three months after the date of this Prospectus, CPS2 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

#### 6.6.3. CHESS AND ISSUER SPONSORED HOLDINGS

Suncorp will apply for CPS2 to participate in CHESS. No certificates will be issued for CPS2. Suncorp expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 8 November 2012.

#### 6.6.4. DEFERRED SETTLEMENT TRADING AND SELLING CPS2 ON MARKET

It is expected that CPS2 will begin trading on ASX on a deferred settlement basis on 7 November 2012 under ASX code "SUNPC". Trading is expected to continue on that basis until 9 November 2012, when it is anticipated that trading of CPS2 will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before Holding Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in CPS2. If you are a successful Applicant and sell your CPS2 before receiving your Holding Statement, you do so at your own risk.

You may call the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time) or your Syndicate Broker, after the Issue Date to enquire about your allocation.

#### 6.6.5. PROVISION OF BANK ACCOUNT DETAILS FOR DIVIDENDS

Suncorp's current policy is that CPS2 Holders with a registered address in Australia and New Zealand will be paid Dividends by direct credit into nominated Australian or New Zealand financial institution accounts (excluding credit card accounts) and for all other CPS2 Holders, payments will be made by Australian dollar cheque.

#### 6.6.6. PROVISION OF TFN OR ABN FOR AUSTRALIAN TAX RESIDENTS

If you are a Securityholder Applicant or a General Applicant who has not already quoted your TFN or ABN and are issued any CPS2, then you may be contacted in relation to quoting your TFN, ABN or both.

The collection and quotation of TFNs and ABNs are authorised, and their use and disclosure is strictly regulated, by tax laws and the Privacy Act.

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

### **6.6.7. DISCRETION REGARDING THE OFFER**

Suncorp reserves the right not to proceed with, and may withdraw, the Offer at any time before the issue of CPS2 to successful Applicants.

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

Suncorp and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer CPS2 than applied or bid for. This is at Suncorp's discretion, and Suncorp is under no obligation to exercise that discretion in any particular case.

Investors should also note that no cooling off rights (whether by law or otherwise) apply to an Application for CPS2. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

## **6.7 Enquiries**

### **6.7.1. SECURITYHOLDER APPLICANTS AND GENERAL APPLICANTS**

You can call the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (outside Australia) Monday to Friday – 8:00am to 7:30pm (Sydney time) if you:

- have further questions on how to apply for CPS2;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and Application Forms; or
- have any other questions about the Offer.

If you are unclear in relation to any matter relating to the Offer or are uncertain whether CPS2 are a suitable investment for you, you should consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

### **6.7.2. BROKER FIRM APPLICANTS**

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

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# Australian taxation summary

This Section includes a summary of the Australian tax consequences of investing in CPS2.

# 7. Australian taxation summary

If you are considering applying for CPS2, it is important that you understand the taxation consequences of investing in CPS2. You should read the Australian taxation summary from Greenwoods & Freehills in this Section, and discuss the taxation consequences with your tax adviser, financial adviser or other professional adviser, before deciding whether to invest.

# Greenwoods & Freehills

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

25 September 2012

Dear Directors

## **Australian tax consequences of investing in Suncorp Group Limited convertible preference shares (CPS2)**

We have been instructed by Suncorp Group Limited (**SGL**) to prepare a tax summary for inclusion in the Prospectus dated on or about 25 September 2012 in relation to the issue of CPS2.

### **1 Scope**

This letter provides a summary of the Australian income tax, capital gains tax (**CGT**) and goods and services tax (**GST**) consequences for Australian tax resident CPS2 Holders (**Resident Holders**) and CPS2 Holders who are not tax residents of Australia (**Non Resident Holders**) who subscribe for CPS2 and hold them on capital account for tax purposes.

Tax considerations which may arise for Resident Holders who are in the business of share trading, are dealing in securities or otherwise hold CPS2 on revenue account, or Non Resident Holders who carry on a business at or through a permanent establishment in Australia, have not been considered in this summary.

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

The representatives of Greenwoods & Freehills involved in preparing this tax summary are not licensed to provide financial product advice in relation to dealing in securities. Accordingly, Greenwoods & Freehills does not seek to recommend, promote or otherwise encourage any party to participate in the issue of CPS2. Potential investors should consider seeking advice from a suitably qualified Australian Financial Services Licence holder before making any investment decision. Potential investors should also note that taxation is only one of the matters that may need to be considered.

Unless defined in this letter or the context indicates otherwise, all capitalised terms in this letter bear the same meaning as those contained in the Prospectus and the CPS2 Terms.

Doc 510237708.12

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www.gf.com.au DX 482 Sydney

Greenwoods & Freehills Pty Limited ABN 60 003 146 852

# Australian taxation summary

## (continued)

### Greenwoods & Freehills

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

## 2 Anticipated Class Ruling – applicable to certain Resident Holders

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

When issued, copies of the Class Ruling will be available free of charge from the ATO's website ([www.ato.gov.au](http://www.ato.gov.au)), or by downloading them from SGL's website ([www.suncorp.com.au](http://www.suncorp.com.au)).

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

- only be binding on the Commissioner of Taxation (**Commissioner**) if the Offer is carried out in the specific manner described in the Class Ruling;
- only apply to Resident Holders that are within the class of entities specified in the Class Ruling (**Applicable Resident Holders**), being Resident Holders who acquire their CPS2 by initial application under the Prospectus, and hold them on capital account for tax purposes. Accordingly, the Class Ruling will not apply to Resident Holders who hold their CPS2 as trading stock or revenue assets;
- only rule on the taxation laws as at the date the Class Ruling is issued;
- not consider the tax implications of the Exchange of CPS2 by Redemption or Resale;
- not consider the taxation treatment of Dividends received by partnerships or trustee investors; and
- not consider the tax implications for Resident Holders for whom gains and losses from CPS2 are subject to the taxation of financial arrangement rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (refer section 5 of this letter). It is noted that Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply.

You should also be aware that the Class Ruling will not mean the ATO guarantees or endorses the commercial viability of investing in CPS2.

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

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

### 3.1 Dividends on CPS2

Dividends paid on CPS2 (together with the attached franking credits) must be included in the assessable income of an Applicable Resident Holder.

Provided an Applicable Resident Holder is a "qualified person" (see discussion below for further details) in relation to their CPS2, the Applicable Resident Holder will be entitled to a tax offset equal to the amount of the franking credits attached to the Dividends. To the extent that the tax offset attributable to the franking credits on a Dividend exceeds the income tax liability for an income year of an Applicable Resident Holder who is an individual or complying superannuation entity, the excess tax offset may be refunded to the Applicable Resident Holder.

If a Dividend (or a part of it) is either exempt income or non-assessable non-exempt income in the hands of an Applicable Resident Holder, then the amount of any franking credit on the Dividend is not included in the assessable income of the CPS2 Holder and the CPS2 Holder is not entitled to a tax offset. However, certain tax-exempt entities may



qualify for a refund of any tax offset to which they are entitled as a result of receiving a franked Dividend.

It is anticipated that the Commissioner will not apply the anti-avoidance provisions contained in the Australian tax law to deny the whole or any part of the imputation benefits received by Applicable Resident Holders in relation to the Dividends payable in respect of CPS2.

### **3.2 CGT cost base and acquisition date for CPS2**

The cost base (or reduced cost base) of each CPS2 acquired by an Applicable Resident Holder should include \$100 (being the Issue Price of CPS2). Although it is not expected to be addressed in the Class Ruling, the cost base (or reduced cost base) of each CPS2 should also include certain non-deductible incidental costs (e.g. broker fees, adviser fees) associated with the acquisition and disposal of CPS2. This will be relevant in determining the capital gain or capital loss resulting on a disposal of CPS2 (see discussion below for further details).

Each CPS2 will be taken to have been acquired by an Applicable Resident Holder on the date CPS2 are issued.

### **3.3 “Gross up” and tax offset entitlement if “qualified person” rule satisfied**

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

### **3.4 Conversion of CPS2**

The Conversion of each CPS2 into an Ordinary Share and the allotment of additional Ordinary Shares will not result in a CGT event for CGT purposes. This will be the case irrespective of whether Conversion takes place because of Mandatory Conversion or under some other provision in the CPS2 Terms.

The value of any additional Ordinary Shares that are allocated on a Conversion of CPS2 will not be assessable as dividend income or ordinary income in the hands of Applicable Resident Holders.

It is anticipated that the Commissioner will not apply the anti-avoidance provisions contained in the Australian tax law to treat the additional Ordinary Shares acquired on Conversion of CPS2 as an unfranked dividend in the hands of Applicable Resident Holders.

### **3.5 CGT cost base and acquisition date for Ordinary Shares**

Upon Conversion, the cost base (or reduced cost base) of the Ordinary Shares allocated to an Applicable Resident Holder will be determined by spreading the cost base (or reduced cost base) of the original CPS2 of an Applicable Resident Holder across all of the Ordinary Shares allocated to that holder, being the additional Ordinary Shares and each CPS2 that has been converted into an Ordinary Share.

The additional Ordinary Shares will be taken to have been acquired by an Applicable Resident Holder at the time the relevant CPS2 were acquired by the Applicable Resident Holder.

### **3.6 Writing Off**

If a Non-Viability Trigger Event occurs and at that time an Inability Event subsists, then where Conversion has not been effected within five days after the Non-Viability Conversion Date, then SGL must Write Off (rather than Convert) CPS2. Writing Off CPS2 involves a variation of the rights attaching to CPS2 with respect to:

- dividends; and

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## (continued)

### Greenwoods & Freehills

- returns of capital in the event SGL is wound up (but only if Shareholder Approval has been obtained).

Applicable Resident Holders will continue to hold their CPS2. Consequently, Writing Off CPS2 will not result in a CGT event for CGT purposes.

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

The following tax consequences for Resident Holders are not expected to be addressed in the Class Ruling.

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

As discussed in section 3.3 above, a Resident Holder is only required to “gross up” a Dividend and is only entitled to a tax offset if the Resident Holder is a “qualified person” in relation to that Dividend.

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

In relation to the holding period rule, where there have been no “related payments”, the “primary qualification period” applies with the consequence that a Resident Holder must have held CPS2 “at risk” for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the date on which the Resident Holder acquired CPS2 and ending on the 90th day after the date on which CPS2 became “ex dividend”.

Where there have been “related payments”, the “secondary qualification period” applies with the consequence that in respect of each Dividend a Resident Holder is required to hold CPS2 “at risk” for at least 90 days (excluding the days of acquisition and disposal) within a period beginning 90 days before and ending 90 days after the date on which CPS2 became “ex dividend” in relation to that particular Dividend.

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

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

In determining whether a Resident Holder has held their CPS2 “at risk” all “positions” in respect of CPS2 must be taken into account in identifying a “net position” to determine that there has been no material diminution of risk. In this regard, the Resale facility does not represent a separate “position” in relation to CPS2 with the consequence that the Resale facility will not affect a Resident Holder’s ability to satisfy the “at risk” requirement. It is anticipated that the Class Ruling will address this particular issue.

##### 4.2 Sale of CPS2

A sale of CPS2 by a Resident Holder on ASX will give rise to a capital gain if the sale proceeds exceed the cost base of CPS2. Conversely, a capital loss will result if the reduced cost base of CPS2 exceeds the sale proceeds.

If CPS2 have been owned for at least 12 months prior to the sale (excluding the days of acquisition and disposal), a Resident Holder (other than a company) may be entitled to CGT discount treatment in respect of any gain arising on disposal of CPS2, such that a percentage of the gain is not included in assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50% for Resident Holders who are individuals and trusts and 33⅓% for Resident Holders that are complying superannuation entities.

Resident Holders who dispose of CPS2 within 12 months of acquiring them, or who dispose of CPS2 under an agreement entered into within 12 months of acquiring them, will not receive CGT discount treatment. Companies are not entitled to obtain CGT discount treatment in respect of any gain arising on disposal of CPS2.

#### **4.3 Redemption or Resale of CPS2**

SGL may elect to Redeem CPS2 in certain circumstances. For each CPS2 that is being Redeemed, SGL must pay a cash amount equal to the Redemption Price. The Redemption proceeds should not be treated as a dividend to the extent to which they are debited against an amount standing to the credit of SGL's share capital account.

SGL may also elect to Resell CPS2 in certain circumstances. For each CPS2 that is being sold, a cash amount equal to the Resale Price (which is equal to the Issue Price) will be paid by a Nominated Purchaser in cash.

Redemption or Resale of CPS2 will constitute a disposal of CPS2 for CGT purposes. Accordingly, a Resident Holder may derive a capital gain or a capital loss on such disposal to the extent to which the Redemption or Resale proceeds paid to the Resident Holders are greater than the cost base or are less than the reduced cost base of CPS2 respectively. A Resident Holder (other than a company) may be entitled to CGT discount treatment in respect of any remaining capital gain, in the same manner as discussed above.

In some cases, SGL can elect to Redeem CPS2 by way of buy-back. The precise income tax consequences would depend on the particulars of the buy-back at that time. However, the CGT consequences should be similar to those described above.

#### **4.4 Pay-as-you-go withholding tax**

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

In the event that SGL is not so notified, tax will be automatically deducted at the highest marginal tax rate (including Medicare Levy) from the cash amount of the unfranked part (if any) of the Dividends. The rate of withholding is currently 46.5%.

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

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

CPS2 Holders should not be liable for GST in respect of their investment in CPS2 or the disposal or Conversion of CPS2.

CPS2 Holders registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with the acquisition of CPS2 (e.g. adviser fees).

#### **4.6 Stamp duty**

CPS2 Holders should not be liable for stamp duty on the issue, sale, transfer or conversion of CPS2 under applicable stamp duty law in each State and Territory of Australia provided that they do not hold or acquire an interest of 50% or more in SGL (aggregating interests of associated persons and interests acquired under associated transactions).

### **5 Taxation of Financial Arrangements**

Rules on the taxation of financial arrangements (**TOFA**) are contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth). The TOFA regime will generally apply to "financial arrangements" (as defined) acquired or entered into during a taxpayer's first

# Australian taxation summary

(continued)

## Greenwoods & Freehills

year of income commencing on or after 1 July 2010, and later years, where the taxpayer exceeds certain relevant asset/turnover thresholds and unless an exception applies.

The TOFA regime should generally not apply to individual CPS2 Holders in respect of their investment in CPS2. In addition, the TOFA regime should generally not apply to other CPS2 Holders in respect of their investment in CPS2, even if they exceed the relevant asset/turnover thresholds, unless certain specific elections under the TOFA regime are made by the relevant CPS2 Holder.

It is recommended that CPS2 Holders who have made one of the specific elections under the TOFA regime obtain tax advice pertaining to their particular circumstances regarding the application of the TOFA regime to their investment in CPS2.

### 6 Non Resident Holders

Below is a summary of the Australian income tax consequences for Non Resident Holders with respect to Dividends received on CPS2:

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

SGL may source the unfranked portion of the Dividend from its "conduit foreign income" (CFI). Unfranked Dividends paid out of CFI to Non Resident Holders will be exempt from Australian dividend withholding tax.

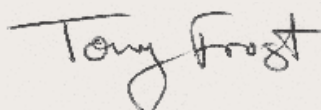
For Non Resident Holders, any capital gain or capital loss resulting from a disposal of CPS2 should generally be disregarded for CGT purposes.

\* \* \* \* \*

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per:



**Tony Frost**

Managing Director  
Greenwoods & Freehills

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+61 419 447 680  
tony.frost@gf.com.au



# Key people, interests and benefits

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

# 8. Key people, interests and benefits

## 8.1 Board

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

DIRECTOR/POSITION	EXPERIENCE, QUALIFICATIONS AND EXPERTISE
<p>Michael A Cameron <i>Non-executive director</i></p>	<ul style="list-style-type: none"> <li>Mr Cameron was appointed a director of Suncorp Group Limited in April 2012. Mr Cameron is the chief executive officer and managing director of the GPT Group and has over 30 years' experience in finance and business.</li> <li>Mr Cameron is a director of Suncorp-Metway Limited, a fellow of each of the Australian Institute of Chartered Accountants, CPA Australia and the Australian Institute of Company Directors. His past experience includes roles at Barclays Bank, and 10 years with Lend Lease where he was group chief accountant then financial controller for MLC Limited before moving to the U.S. in 1994 in the role of chief financial officer/director of the Yarmouth Group, Lend Lease's U.S. property business. On returning to Sydney in 1996 Mr Cameron was appointed to the role of chief financial officer, MLC Limited before moving to the role of chief financial officer, then chief operating officer of the NAB Wealth Management Division following the sale of MLC.</li> <li>Mr Cameron joined the Commonwealth Bank of Australia in 2002 and was appointed to the role of group chief financial officer in early 2003, then in 2006 he was appointed to the position of group executive of the retail bank division.</li> <li>Mr Cameron was chief financial officer at St.George Bank Limited from mid 2007 until the sale to Westpac in December 2008.</li> </ul>
<p>Audette E Exel <i>Non-executive director</i></p>	<ul style="list-style-type: none"> <li>Ms Exel has been a director of Suncorp Group Limited since 27 June 2012. Ms Exel is a founder of the ISIS Group and chief executive officer of its Australian company, ISIS (Asia Pacific) Pty Limited. She is also a director of Suncorp-Metway Limited and vice chairman of the Board of The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited, one of the world's largest protection and indemnity clubs for the shipping industry.</li> <li>Before establishing ISIS, Ms Exel was managing director of Bermuda Commercial Bank, chairman of the Bermuda Stock Exchange (1995–1996) and was on the Board of Bermuda's central financial services regulator (1999–2005).</li> <li>Prior to joining Bermuda Commercial Bank, Ms Exel practised as a lawyer specialising in international finance. She began her career with Allen, Allen and Hemsley in Sydney, Australia before joining the English firm of Linklaters &amp; Paines, in their Hong Kong office. She is called to the Bars of New South Wales, Australia, England and Wales and Bermuda.</li> </ul>
<p>Ewoud J Kulk <i>Non-executive director</i></p>	<ul style="list-style-type: none"> <li>Mr Kulk was appointed a director of Suncorp-Metway Limited in March 2007 and a director of Suncorp Group Limited in December 2010.</li> <li>Mr Kulk was a director of Promina Group Limited at the date of the merger with Suncorp-Metway Limited. Mr Kulk was managing director of the Australian General Insurance Group (1994–1998) and was appointed group director (Asia Pacific) for Royal &amp; Sun Alliance Insurance Group plc in March 1998. He continued in that role until his retirement in September 2003.</li> <li>Mr Kulk is chairman of AA Insurance Limited (New Zealand), a director of the Westmead Millennium Institute, a member of the NSW Council of the Australian Institute of Company Directors and past president of the Insurance Council of Australia and has over 25 years' experience in the insurance industry.</li> </ul>
<p>Douglas F McTaggart <i>Non-executive director</i></p>	<ul style="list-style-type: none"> <li>Dr McTaggart was appointed a director of Suncorp Group Limited in April 2012. Dr McTaggart is a director of Suncorp-Metway Limited, Telesso Technologies Limited and UGL Limited and is currently a councillor on the National Competition Council, a member of the COAG Reform Council, and in March 2012 was appointed to the Queensland Government Independent Commission of Audit. He has also served in other advisory roles to government as well as holding positions on, including chairing, various industry representative bodies.</li> <li>Dr McTaggart has broad experience in financial markets and funds management, having spent the last 14 years in the role of chief executive officer of QIC Limited.</li> <li>Dr McTaggart has also held senior academic roles including as Professor of Economics and Associate Dean at Bond University. Prior to joining QIC he was the under treasurer and under secretary of the Queensland Department of Treasury.</li> </ul>
<p>Geoffrey T Ricketts <i>Non-executive director</i></p>	<ul style="list-style-type: none"> <li>Mr Ricketts was appointed a director of Suncorp-Metway Limited in March 2007 and a director of Suncorp Group Limited in December 2010. Mr Ricketts was a director of Promina Group Limited at the date of the merger with Suncorp-Metway Limited.</li> <li>Mr Ricketts is chairman of Todd Corporation Limited, a director of Lion Pty Limited (formerly Lion Nathan National Foods Pty Limited), Heartland NZ Limited and Heartland Building Society (NZ). Mr Ricketts is also a director of the Centre of Independent Studies Limited. He is a lawyer and a consultant for Russell McVeagh, Solicitors (NZ), and was a partner in that firm from 1973 until 2000.</li> <li>Mr Ricketts was formerly chairman of Royal &amp; Sun Alliance's New Zealand (R&amp;SA NZ) operations, having been a non-executive director of R&amp;SA NZ for over 10 years.</li> </ul>

# Key people, interests and benefits

## (continued)

### 8.2 Interests and benefits

#### 8.2.1. DIRECTORS

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

DIRECTORS	NUMBER OF ORDINARY SHARES	NUMBER OF OPTIONS/RIGHTS OVER ORDINARY SHARES
Zygmunt E Switkowski	201,599	Nil
Patrick J R Snowball	87,333	900,000 <sup>10</sup>
Ilana R Atlas	6,370	Nil
William J Bartlett	26,968	Nil
Michael A Cameron	Nil	Nil
Audette E Exel	989	Nil
Ewoud J Kulk	20,173	Nil
Douglas F McTaggart	11,000	Nil
Geoffrey T Ricketts	25,798	Nil

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

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

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

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

#### Directors' fees

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

#### Participation in the Offer

The Directors (and certain related persons) may collectively acquire up to 0.2% of the CPS2 offered under the Offer without Shareholder approval (subject to certain conditions) – see Section 9.7.

#### 8.2.2. PROFESSIONALS

UBS has acted as the structuring adviser for the Offer, and each of ANZ Securities, National Australia Bank, RBS Morgans, UBS and Westpac Institutional Bank have acted as joint lead managers to the Offer, in respect of which they will receive fees from Suncorp. The estimated aggregate fees payable by Suncorp to the Joint Lead Managers are approximately \$10 million (exclusive of GST), making certain assumptions as to the allocations of CPS2 between the Broker Firm Offer, Institutional Offer, Securityholder Offer and General Offer. The aggregate fees include a structuring fee payable to UBS and a joint lead manager fee split equally amongst the Joint Lead Managers.

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

King & Wood Mallesons has acted as Suncorp's Australian legal adviser in relation to the Offer. In respect of this work, King & Wood Mallesons will be paid approximately \$925,000 (excluding disbursements and GST) for work performed by it until the date of the Original Prospectus. Further amounts may be paid to King & Wood Mallesons in accordance with its time-based charges.

<sup>10</sup> Shares held by the trustee of the Executive Performance Share Plan. Beneficial entitlement to those 900,000 shares remains subject to satisfaction of specified performance hurdles. Further information on the performance hurdles can be found in the 30 June 2012 consolidated financial full year report.



Greenwoods & Freehills has acted as Suncorp's Australian tax adviser in relation to the Offer and has prepared the Australian taxation summary in Section 7. In respect of this work, Greenwoods & Freehills will be paid approximately \$150,000 (excluding disbursements and GST) for work performed by it until the date of the Original Prospectus. Further amounts may be paid to Greenwoods & Freehills in accordance with its time-based charges.

KPMG TS has provided due diligence services on certain financial disclosures in relation to the Offer. In respect of this work, KPMG TS will be paid approximately \$53,000 (excluding disbursements and GST) for work performed by it up until the date of the Original Prospectus. Further amounts may be paid to KPMG TS in accordance with its time-based charges.

Except as set out in this Prospectus, no:

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

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

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

### 8.3 Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$500 million, then the net proceeds of the Offer are expected to be \$487 million and the total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer) are expected to be \$13 million. All of these expenses have been, or will be, borne by Suncorp.

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## Additional information

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

# 9. Additional information

## 9.1 Reporting and disclosure obligations

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

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

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

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

## 9.2 Availability of documents

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

- the annual financial report for the year ended 30 June 2012 lodged with ASIC by Suncorp;
- any continuous disclosure notices given by Suncorp in the period after the lodgement of the annual financial report of Suncorp for the year ended 30 June 2012 and before lodgement of this Prospectus with ASIC; and
- the Constitution.

The annual financial report for the year ended 30 June 2012 and copies of continuous disclosure notices lodged with ASX are available at [www.asx.com.au](http://www.asx.com.au) or at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

The Constitution (and proposed amended Constitution to be in place if Shareholder Approval is obtained) is available at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

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

## 9.3 Rights and liabilities attaching to CPS2

The rights and liabilities attaching to CPS2 are contained in the CPS2 Terms set out in Appendix A. Rights and liabilities attaching to CPS2 may also arise under the Corporations Act, the ASX Listing Rules, the Constitution and other laws.

## 9.4 Rights and liabilities attaching to Ordinary Shares

CPS2 Holders will receive Ordinary Shares on Conversion. The rights and liabilities attaching to the Ordinary Shares are set out in the Constitution and are also regulated by the Corporations Act, the ASX Listing Rules and the general law.

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

The key rights attaching to Ordinary Shares are as follows:

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

## 9.5 Summary of the Offer Management Agreement

### 9.5.1. OVERVIEW

Suncorp and the Joint Lead Managers signed the Offer Management Agreement on 25 September 2012. Under the Offer Management Agreement, Suncorp appointed ANZ Securities, National Australia Bank, RBS Morgans, UBS and Westpac Institutional Bank as joint lead managers of the Offer. The following is a summary of the principal provisions of the Offer Management Agreement.

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

### 9.5.2. FEES

The estimated aggregate fees payable by Suncorp to the Joint Lead Managers under the Offer Management Agreement are set out in Section 8.2.2. The actual amount payable will not be known until the allocation of CPS2 under the Offer.

In addition, Suncorp must reimburse each Joint Lead Manager for reasonable expenses, including reasonable legal and travel costs, incurred by the Joint Lead Managers in relation to the Offer.

### 9.5.3. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

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

With the exception of the CPS2 issue and certain other corporate actions (including an issue of shares in the same class as existing Ordinary Shares in Suncorp), Suncorp has also agreed that it will not (and will ensure that its related bodies corporate do not), without the Joint Lead Managers' prior written consent, offer, issue or create or agree to offer, issue or create, or indicate in any way that it may or will offer, issue or create, any securities with Residual Tier 1 Capital status at

any time after the date of the Offer Management Agreement and before the expiration of 90 days after the Issue Date, or any securities with Tier 2 Capital status predominantly offered to Australian retail investors at any time after the date of the Offer Management Agreement and before the expiration of 45 days after the Issue Date, or any securities that are convertible into or exchangeable for any of those securities, or any option or other rights to acquire any of those securities at any time after the date of the Offer Management Agreement and before the expiration of the time period applicable to the status of those securities mentioned earlier.

### 9.5.4. INDEMNITY

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

### 9.5.5. TERMINATION EVENTS

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

- ASIC issues a stop order in relation to the Offer;
- ASX refuses to quote CPS2 on ASX;
- the trading of Suncorp's Ordinary Shares is suspended or they cease to be quoted on the ASX;
- any person withdraws their consent to be named in this Prospectus;
- Suncorp withdraws this Prospectus or the Offer;
- a supplementary prospectus is required under section 719 of the Corporations Act;
- a credit rating downgrade of Suncorp;
- a specified fall in the S&P ASX 200;
- unauthorised alterations to Suncorp's share capital or constitution; and

- a material adverse change in the position or prospects of members of the Group.

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

Under the Offer Management Agreement, if one Joint Lead Manager terminates, the other Joint Lead Managers may give notice in writing to Suncorp stating whether they assume the obligations of the terminating Joint Lead Manager. In addition, if any Joint Lead Manager terminates its obligations under the Offer Management Agreement, then that Joint Lead Manager and certain of their affiliates will have no obligations to subscribe for any CPS2 as Bookbuild investors.

If all Joint Lead Managers terminate, none of them, their affiliates or any Bookbuild investors will have any obligation to subscribe for CPS2.

## 9.6 Consents

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

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

# Additional information

## (continued)

ROLE	CONSENTING PARTIES
Structuring Adviser	UBS
Joint Lead Managers	ANZ Securities National Australia Bank RBS Morgans UBS Westpac Institutional Bank
Co-Managers	Bell Potter JB Were
Australian legal adviser	King & Wood Mallesons
Australian tax adviser	Greenwoods & Freehills
Accounting adviser	KPMG TS
Registry	Link Market Services Limited
Auditor	KPMG

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

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

## 9.7 ASX relief

### THE OFFER

ASX has classified CPS2 as “equity securities” for the purposes of the ASX Listing Rules and has confirmed that:

- the CPS2 Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- the CPS2 Terms meet the requirements of ASX Listing Rule 6.5;
- the terms of the APRA constraints in the CPS2 Terms on the payment of Dividends do not amount to a removal of a right to a dividend for the purposes of ASX Listing Rule 6.10;
- the divestment of CPS2 from holders, to the extent such divestment occurs

as a result of Conversion or Redemption as provided in the CPS2 Terms, is appropriate and equitable for the purposes of ASX Listing Rule 6.12;

- it does not consider CPS2 to be options for ASX Listing Rule purposes;
- under ASX Listing Rule 7.1B.1(c), ASX does not object to Suncorp, for the purposes of calculating the number of CPS2 that may be issued without prior Shareholder approval, notionally converting CPS2 into Ordinary Shares based on the market price of Ordinary Shares at the time of issue of CPS2;
- the issue of Ordinary Shares on Conversion of CPS2 would fall under ASX Listing Rule 7.2 (exception 4);
- ASX Listing Rule 10.11 has been waived to the extent necessary to permit Directors and certain related persons (being the spouses, parents, children and associates of Directors) to participate in the Offer, without Shareholder approval, up to a maximum of 0.2% of the total number of CPS2 issued under the Offer collectively provided that:
  - the participation of the Directors and certain related persons in the Offer is on the same terms and conditions as applicable to other subscribers for CPS2;
  - Suncorp releases the terms of the waiver to the market when it announces the Offer; and
  - when the CPS2 are issued, Suncorp announces to the market the total number of CPS2 issued to Directors and their related persons in aggregate;
- the issue of Ordinary Shares on Conversion of CPS2 would fall within ASX Listing Rule 10.12 (exception 7); and
- the timetable for the Offer is acceptable.

ASX has also provided in principle approval of the quotation of CPS2 and has agreed to allow CPS2 to trade on a deferred settlement basis for a short time following the issue of CPS2 (subject to certain conditions).

## 9.8 Acknowledgements

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

- agreed to become a member of Suncorp and to be bound by the terms of Suncorp’s Constitution, the CPS2 Terms and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement document) accompanying the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is over 18 years of age;
- acknowledged that once Suncorp receives an Application Form it may not be withdrawn;
- applied for the number of CPS2 at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated the number of CPS2 applied for (or a lower number allocated in a way described in this Prospectus), or no CPS2 at all;
- authorised Suncorp and the Joint Lead Managers and their respective officers or agents, to do anything on the Applicant(s) behalf necessary for CPS2 to be allocated to the Applicant(s), including to act on instructions received by the Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, Suncorp may not pay Dividends;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that CPS2 are suitable for the Applicant(s), given the Applicant(s) investment objectives, financial situation or particular needs;
- declared that the Applicant(s) is an Australian resident;

- acknowledged that the CPS2 have not been, and will not be, registered under the US Securities Act or pursuant to the securities laws of any other jurisdiction outside Australia;
- represented and warranted that the Applicant(s) is not in the United States or other place outside Australia and is not a US Person (and not acting for the account or benefit of a US Person), and the Applicant(s) will not offer, sell or resell CPS2 in the United States to, or for the account or benefit of, any US Person; and
- acknowledged that CPS2 are not protected accounts or deposit liabilities of Suncorp for the purposes of the Banking Act or protected policies for the purposes of the *Insurance Act 1973* (Cth). Investments can be subject to investment risk, including possible delays in repayment and loss of income and principal invested. Suncorp does not in any way guarantee or stand behind the capital value or performance of CPS2.

## 9.9 Privacy

Suncorp collects personal information from you in order to process your Application, administer your investment and keep in touch with you about your investment.

Suncorp may disclose this information on a confidential basis to its subsidiaries, as well as agents, contractors and third party service providers that provide services on its behalf (e.g. the Registry and a printing firm or mailhouse engaged to print and mail statements to you).

If you used a financial adviser who recommended your investment in CPS2, then details of your investment may be provided to that adviser.

Suncorp will also disclose your information if required to do so by law or if you consent to or request the disclosure.

If you think Suncorp's records of your personal information are incorrect or out of date, it is important that you contact Suncorp so that your records can be corrected. You may (subject to permitted exceptions) access the personal information Suncorp holds on you at any time by contacting Suncorp in writing. Suncorp is

permitted to charge a fee for such access but does not intend to do so.

You may choose not to give your personal information or to limit the information you provide to Suncorp. Depending on the type of information you withhold, Suncorp may not be able to process your Application efficiently (if at all), or make payments to you.

Suncorp's privacy policy is available at [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au).

## 9.10 Statement of Directors

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

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# CPS2 Terms

# CPS2 Terms

## 1. CPS2

### 1.1. CPS2

CPS2 are perpetual, fully paid preference shares in the capital of Suncorp. They are issued, and may be Redeemed, Converted or Resold, by Suncorp according to these Terms.

### 1.2. ISSUE PRICE

The Issue Price of each CPS2 is A\$100.

## 2. Dividends

### 2.1. DIVIDENDS

Subject to these Terms, each CPS2 entitles the Holder on a Record Date to receive, on the relevant Dividend Payment Date, a dividend (**Dividend**) calculated according to the following formula:

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

where:

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

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

where:

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

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

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

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

**N** means in respect of:

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

### 2.2. FRANKING ADJUSTMENTS

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

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

where:

**D** means the Dividend calculated under clause 2.1;

**T** has the meaning given in clause 2.1; and

**F** means the applicable Franking Rate.

### 2.3. PAYMENT OF A DIVIDEND

Each Dividend is subject to:

- (a) the Directors, at their absolute discretion, resolving to pay the Dividend on the relevant Dividend Payment Date;
- (b) paying the Dividend on the CPS2 on the Dividend Payment Date not resulting in the Eligible Capital of the Group not complying with APRA's then current capital adequacy guidelines as they are applied to the Group at the time;
- (c) paying the Dividend not resulting in Suncorp becoming, or being likely to become, insolvent for the purposes of the Corporations Act; and
- (d) APRA not otherwise objecting to the Dividend being paid on the Dividend Payment Date.

### 2.4. DIVIDENDS ARE NON-CUMULATIVE

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

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

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

## 2.5. DIVIDEND PAYMENT DATES

Subject to this clause 2, Dividends will be payable in arrears in respect of a CPS2 on the following dates (each a **Dividend Payment Date**):

- (a) each 17 March, 17 June, 17 September and 17 December commencing on 17 December 2012 until (but not including) the date on which the CPS2 is Converted or Redeemed in accordance with these Terms; and
- (b) each date on which:
  - (i) a Conversion or Resale of that CPS2 occurs; or
  - (ii) subject to clause 8.3(a)(iii), a Redemption of the CPS2 occurs,in each case in accordance with these Terms.

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

## 2.6. RECORD DATES

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

## 2.7. DEDUCTIONS

- (a) Suncorp may deduct from any Dividend payable the amount of any withholding or other tax, duty or levy required by law or by any administrative practice or procedure of any authority (including in connection with FATCA) to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by Suncorp to the relevant revenue authority and the balance of the Dividend payable has been paid to the relevant Holder, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by Suncorp.

- (b) Suncorp shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring any penalty under the applicable law and shall, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority after it is received by Suncorp.

## 2.8. RESTRICTIONS IN THE CASE OF NON-PAYMENT

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

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

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

## 2.9. EXCLUSIONS FROM RESTRICTIONS IN CASE OF NON-PAYMENT

The restrictions in clause 2.8 do not apply to a redemption, buy-back or reduction of capital in connection with any employment contract, benefit plan or other similar arrangement.

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

## 2.10. NOTIFICATION OF DIVIDEND, DIVIDEND RATE AND OTHER ITEMS

For each Dividend Period, Suncorp must notify the Registrar and ASX (and any other securities exchange or other relevant authority on which CPS2 are quoted) of the Dividend Rate and the expected Dividend payable as soon as practicable, but in any event no later than the fourth Business Day of the Dividend Period.

# 3. Mandatory Conversion

## 3.1. MANDATORY CONVERSION

Subject to clauses 4, 5 and 6, on the Mandatory Conversion Date Suncorp must Convert all (but not some) CPS2 on issue at that date into Ordinary Shares in accordance with clause 7 and this clause 3.

## 3.2. MANDATORY CONVERSION DATE

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

- (a) 17 December 2019 (the **Scheduled Mandatory Conversion Date**); and
- (b) a Dividend Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**).

## 3.3. MANDATORY CONVERSION CONDITIONS

The Mandatory Conversion Conditions for each Relevant Date are:

- (a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Date (the **First Test Date**, provided that if no trading in Ordinary Shares took place on that date, the First Test Date is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Date on which trading in Ordinary Shares took place) is greater than the First Test Date Percentage of the Issue Date VWAP (the **First Mandatory Conversion Condition**);

# CPS2 Terms

## (continued)

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

In this clause 3.3:

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

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

### 3.4. Non-Conversion Notices

If:

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

## 4. Non-Viability Conversion

### 4.1. NON-VIABILITY TRIGGER EVENT

- (a) A **Non-Viability Trigger Event** means APRA has provided a written determination to Suncorp that the conversion or write off of Relevant Tier 1 Capital Instruments in accordance with their terms or by operation of law is necessary because:
  - (i) without the conversion or write off, APRA considers that Suncorp would become non-viable; or
  - (ii) without a public sector injection of capital into, or equivalent capital support with respect to, Suncorp, APRA considers that Suncorp would become non-viable.
- (b) A determination under clause 4.1(a) may specify that the conversion or write-off is of:
  - (i) all Relevant Tier 1 Capital Instruments; or
  - (ii) a specified equal proportion of the Relevant Tier 1 Capital Instruments if APRA is satisfied that conversion or write-off of that proportion will be sufficient to ensure that Suncorp does not become non-viable.

### 4.2. NON-VIABILITY TRIGGER EVENT NOTICE

- (a) If a Non-Viability Trigger Event occurs:
  - (i) on that date (the **Non-Viability Conversion Date**) Suncorp must immediately determine in accordance with APRA's determination under clause 4.1,
    - (A) the number of CPS2 that will Convert and the number of other Relevant Tier 1 Capital Instruments which will convert or be written off; and
    - (B) the Holders at the time on the Non-Viability Conversion Date that the Conversion is to take effect and in making that determination may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner,

- including disregarding any transfers of CPS2 that have not been settled or registered at that time;
- (ii) subject only to clause 4.3(c) and despite any other provision in these terms, on the Non-Viability Conversion Date the relevant number of CPS2 will Convert and the relevant number of other Relevant Tier 1 Capital Instruments will convert or be written off, in each case immediately and irrevocably.
- (iii) Suncorp must give notice of the Non-Viability Trigger Event (a **Non-Viability Trigger Event Notice**) to Holders as soon as practicable which states the Non-Viability Conversion Date, the number of CPS2 Converted and the relevant number of Relevant Tier 1 Capital Instruments converted or written off;

- (b) If APRA has provided a written determination under clause 4.1 that requires Suncorp to Convert only a specified equal proportion of CPS2 and other Relevant Tier 1 Capital Instruments, Suncorp must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations.
- (c) None of the following shall prevent, impede or delay the Conversion of CPS2 as required by clause 4.2:
  - (i) any failure to or delay in the conversion or write-off of other Relevant Tier 1 Capital Instruments;
  - (ii) any failure or delay in giving a Non-Viability Trigger Event Notice; and
  - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion.
- (d) From the Non-Viability Conversion Date Suncorp shall treat the Holder in respect of its CPS2 as the holder of the Conversion Number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion.

#### 4.3. PRIORITY OF CONVERSION OBLIGATIONS

- (a) Conversion on account of the occurrence of a Non-Viability Trigger Event is not subject to the matters described in clause 3.3 as Mandatory Conversion Conditions.
- (b) A Conversion required on account of a Non-Viability Trigger Event takes place on the date, and in the manner, required by clause 4.2, notwithstanding anything in clauses 3.1, 5 or 6.
- (c) If on the Non-Viability Conversion Date an Inability Event subsists, then to the extent such event prevents Suncorp from Converting CPS2:
  - (i) Conversion on account of the Non-Viability Trigger Event will not occur; and
  - (ii) clause 7.12 shall apply.

### 5. Optional Exchange by Suncorp

#### 5.1. OPTIONAL EXCHANGE BY SUNCORP

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

- (a) all or some CPS2 on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event;
- (b) all (but not some only) CPS2 on an Exchange Date following the occurrence of a Potential Acquisition Event provided that the Exchange Date in respect of that Potential Acquisition Event does not occur in the period from (but excluding) the Optional Exchange Date to (but excluding) the Scheduled Mandatory Conversion Date; or
- (c) all or some CPS2 on the Optional Exchange Date.

An Exchange Notice under this clause 5:

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

#### 5.2. CONTENTS OF EXCHANGE NOTICE

An Exchange Notice must specify:

- (a) where clause 5.1(a) or clause 5.1(b) applies, the details of the Tax Event, Regulatory Event or Potential Acquisition Event to which the Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Exchange Date**), which:
  - (i) in the case of a Potential Acquisition Event, is the Business Day prior to the date reasonably determined by Suncorp to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as Suncorp may reasonably determine having regard to the timing for implementation of the bid or scheme concerned or such later date as APRA may require;
  - (ii) in the case of a Tax Event or a Regulatory Event, is the last Business Day of the month following the month in which the Exchange Notice was given by Suncorp unless Suncorp determines an earlier Exchange Date having regard to the best interests of Holders as a whole and the relevant event; or
  - (iii) in the case of clause 5.1(c), is the Optional Exchange Date, which must fall:
    - (A) no earlier than:
      - (aa) 25 Business Days, where the Exchange Method elected is Conversion; or
      - (ab) 15 Business Days, where the Exchange Method is Redemption or Resale; and
    - (B) in any case no later than 50 Business Days, after the date on which the Exchange Notice is given;
- (c) the Exchange Method in accordance with clause 5.3;

- (d) if less than all CPS2 are subject to Exchange, the proportion of the CPS2 that are to be Exchanged;
- (e) if the Exchange Notice provides that any CPS2 are to be Redeemed:
  - (i) the Redemption Price; and
  - (ii) whether the Redemption Price is payable by way of redemption, buy-back or reduction of capital (or a combination of these methods);
- (f) if the Exchange Notice provides that any CPS2 are to be Resold, the identity of the Nominated Purchaser or Nominated Purchasers for that Resale; and
- (g) whether any Dividend or any amount under clause 8.3(a)(iii) will be paid in respect of the CPS2 to be Exchanged on the Exchange Date.

#### 5.3. EXCHANGE METHOD

- (a) If Suncorp elects to Exchange CPS2 in accordance with clause 5.1, it must, subject to clauses 5.4 and 5.5 and subject to APRA's prior written approval, elect which of the following it intends to do in respect of CPS2 (the **Exchange Method**):
  - (i) Convert CPS2 into Ordinary Shares in accordance with clause 7;
  - (ii) Redeem CPS2 in accordance with clause 8; or
  - (iii) Resell CPS2 in accordance with clause 9.

*Holders should not expect that APRA's approval will be given for any Exchange of CPS2 under these Terms.*

- (b) Suncorp must endeavour to treat Holders, in the case of an Exchange of only some CPS2, on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations.

# CPS2 Terms

## (continued)

### 5.4. RESTRICTIONS ON ELECTION BY SUNCORP OF REDEMPTION OR RESALE AS EXCHANGE METHOD

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

- (a) on the Optional Exchange Date; and
- (b) in the case of a Tax Event or Regulatory Event,

and provided in all cases where Suncorp elects Redemption that APRA is satisfied that either:

- (i) CPS2 the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the instrument is done under conditions that are sustainable for Suncorp's income capacity; or
- (ii) the Group's capital position is well above its minimum capital requirements after Suncorp elects to Redeem the CPS2.

### 5.5. RESTRICTIONS ON ELECTION BY SUNCORP OF CONVERSION AS EXCHANGE METHOD

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

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

### 5.6. CONDITIONS TO CONVERSION OCCURRING ONCE ELECTED BY SUNCORP

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

- (a) the Exchange Date will be deferred until the first Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a Relevant Date for the purposes of clause 3 (the **Deferred Conversion Date**);
- (b) Suncorp must Convert the CPS2 on the Deferred Conversion Date (unless the CPS2 are Exchanged earlier in accordance with these Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the CPS2 will continue as if the Exchange Notice had not been given.

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

## 6. Conversion on Acquisition Event

### 6.1. NOTICE OF ACQUISITION EVENT

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

### 6.2. CONVERSION ON OCCURRENCE OF ACQUISITION EVENT

If an Acquisition Event occurs, Suncorp must, Convert all (but not some only) CPS2 on the Acquisition Conversion Date by notice to Holders (an **Acquisition Conversion Notice**) in accordance with this clause 6 and clause 7.

### 6.3. CONTENTS OF ACQUISITION CONVERSION NOTICE

An Acquisition Conversion Notice must specify:

- (a) the details of the Acquisition Event to which the Acquisition Conversion Notice relates;
- (b) the date on which Conversion is to occur (the **Acquisition Conversion Date**), which must be:
  - (i) the Business Day prior to the date reasonably determined by Suncorp to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as Suncorp may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
  - (ii) such later date as APRA may require; and
- (c) whether any Dividend will be paid in respect of the CPS2 on the Acquisition Conversion Date.

### 6.4. WHERE ACQUISITION CONVERSION NOTICE NOT REQUIRED

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

### 6.5. DEFERRED CONVERSION ON ACQUISITION EVENT

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

- (a) the Acquisition Conversion Notice, if given, is taken to be revoked and Conversion will not occur on the Acquisition Conversion Date specified in the Acquisition Conversion Notice;

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

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

If this clause 6.5 applies but:

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

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

## 7. Conversion mechanics

### 7.1. CONVERSION

If Suncorp elects to Convert CPS2 (with APRA's prior written approval) or must Convert CPS2 in accordance with these Terms, then, subject to this clause 7, the following provisions shall apply:

- (a) each CPS2 that is being Converted will Convert into one Ordinary Share on the Mandatory Conversion Date, the Non-Viability Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be); and
- (b) each Holder will be allotted, for no consideration, an additional number of Ordinary Shares for each CPS2 that is being Converted on the Mandatory Conversion Date, the Non-Viability Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be) equal to **one less than** the Conversion Number, where the Conversion Number is a number calculated according to the following formula (subject always to the Conversion Number being no more than the Maximum Conversion Number):

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

where:

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

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

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

**Relevant Fraction** means:

- (i) in the case of a Conversion other than on account of a Non-Viability Trigger Event, 0.5;
- (ii) in the case of a Conversion on account of a Non-Viability Trigger Event 0.5 or, once the Australian Basel III Rules are implemented and Holders have been notified in writing by Suncorp that such other percentage is to be applied, 0.2

(or the lowest other fraction less than 0.5 as is permitted by APRA under the Australian Basel III Rules to apply in the circumstances of the Conversion).

- (c) if the total number of additional Ordinary Shares to be allotted to a Holder in respect of their aggregate holding of CPS2 upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded;
- (d) a CPS2, upon Conversion, confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5.00pm Sydney time on the Mandatory Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be) or, in the case of a Conversion on the Non-Viability Conversion Date, the time at which such Conversion occurs on that date. At that time:
- (i) all other rights conferred or restrictions imposed on that CPS2 under these Terms will no longer have effect (except for rights relating to a Dividend which has been determined to be payable but has not been paid on or before the Mandatory Conversion Date, the Non-Viability Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be), which rights will continue); and
- (ii) the Ordinary Share resulting from the Conversion will rank equally with all other Ordinary Shares.

Conversion does not constitute a redemption, buy-back, cancellation or termination of CPS2 or an issue, allotment or creation of a new Ordinary Share (other than under clause 7.1(b)).

# CPS2 Terms

## (continued)

### 7.2. ADJUSTMENTS TO VWAP

For the purposes of calculating the VWAP in these Terms:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and CPS2 will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (the **Cum Value**) equal to:
- (i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;
- (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 7.2(a)(i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
- (iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and CPS2 will Convert into Ordinary Shares in respect of which the relevant dividend or other distribution or entitlement would be payable, the VWAP on the Business

Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

### 7.3. ADJUSTMENTS TO VWAP FOR DIVISIONS AND SIMILAR TRANSACTIONS

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

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

where:

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

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

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

### 7.4. ADJUSTMENTS TO ISSUE DATE VWAP

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

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

### 7.5. ADJUSTMENTS TO ISSUE DATE VWAP FOR BONUS ISSUES

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

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

where:

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

**V<sub>o</sub>** means the Issue Date VWAP applying immediately prior to the application of this formula;

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

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

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



#### 7.6. ADJUSTMENT TO ISSUE DATE VWAP FOR DIVISIONS AND SIMILAR TRANSACTIONS

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

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

where:

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

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

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

#### 7.7. NO ADJUSTMENT TO ISSUE DATE VWAP IN CERTAIN CIRCUMSTANCES

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

#### 7.8. ANNOUNCEMENT OF ADJUSTMENTS

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

#### 7.9. ORDINARY SHARES

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

#### 7.10. FOREIGN HOLDERS

Where CPS2 held by a Foreign Holder are to be Converted, unless Suncorp is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder (but as to which Suncorp is not bound to enquire), either unconditionally or after compliance with conditions which Suncorp in its absolute discretion regards as acceptable and not unduly onerous, the Ordinary Shares which the Foreign Holder is obliged to accept will be issued to a nominee (which must not be a member of the Group) who will sell those Ordinary Shares and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Foreign Holder accordingly.

#### 7.11. LISTING ORDINARY SHARES ISSUED ON CONVERSION

Suncorp shall use all reasonable endeavours to list the Ordinary Shares issued upon Conversion of CPS2 on ASX.

#### 7.12. WRITEN OFF

Where on the Non-Viability Conversion Date an Inability Event subsists and Conversion has not been effected within five days after the Non-Viability Conversion Date, to the extent such event prevents Suncorp from Converting CPS2 of a Holder which, but for clause 4.3(c) and this clause 7.12, would be Converted, those CPS2 will be Written Off.

In this clause 7.12 "**Written Off**" means that, in respect of a CPS2 and a Non-Viability Conversion Date:

- (a) the CPS2 will not be Converted in respect of the Non-Viability Trigger Event and will not be Converted, Redeemed or Resold under these Terms on any subsequent date;

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

- (i) if the Shareholder Approval has been obtained, in a winding-up of Suncorp, the Liquidation Sum is the sum which would have been paid in respect of CPS2 out of the surplus available to shareholders in a winding-up as if the CPS2 were the Conversion Number of Ordinary Shares (and if such approval is not obtained the Liquidation Sum remains as provided in clause 10.2(c)); and
- (ii) subject to clauses 2.3, 2.4 and 2.7 and to the requirements of APRA applicable to the payment of dividends on Ordinary Shares, a non-cumulative dividend is payable in respect of the CPS2 if and when a dividend is paid on Ordinary Shares, in an amount determined as if the CPS2 were a number of Ordinary Shares equal to the Conversion Number,

in each case with that Conversion Number (the **Fixed Conversion Number**) being finally determined as if the CPS2 had Converted on the Non-Viability Conversion Date (and subject always to such number not exceeding the Maximum Conversion Number); and

- (c) on and from the sixth day after the Non-Viability Conversion Date clauses 2.1, 2.2, 2.5, 2.8, 3, 4 (other than clause 4.3(c)), 5, 6, 7 (other than this clause 7.12 and any provisions in clause 7 required to give effect to this clause 7.12) and 8 will no longer apply.

## 8. Redemption mechanics

### 8.1. REDEMPTION MECHANICS TO APPLY TO REDEMPTION

If, subject to APRA's prior written approval and compliance with the conditions in clause 5.4, Suncorp elects to Redeem CPS2 in accordance with these Terms, the provisions of this clause 8 apply to that Redemption.

*Holders should not expect that APRA's approval will be given for any Redemption of CPS2 under these Terms.*

# CPS2 Terms

## (continued)

### 8.2. REDEMPTION

CPS2 will be Redeemed by payment on the Exchange Date of the Issue Price plus any amount payable under clause 8.3(a) (iii) (together, the **Redemption Price**) by way of redemption, buy-back, reduction of capital or any combination thereof to the Holder.

### 8.3. EFFECT OF REDEMPTION ON HOLDERS

On the Exchange Date the only right Holders will have in respect of CPS2 will be to obtain the Redemption Price payable in accordance with these Terms and upon payment of the Redemption Price, all other rights conferred, or restrictions imposed, by CPS2 will no longer have effect.

For the purposes of this clause 8:

- (a) where the Redemption involves a buy-back of CPS2:
  - (i) the Exchange Notice constitutes a buy-back offer for the Redemption Price payable on the relevant Exchange Date;
  - (ii) the Holder must accept the buy-back offer for their CPS2 and will be deemed to have accepted that buy-back offer for CPS2 held by that Holder to which the Exchange Notice relates on the date the Exchange Notice or is given and will be deemed to have sold those CPS2 to Suncorp free of all Encumbrances on the Exchange Date;
  - (iii) no Dividend is payable on CPS2 on the Exchange Date, but the Directors may, in their absolute discretion, determine that the consideration payable for each CPS2 that is bought back will include an amount (in addition to the Issue Price) equal to a Dividend calculated in accordance with clause 2 for the Dividend Period ending on (but not including) the Exchange Date;
  - (iv) the buy-back agreement will be taken to include Suncorp's undertaking in clause 2.8 (as qualified by clause 2.9);

- (v) for the purposes of calculating the Redemption Price, any suspension of the right to receive a Dividend arising from the buy-back agreement under applicable law shall be disregarded; and
- (b) if the Redemption involves either or both a reduction of capital with respect to CPS2 and a cancellation of CPS2 and under applicable law Holders are entitled to vote on a resolution to approve that reduction of capital or that cancellation, each Holder agrees to vote in favour of that or those resolutions.

## 9. Resale mechanics

### 9.1. RESALE MECHANICS

If Suncorp elects to Resell CPS2 in accordance with these Terms, the provisions of this clause 9 apply to that Resale.

### 9.2. APPOINTMENT OF NOMINATED PURCHASER

Suncorp must appoint one or more Nominated Purchasers for the Resale on such terms as may be agreed between Suncorp and the Nominated Purchasers. If Suncorp appoints more than one Nominated Purchaser in respect of a Resale, all or any of the CPS2 held by a Holder which are being Resold may be purchased by any one or any combination of the Nominated Purchasers, as determined by Suncorp for the Resale Price.

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

### 9.3. IDENTITY OF NOMINATED PURCHASERS

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

- (a) has undertaken on such terms and subject to such conditions as Suncorp reasonably determines for the benefit of each Holder to acquire each CPS2 from each Holder for the Resale Price on the Exchange Date;
- (b) has a long term counterparty credit rating from one of Standard & Poor's, Moody's or Fitch of not less than investment grade; and
- (c) is not a Controlled Entity of Suncorp.

### 9.4. IRREVOCABLE OFFER TO SELL CPS2

Each Holder on the Exchange Date is taken irrevocably to offer to sell CPS2 the subject of a Resale to the Nominated Purchaser or Nominated Purchasers on the Exchange Date for the Resale Price.

### 9.5. EFFECT OF RESALE

On the Exchange Date subject to payment by the Nominated Purchaser of the Resale Price to the Holders, all right, title and interest in such CPS2 (excluding the right to any Dividend payable on that date) will be transferred to the Nominated Purchaser free from Encumbrances.

### 9.6. EFFECT OF FAILURE BY NOMINATED PURCHASER OR NOMINATED PURCHASERS TO PAY

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

- (a) the Exchange Notice as it relates to the Defaulting Nominated Purchaser will be void;
- (b) CPS2 will not be transferred to the Defaulting Nominated Purchaser on the Exchange Date; and
- (c) Holders will continue to hold the CPS2 referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these terms.

## 10. Ranking of the CPS2

### 10.1. RANKING OF DIVIDENDS

The CPS2 rank in respect of payment of Dividends:

- (a) in priority to Ordinary Shares and other instruments or securities of Suncorp that rank or are expressed to rank behind the CPS2;
- (b) equally among themselves and with all Equal Ranking Instruments; and
- (c) behind:
  - (i) any securities or instruments that rank in priority to the CPS2; and
  - (ii) all Suncorp's debts and liabilities to its creditors, both unsubordinated

and subordinated, other than indebtedness that by its terms ranks equally with or behind the CPS2.

#### 10.2. RANKING IN A WINDING-UP

- (a) In a winding-up of Suncorp, a CPS2 confers upon the Holder the right to payment in cash of the Liquidation Sum out of the surplus (if any) available for distribution to shareholders, but no further or other right to participate in the assets of Suncorp on a return of capital in the winding-up.
- (b) The CPS2 will rank for payment of the Liquidation Sum in a winding-up of Suncorp:
- (i) in priority to Ordinary Shares and other securities that Suncorp may issue that by their terms rank equally with Ordinary Shares;
  - (ii) equally among themselves and with all Equal Ranking Instruments; and
  - (iii) behind:
    - (A) any securities or instruments that rank in priority to the CPS2; and
    - (B) all Suncorp's debts and liabilities to its creditors, both unsubordinated and subordinated, other than indebtedness that by its terms ranks equally with or behind the CPS2 in a winding-up.
- (c) The **Liquidation Sum** is an amount out of surplus assets equal to \$100 plus the amount of any Dividend resolved to be paid but unpaid.

#### 10.3. SHORTFALL ON WINDING-UP

If, upon a winding-up of Suncorp, there are insufficient funds to pay in full the Liquidation Sum in respect of the CPS2 and the amounts payable in respect of any other Equal Ranking Instruments, Holders and the holders of any such other Equally Ranking Instruments will share in any distribution of assets of Suncorp in proportion to the amounts to which they are entitled respectively.

#### 10.4. NO PARTICIPATION IN SURPLUS ASSETS

CPS2 do not confer on their Holders any further right to participate in the surplus assets of Suncorp on a winding-up beyond payment of the Liquidation Sum.

### 11. General rights

#### 11.1. FURTHER ISSUES NOT TO VARY CLASS RIGHTS

Each of the following is expressly permitted and authorised by these Terms and does not affect, or constitute a modification or variation of, the rights or privileges attaching to the CPS2 then on issue:

- (a) the allotment or issue of preference shares (including further CPS2), or the conversion of existing shares into preference shares, ranking equally with or in priority to, or having different rights from, the CPS2 then on issue for participation in profits or assets of Suncorp, and whether entitled to cumulative or non-cumulative dividends;
- (b) a redemption, buy-back or return or distribution of capital in respect of any share capital other than a CPS2, whether ranking behind, equally with, or in priority to, the CPS2;
- (c) the Conversion or Write Off of CPS2 ; and
- (d) the coming into effect of clause 7.12(b) (i).

#### 11.2. NO SET-OFF OR OFFSETTING RIGHTS

A Holder:

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

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

#### 11.3. NO SECURITY

CPS2 are unsecured.

#### 11.4. POWER OF ATTORNEY

- (a) Each Holder appoints each of Suncorp, its officers and any External Administrator of Suncorp (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Terms including, but not limited to, accepting any buy-back offer, effecting any transfers of CPS2, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale.
- (b) The power of attorney given in this clause 11.4 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable.

#### 11.5. HOLDER ACKNOWLEDGMENTS

Each Holder irrevocably:

- (a) upon Conversion of CPS2 in accordance with clause 4 and clause 7, consents to becoming a member of Suncorp and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion;
- (b) acknowledges and agrees that it is obliged to accept Ordinary Shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of CPS2 including:
  - (i) any change in the financial position of Suncorp since the Issue Date;
  - (ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or
  - (iii) any breach by Suncorp of any obligation in connection with CPS2;

# CPS2 Terms

## (continued)

- (c) acknowledges and agrees that:
- (i) where clause 4.2 applies:
    - (A) there are no other conditions to a Non-Viability Conversion occurring as and when provided in clauses 4.1 to 4.3 (inclusive);
    - (B) Conversion must occur immediately on the Non-Viability Conversion Date and that may result in disruption or failures in trading or dealings in CPS2;
    - (C) it will not have any rights to vote in respect of any Non-Viability Conversion; and
    - (D) the Ordinary Shares issued on Non-Viability Conversion may not be quoted at the time of issue, or at all;
  - (ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;
  - (iii) the only conditions to a Conversion on account of an Exchange under clause 5 or a Conversion under clause 6 are the conditions expressly applicable to such Conversion as provided in clauses 5 and 6 of these Terms and no other conditions or events will affect Conversion; and
  - (iv) where clause 7.12 applies, no other conditions or events will affect the operation of that clause and it will not have any rights to vote in respect of any Write Off;
- (d) agrees to provide to Suncorp any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to CPS2 on the occurrence of the Conversion; and
- (e) acknowledges and agrees that:
- (i) a Holder has no right to request a Conversion, Redemption or Resale of any CPS2 or to determine the Exchange Method;
  - (ii) a Holder has no right to apply for Suncorp to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of Suncorp merely on the grounds that Suncorp does not or is or may become unable to pay a Dividend when scheduled in respect of CPS2; and
  - (iii) these Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Dividend on a scheduled Dividend Payment Date will not constitute an event of default.

### 11.6. NO OTHER RIGHTS

CPS2 confer no rights on a Holder:

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

### 11.7. TRANSFERS AND TRANSMISSION

The Constitution contains provisions relating to:

- (a) the transfer of shares; and
- (b) the transmission of shares in certain circumstances (including without limitation on the death of a shareholder),

and the relevant provisions apply with all necessary modifications to a transfer of CPS2.

## 12. Voting rights and meetings

### 12.1. VOTING RIGHTS

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

- (a) on any resolution:
  - (i) to reduce the share capital of Suncorp;;
  - (ii) that may affect the rights attached to CPS2;
  - (iii) to wind up Suncorp; or
  - (iv) for the disposal of the whole of the property, business and undertaking of Suncorp;
- (b) on any resolution to approve the terms of a buy-back agreement;
- (c) on any resolution during a period in which a Dividend or part of a Dividend is in arrears; or
- (d) during the winding-up of Suncorp.

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

### 12.2. NOTICES AND REPORTS

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

## 13. Takeovers and schemes of arrangement

If:

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

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

- (c) Suncorp will not be permitted to elect to Exchange the CPS2 in accordance with clause 5 or to Convert the CPS2 in accordance with clause 6; or
- (d) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition will not be satisfied in respect of the Acquisition Conversion Date in accordance with clause 6,

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

## 14. Payments and other matters

### 14.1. MANNER OF PAYMENT

Monies payable by Suncorp to a Holder in respect of a CPS2 may be paid in any manner Suncorp decides from time to time, including:

- (a) by any method of direct credit determined by Suncorp to the Holder or Holders shown on the Register or to such person or place acceptable to Suncorp as directed by them; or
- (b) by cheque sent by prepaid post on the scheduled payment date, at the risk of the registered Holder, to the Holder (or to the first named joint holder of the CPS2) at its address appearing in the Register.

Cheques sent on the scheduled payment date to the nominated address of a Holder will be taken to have been received by the Holder on that date and no further amount will be payable by Suncorp in respect of the CPS2 as a result of the Holder not receiving payment on that date.

### 14.2. HOLDERS ENTITLED TO PAYMENT

Monies payable by Suncorp in respect of a CPS2 shall be paid:

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

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

### 14.3. UNPRESENTED CHEQUES

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

### 14.4. UNSUCCESSFUL ATTEMPTS TO PAY – OTHER

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

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

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

### 14.5. PAYMENT TO JOINT HOLDERS

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

### 14.6. TIME LIMIT FOR CLAIMS

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

### 14.7. CALCULATIONS AND ROUNDING OF PAYMENTS

Unless otherwise specified in these Terms:

- (a) all calculations of amounts payable in respect of a CPS2 will be rounded to four decimal places; and
- (b) for the purposes of making payment to a Holder in respect of the Holder's aggregate holding of CPS2, any fraction of a cent will be disregarded.

## 15. Amendment of these Terms

### 15.1. AMENDMENTS WITHOUT CONSENT

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

- (a) if Suncorp is of the opinion that the amendment:
  - (i) is of a formal, technical or minor nature;
  - (ii) is made to cure any ambiguity or correct any manifest error;
  - (iii) is necessary or expedient for the purpose of enabling CPS2 to be:
    - (A) listed, or to retain quotation, on any securities exchange (including, without limitation, in connection with any change in the principal securities exchange on which Ordinary Shares are listed);
    - (B) lodged in a clearing system or to remain lodged in a clearing system; or
    - (C) offered for subscription or for sale under the laws for the time being in force in any place;

# CPS2 Terms

## (continued)

- (b) is necessary to comply with:
  - (i) the provisions of any statute or the requirements of any statutory authority; or
  - (ii) the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which Suncorp may propose to seek a listing of CPS2;
- (c) is made in accordance with Suncorp's adjustment rights in clause 7;
- (d) amends any date or time period stated, required or permitted in connection with any Mandatory Conversion, Non-Viability Conversion or Exchange in a manner necessary or desirable to facilitate the Mandatory Conversion, Non-Viability Conversion or Exchange (including without limitation where in connection with a Redemption the proceeds of Redemption are to be reinvested in a new security to be issued by Suncorp or a Related Entity); or
- (e) in Suncorp's opinion, is not likely (taken as a whole and in conjunction with all other amendments or actions, if any, to be made at or about the time of that amendment) to be materially prejudicial to the interests of Holders as a whole.

### 15.2. AMENDMENTS WITH CONSENT

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

### 15.3. NOTIFICATION OF AMENDMENT TO APRA

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

### 15.4. REQUIREMENT FOR APRA APPROVAL

A requirement in this clause 15 for an amendment to be made with APRA's prior written approval applies only where the amendment may affect the eligibility of CPS2 as Residual Tier 1 Capital.

### 15.5. MEANING OF AMEND AND AMENDMENT

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

## 16. Notices

### 16.1. NOTICES TO HOLDERS

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

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

### 16.2. DELIVERY OF CERTAIN NOTICES

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

### 16.3. WHEN NOTICES TO HOLDERS TAKE EFFECT

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

### 16.4. NON-RECEIPT OF NOTICE BY A HOLDER

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

### 16.5. NOTICES TO SUNCORP

A notice or other communication given to Suncorp in connection with CPS2 must be:

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

Attention: Company Secretary

Address: Level 18  
Suncorp Centre  
36 Wickham Terrace  
Brisbane 4000  
Australia

or

Email: investor.relations  
@suncorp.com.au

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

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

### 16.6. WHEN NOTICES TO TAKE EFFECT

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

### 16.7. DEEMED RECEIPT OF NOTICES

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

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

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

## 17. Quotation on ASX

Suncorp must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of CPS2 on ASX.

## 18. Governing law and jurisdiction

### 18.1. GOVERNING LAW

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

### 18.2. JURISDICTION

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

## 19. Interpretation and definitions

### 19.1. INTERPRETATION

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution then, to the maximum extent permitted by law, the provisions of these Terms will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of Suncorp under these Terms as are not, by the Corporations Act or by the Constitution, required to be exercised by Suncorp in a general meeting.
- (c) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms.
- (d) If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (e) Subject to clause 19.1(a), definitions and interpretation under the Constitution will also apply to these

Terms unless the contrary intention is expressed.

- (f) The terms "takeover bid", "relevant interest", "scheme of arrangement", "buy-back" and "on-market buy-back" when used in Terms have the meaning given in the Corporations Act.
- (g) Headings and boldings are for convenience only and do not affect the interpretation of these Terms.
- (h) The singular includes the plural and vice versa.
- (i) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (j) If an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day, unless a contrary intention is expressed.
- (k) A reference to dollars, AUD, A\$, \$ or cents is a reference to the lawful currency of Australia.
- (l) Any reference to any requirements of APRA or any other prudential regulatory requirements in these Terms will apply or be operative with respect to Suncorp only if Suncorp is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of a holding company, which is subject to regulation and supervision by APRA at the relevant time.
- (m) Any requirement for APRA's consent or approval in any provision of these Terms will apply only if APRA requires that such consent or approval be given at the relevant time.
- (n) A reference to any term defined by APRA (including, without limitation, "Level 2", "Residual Tier 1 Capital" and "Tier 1 Capital") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.

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

### 19.2. DEFINITIONS FOR TERMS

**Acquisition Event** means:

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

# CPS2 Terms

## (continued)

(b) all regulatory approvals necessary for the acquisition to occur have been obtained.

**Acquisition Event Notice** has the meaning given in clause 6.1.

**Acquisition Conversion Date** has the meaning given in clause 6.3.

**Acquisition Conversion Notice** has the meaning given in clause 6.2.

**Adjustment Notice** has the meaning given in clause 7.8.

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

**ASX** means ASX Limited (ABN 98 008 624 691).

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

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

**Attorney** has the meaning given in clause 11.4.

**Australian Basel III Rules** means the final form of prudential rules applied to entities regulated by APRA resulting from the Basel III Consultation Papers.

**Bank Bill Rate** has the meaning given in clause 2.1.

**Basel III Consultation Papers** means the document entitled "Basel III: A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on Banking Supervision on 16 December 2010 and revised in June 2011 and any related releases, papers, proposals (including, without limitation, the release of 13 January 2011) and any related prudential standards or guidelines of the Basel Committee on Banking Supervision or APRA as applicable to general insurers and their authorised non-operating holding companies (including, without limitation, APRA's Response to Submissions in relation to the Review of capital standards for

general insurers and life insurers dated 9 December 2011 and APRA's Response to Submissions entitled "Review of capital standards for general insurers and life insurers" dated 31 May 2012 (and the draft prudential standards attached to that document)).

**Bookbuild** means the process conducted prior to the opening of the Offer whereby certain investors lodged bids for CPS2 and, on the basis of those bids, Suncorp and the joint lead managers to the Offer determined the Margin.

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

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

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

**Control** has the meaning given in the Corporations Act.

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

**Conversion** means, in relation to a CPS2, subject to amendment in accordance with clause 15.1(d), the taking effect of the rights specified in clause 7 in relation to that CPS2, and Convert, Converted and Converting have corresponding meanings.

**Conversion Number** has the meaning given in clause 7.1.

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

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

**CPS2** has the meaning given in clause 1.1.

**Cum Value** has the meaning given in clause 7.2.

**Defaulting Nominated Purchaser** has the meaning given in clause 9.6.

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

**Deferred Conversion Date** has the meaning given in clause 5.6.

**Deferred Conversion Notice** has the meaning given in clause 5.6.

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

(a) Suncorp has ceased to be listed or Ordinary Shares have ceased to be quoted on ASX on or before that date (and where the cessation occurred before that date, Suncorp or the Ordinary Shares continue not to be listed or quoted (as applicable) on that date);

(b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:

(i) at least five consecutive Business Days prior to that date; and

(ii) that date; or

(c) an Inability Event subsists.

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

**Dividend** has the meaning given in clause 2.

**Dividend Payment Date** has the meaning given in clause 2.5.

**Dividend Period** means in respect of:

(a) the first Dividend Period, the period from (and including) the Issue Date until (but not including) the first Dividend Payment Date after the Issue Date; and

(b) each subsequent Dividend Period, the period from (and including) the preceding Dividend Payment Date until (but not including) the next Dividend Payment Date.

**Dividend Rate** has the meaning given in clause 2.1.

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



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

**Equal Ranking Instruments** means:

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

**Exchange** means:

- (a) Conversion in accordance with and subject to clause 7;
  - (b) Redemption in accordance with and subject to clause 8; or
  - (c) Resale in accordance with clause 9,
- and **Exchanged** has a corresponding meaning.

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

**Exchange Method** has the meaning given in clause 5.3.

**Exchange Notice** has the meaning given in clause 5.1.

**External Administrator** means, in respect of a person:

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

or in either case any similar official.

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

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

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

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

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

**Fixed Conversion Number** has the meaning in clause 7.12(b).

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

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

**Group** means Suncorp and each of its Subsidiaries.

**Holder** means a person whose name is registered in the Register as the holder of a CPS2.

**Inability Event** means Suncorp is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of Suncorp) or any other reason from Converting the CPS2.

**Issue Date** means the date on which the issue and allotment of CPS2 to successful applicants is completed, in accordance with these Terms.

**Issue Date VWAP** means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which CPS2 were issued, as adjusted in accordance with clauses 7.4 to 7.7 (inclusive).

**Issue Price** has the meaning given in clause 1.2.

**Liquidation Sum** has the meaning given in clause 10.2 (as it may be affected by clause 7.12).

**Mandatory Conversion** means the mandatory conversion of CPS2 to Ordinary Shares on the Mandatory Conversion Date in accordance with clause 3.

**Mandatory Conversion Conditions** has the meaning given in clause 3.3.

**Mandatory Conversion Date** has the meaning given in clause 3.2.

**Margin** has the meaning given in clause 2.1.

**Maximum Conversion Number** has the meaning given in clause 7.1.

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

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

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

**Non-Viability Conversion** means the Conversion of CPS2 to Ordinary Shares on the Non-Viability Conversion Date in accordance with clause 4.2.

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

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

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

**Offer** means the invitation under the Prospectus made by Suncorp for persons to subscribe for CPS2.

**Optional Conversion Restrictions** has the meaning given in clause 5.5.

**Optional Exchange Date** means 17 December 2017.

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

# CPS2 Terms

## (continued)

**Potential Acquisition Event** means:

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

**Prospectus** means the prospectus for the Offer including these Terms.

**Record Date** means, for a Dividend:

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

**Redeem** means, in relation to a CPS2, subject to amendment in accordance with clause 15.1(d), redeem, buy back (other than an on-marked buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS2 in accordance with clause 8 and Redeemed and Redemption have corresponding meanings.

**Redemption Price** has the meaning given in clause 8.2.

**Register** means the register of CPS2 maintained by or on behalf of Suncorp and including any subregister established and maintained in CHESS.

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

**Regulatory Event** means:

- (a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a prospective change) in any law or regulation or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations (including, without limitation, any such action arising as a result of the Basel III Consultation Papers which apply to Suncorp or any other member of the Group) which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date, additional requirements would be imposed on Suncorp in relation to or in connection with CPS2 which the Directors determine, in their absolute discretion, to be unacceptable; or
- (b) the determination by the Directors that Suncorp is not or will not be entitled to treat some or all CPS2 as Residual Tier 1 Capital (including, without limitation, as a result of the Australian Basel III Rules which apply to Suncorp or any other member of the Group), except where the reason Suncorp is not or will not be entitled to treat some or all CPS2 as Residual Tier 1 Capital is because of a limit or other restriction on the recognition of Residual Tier 1 Capital which is in effect on the Issue Date or which on the Issue Date is expected by Suncorp may come into effect (including without limitation a limit which applies in the event that the Shareholder Approval is not obtained or a limit or other restriction arising on or from a given date under the Basel III Consultation Papers which is known to Suncorp as at the Issue Date).

**Related Entity** has the meaning given in the Corporations Act.

**Relevant Date** has the meaning given in clause 3.2.

**Relevant Dividend Payment Date** has the meaning given in clause 2.8.

**Relevant Fraction** has the meaning given in clause 7.1.

**Relevant Tier 1 Capital Instruments**

means Tier 1 Capital instruments (including CPS2) that, in accordance with their terms or by operation of law, are capable of being converted or written off where APRA makes a determination under clause 4.1.

**Reorganisation** means, in relation to Suncorp, a division, consolidation or reclassification of Suncorp's share capital not involving any cash payment or other distribution to or by holders of Ordinary Shares.

**Resale** means, in relation to a CPS2, subject to amendment in accordance with clause 15.1(d), the taking effect of the rights specified in clause 9 in relation to that CPS2, and **Resold** and **Resell** have corresponding meanings.

**Resale Price** means, for a CPS2, a cash amount equal to its Issue Price.

**Residual Tier 1 Capital** means the residual tier 1 capital of the Group as defined by APRA from time to time (and includes a reference to "Additional Tier 1 Capital" as described in the Basel III Consultation Papers).

**Scheduled Mandatory Conversion Date** has the meaning given in clause 3.2.

**Second Mandatory Conversion Condition** has the meaning given in clause 3.3.

**Second Optional Conversion Restriction** has the meaning given in clause 5.5.

**Second Test Period** has the meaning given in clause 3.3.

**Shareholder Approval** means the approval to permit clause 7.12(b)(i) by a special resolution of the members of Suncorp entitled to vote on that resolution.

**Special Resolution** means a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution.

**Subsequent Mandatory Conversion Date** has the meaning given in clause 3.2.

**Subsidiary** has the meaning given in the Corporations Act.

**Suncorp Shares** means Ordinary Shares or any other shares in the capital of Suncorp.

**Suncorp** means Suncorp Group Limited (ABN 66 145 290 124).

**Suncorp Details Notice** has the meaning given in clause 16.5.

**Tax Act** means:

- (a) the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) as the case may be and a reference to any section of the Income Tax Assessment Act 1936 (Cth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1997 (Cth); and
- (b) any other Act setting the rate of income tax payable and any regulation promulgated under it.

**Tax Event** means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or
- (c) any amendment to, clarification of, or change in an Administrative Action that provides for a position that differs from the current generally accepted position,

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which pronouncement or decision is announced, on or after the Issue Date and which is not

expected by Suncorp on the Issue Date, there is more than an insubstantial risk which the Directors determine (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) at their absolute discretion to be unacceptable that:

- (i) any Dividend would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act; or
- (ii) Suncorp would be exposed to more than a *de minimis* increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other charges) in relation to CPS2.

**Terms** means these terms of issue of CPS2.

**Third Mandatory Conversion Condition** has the meaning given in clause 3.3.

**Tier 1 Capital** means the tier 1 capital of the Group as defined by APRA from time to time.

**Written Off** has the meaning given in clause 7.12 and **Write Off** has a corresponding meaning.

**VWAP** means, subject to any adjustments under clause 7, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

**VWAP Period** means:

- (a) in the case of a Conversion resulting from a Potential Acquisition Event or an Acquisition Event, the lesser of:
  - (i) 20 Business Days on which trading in Ordinary Shares takes place; and
  - (ii) the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Potential Acquisition Event or Acquisition Event (as the case may be);in each case immediately preceding (but not including) the Business Day before the Exchange Date or Acquisition Conversion Date in respect of that event (as the case may be);
- (b) in the case of a Conversion resulting from a Non-Viability Trigger Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Non-Viability Conversion Date;
- (c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Terms; or
- (d) otherwise, the period for which VWAP is to be calculated in accordance with these Terms.



# Glossary

This Appendix provides a glossary of key terms and abbreviations used throughout this Prospectus and the attached, or accompanying, Application Forms. There is also a list of further defined terms in clause 19.2 of the CPS2 Terms immediately prior to this Glossary on page 111.

TERM	MEANING
ABN	Australian Business Number.
ACCC	Australian Competition and Consumer Commission.
Acquisition Event	Broadly, occurs when certain takeover bids or schemes of arrangement occur in relation to Suncorp. Acquisition Event is discussed in Section 5.1.8. For the full definition – see clause 19.2 of the CPS2 Terms.
Acquisition Conversion Date	The date on which Conversion as a result of an Acquisition Event is to occur, as discussed in Section 2.7.2. For the full definition – see clause 6.3 of the CPS2 Terms.
Acquisition Conversion Notice	Has the meaning given in clause 19.2 of the CPS2 Terms. Acquisition Conversion Notice is discussed in Section 2.7.2. For the full definition – see clause 6.2 of the CPS2 Terms.
Additional Tier 1 Capital	Has the meaning described in the Basel III Consultation Papers.
AFSL	Australian Financial Services Licence.
AGM	Annual General Meeting.
ANZ Securities	ANZ Securities Limited (ABN 16 004 997 111, AFSL 237531).
Applicant	A person who submits an Application.
Application	A valid application for a specified number of CPS2 made pursuant to either: <ul style="list-style-type: none"> <li>• the applicable Application Form; or</li> <li>• in respect of the Institutional Offer, a duly completed confirmation letter or by such other procedure advised by the Joint Lead Managers.</li> </ul>
Application Form	Each of the application forms attached to, or accompanying, this Prospectus upon which an Application may be made, being: <ul style="list-style-type: none"> <li>• the personalised Application Form provided to Eligible Securityholders for Applications under the Securityholder Offer;</li> <li>• the blue Application Form in the back of this Prospectus to be used by General Applicants under the General Offer;</li> <li>• the orange Application Form in the back of this Prospectus to be used by Broker Firm Applicants under the Broker Firm Offer; and</li> <li>• the electronic Application Form provided for online Applications under the Securityholder Offer and General Offer.</li> </ul>
Application Payment	The monies payable on each Application, calculated as the number of CPS2 applied for multiplied by the Issue Price.
APRA	Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of Suncorp or the Group.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691), or the market operated by it, as the context requires.
ASX Listing Rules	The listing rules of ASX, as amended, varied or waived (whether in respect of Suncorp or generally) from time to time.
AUSTRAC	The Australian Transaction Reports and Analysis Centre.
Australian Basel III Rules	The final form of prudential rules applied to entities regulated by APRA resulting from the Basel III Consultation Papers.
Bank Bill Rate	Has the meaning given in clause 2.1 of the CPS2 Terms.
Banking Act	<i>Banking Act 1959</i> (Cth).
Basel III Consultation Papers	Has the meaning given in clause 19.2 of the CPS2 Terms.
BBSW	Has the meaning described in Section 2.3.3.
Bell Potter	Bell Potter Securities Limited (ABN 25 006 390 772, AFSL 243480).
Board or Board of Directors	The board of directors of Suncorp.
Bookbuild	The process described in Section 6.5.1 to determine the Margin. See clause 19.2 of the CPS2 Terms.
Broker Firm Applicant	An Australian resident retail or high net worth client of a Syndicate Broker invited to participate through the Broker Firm Offer.
Broker Firm Offer	The offer of CPS2 under this Prospectus to retail and high net worth clients, of Syndicate Brokers, resident in Australia who have received a firm allocation from their Syndicate Broker.

# Glossary

## (continued)

TERM	MEANING
Business Day	A business day as defined in the ASX Listing Rules.
Capital Adequacy Ratio	Capital base divided by total assessed risk, as defined by APRA.
CET1	Core equity tier 1 (ordinary shareholder equity and retained profits less tier 1 and tier 2 regulatory deductions).
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).
Closing Date	The last date by which Applications must be lodged for the Offer, being: <ul style="list-style-type: none"> <li>5:00pm (Sydney time) on 30 October 2012 for the Securityholder Offer and General Offer (unless varied); and</li> <li>10:00am (Sydney time) on 5 November 2012 for the Broker Firm Offer (unless varied).</li> </ul>
Co-Managers	Bell Potter and JBWere.
Constitution	The constitution of Suncorp, as amended from time to time.
Controlled Entity	Has the meaning given in clause 19.2 of the CPS2 Terms.
Conversion	The conversion of CPS2 into Ordinary Shares in accordance with clause 7 of the CPS2 Terms. Convert and Converted have corresponding meanings.
Conversion Test Date Percentage	Has the meaning given in clause 3.3 of the CPS2 Terms.
Conversion Number	Has the meaning given in clause 7.1(b) of the CPS2 Terms.
Core Bank	The Suncorp Group's core banking business as described in Section 3.4.2.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CPS	The convertible preference shares issued by SML in 2008 under a prospectus dated 14 May 2008 (which replaced a prospectus dated 6 May 2008) as amended on 12 November 2012.
CPS2	Convertible preference shares, being fully paid preference shares issued by Suncorp which are to be issued under this Prospectus.
CPS2 Holder	A person whose name is registered as the holder of a CPS2.
CPS2 Terms	Terms and conditions of CPS2 as set out in Appendix A, as amended from time to time.
Delisting Event	Broadly occurs when Suncorp is delisted, its Ordinary Shares have been suspended from trading for a certain period, or it is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting CPS2 – see clause 19.2 of the CPS2 Terms.
Directors	Some or all of the directors of Suncorp acting individually or as a board (as the context requires).
Distribution Restriction	The restriction is discussed in Section 2.3.8. For the full definition – see clause 2.8 of the CPS2 Terms.
Dividend	See clause 2 of the CPS2 Terms.
Dividend Payment Date	In respect of a CPS2, 17 December 2012, and after that each 17 March, 17 June, 17 September, and 17 December until the date that the CPS2 is Redeemed or Converted. For the full definition – see clause 2.5 of the CPS2 Terms.
Dividend Payment Tests	In relation to Dividends, each Dividend is subject to: <ul style="list-style-type: none"> <li>the Directors, at their absolute discretion, resolving to pay the Dividend on the relevant Dividend Payment Date;</li> <li>the payment of the Dividend not resulting in the Eligible Capital of the Group not complying with APRA's then current capital adequacy guidelines as they are applied to the Group at that time;</li> <li>the payment not resulting in Suncorp becoming, or being likely to become, insolvent; and</li> <li>APRA not otherwise objecting to the payment of the Dividend.</li> </ul>
Dividend Period	A period from (and including) either the Issue Date until (but not including) the first Dividend Payment Date, or from a subsequent Dividend Payment Date until (but not including) the following Dividend Payment Date. For the full definition – see clause 19.2 of the CPS2 Terms.
Dividend Rate	The dividend rate on CPS2 calculated using the formula described in Section 2.3.2. For the full definition – see clause 2.1 of the CPS2 Terms.
Eligible Capital	Means the "Level 3 Group Eligible Capital" as defined in Suncorp's authority to be a non-operating holding company of a general insurer dated 30 November 2010 (as it may be amended) or any successor requirement as designated by APRA.
Eligible Securityholder	A Securityholder who is: <ul style="list-style-type: none"> <li>a registered holder of Ordinary Shares, RPS, Floating Rate Capital Notes or CPS (as applicable) on 17 September 2012;</li> <li>shown on the applicable register as having an address in Australia; and</li> <li>not in the United States or acting as a nominee for a person in the United States.</li> </ul>

TERM	MEANING
Embedded Value	Equivalent to the sum of the adjusted net worth and the net present value of all future cashflows distributable to the shareholder that are expected to arise from in-force business, together with the value of franking credits.
Equal Ranking Instruments	Has the meaning given in clause 19.2 of the CPS2 Terms.
Exchange	Means: <ul style="list-style-type: none"> <li>• Conversion in accordance with and subject to clause 7 of the CPS2 Terms;</li> <li>• Redemption in accordance with and subject to clause 8 of the CPS2 Terms; or</li> <li>• Resale in accordance with and subject to clause 9 of the CPS2 Terms.</li> </ul> Exchanged has a corresponding meaning.
Exchange Date	The date on which Exchange is to occur. For the full definition – see clause 5.2(b) of the CPS2 Terms.
Exchange Method	The means by which Exchange is effected. For the full definition – see clause 5.3 of the CPS2 Terms.
Exchange Notice	A notice issued by Suncorp to a CPS2 Holder under clause 5.1 of the CPS2 Terms.
Executive Performance Share Plan	The Suncorp Executive Performance Share Plan (2002), being a share plan established by the Board in December 2002.
Exposure Period	The seven day period after the date the Original Prospectus was lodged with ASIC during which the Corporations Act prohibits the processing of Applications.
FATCA	Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (or any consolidation, amendment, re-enactment or replacement of those sections and including any current or future regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those sections).
First Mandatory Conversion Condition	The First Mandatory Conversion Condition is discussed in Section 2.4.4. For the full definition – see clause 3.3 of the CPS2 Terms.
First Test Date Percentage	Has the meaning given in clause 3.3 of the CPS2 Terms.
Floating Rate Capital Notes	The floating rate capital notes issued by SML in 1998 under a prospectus dated 26 October 1998.
General Applicant	A member of the general public who is an Australian resident and who applies under the General Offer.
General Insurance	The Suncorp Group's general insurance and associated businesses.
General Offer	The invitation to members of the general public who are resident in Australia to apply for CPS2 under this Prospectus.
Greenwoods & Freehills	Greenwoods & Freehills Pty Limited (ABN 60 003 146 852).
Gross Written Premium or GWP	The total premiums relating to insurance policies underwritten by a direct insurer or reinsurer during a specified period and measured from the date of attachment of risk and before payment of reinsurance premiums. The attachment date is the date the insurer accepts risk from the insured.
GST	Has the meaning given by section 195-1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
HIN	Holder Identification Number for Ordinary Shares or CPS2 (when issued) held on the CHESS subregister.
Holding Statement	A statement issued to CPS2 Holders by the Registry which sets out details of CPS2 allotted to them under the Offer.
Inability Event	If Suncorp is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of Suncorp) or by any other reason from Converting CPS2 which would otherwise be Converted on a Non-Viability Conversion Date. Inability Event is discussed in Sections 2 and 5.1.11.
Institutional Investor	An investor to whom offers or invitations in respect of CPS2 can be made without the need for a lodged prospectus (or other formality, other than a formality which Suncorp is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act and who was invited by the Joint Lead Managers to bid for CPS2 in the Bookbuild, provided that such investor may not be in the United States.
Institutional Offer	The invitation by the Joint Lead Managers to Institutional Investors to bid for CPS2 in the Bookbuild.
Insurance Trading Result	Underwriting result plus investment income on assets backing technical reserves.
Issue Date	The date that the issue and allotment of CPS2 to successful Applicants is completed, expected to be 6 November 2012.
Issue Price	The issue price for CPS2 under this Prospectus, being \$100 per CPS2. For the full definition – see clause 1.2 of the CPS2 Terms.
ITR	The insurance trading result expressed as a percentage of net earned premium.
JBWere	JBWere Pty Ltd (ABN 68 137 978 360, AFSL 341162).
Joint Lead Managers	ANZ Securities, National Australia Bank, RBS Morgans, UBS and Westpac Institutional Bank.

# Glossary

## (continued)

TERM	MEANING
KPMG TS	KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 215, AFSL 246901).
Life underlying profit	Total net profit after tax less market adjustments. Market adjustments represent the impact of movements in discount rates on the value of policy liabilities, investment income experience on invested shareholder assets and annuities mismatches.
Liquidation Sum	In respect of each CPS2 held, the sum of: <ul style="list-style-type: none"> <li>• the Issue Price; and</li> <li>• the amount of any Dividend resolved to be paid but unpaid.</li> </ul> For the full definition – see clause 10.2 of the CPS2 Terms (but note it may be affected as described in clause 7.12 of the CPS2 Terms).
Mandatory Conversion	The mandatory conversion under clause 3 of the CPS2 Terms. Mandatorily Convert has a corresponding meaning.
Mandatory Conversion Conditions	Has the meaning given in Section 2.4.4. For the full definition – see clause 3.3 of the CPS2 Terms.
Mandatory Conversion Date	The earlier of 17 December 2019 and the next Dividend Payment Date after that date on which the Mandatory Conversion Conditions are satisfied. For the full definition – see clause 19.2 of the CPS2 Terms.
Margin	4.65% per annum, as determined under the Bookbuild. For the full definition – see clause 2.1 of the CPS2 Terms.
Maximum Conversion Number	Has the meaning given in clause 19.2 of the CPS2 Terms. For the full definition – see clause 7.1 of the CPS2 Terms.
Minimum Capital Requirement or MCR	The capital required by Suncorp's primary prudential regulator, APRA, to be maintained in order to enable the Group's insurance obligations to be met under a wide range of circumstances, or any successor requirement as designated by APRA. MCR is calculated on a risk-based assessment for measurement of assets and liabilities under the prudential principles for insurance companies.
National Australia Bank	National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686).
NOHC	Non-operating holding company.
Nominated Purchaser(s)	Has the meaning given in clause 19.2 of the CPS2 Terms.
Non-Core Bank	The Suncorp Group's non-core bank portfolio position as described in Section 3.4.2.
Non-Viability Conversion	Has the meaning given in Section 2.6. For the full definition – see clause 4.2 of the CPS2 Terms.
Non-Viability Conversion Date	Has the meaning given in clause 4.2 of the CPS2 Terms.
Non-Viability Trigger Event	Non-Viability Trigger Event is discussed in Sections 2.6 and 5.1.11. See clause 4.1 of the CPS2 Terms.
NPAT	Net profit after tax.
Offer	The offer by Suncorp of CPS2 under this Prospectus to raise \$500 million with the ability to raise more or less.
Offer Management Agreement	The offer management agreement entered into between Suncorp and the Joint Lead Managers, as described in Section 9.5.
Offer Period	The period from the Opening Date to the Closing Date.
Opening Date	The day the Offer opens, being 3 October 2012, unless varied.
Optional Conversion Restrictions	Has the meaning given in Section 2.5. For the full definition – see clause 5.5 of the CPS2 Terms.
Optional Exchange	Has the meaning given in Section 2.5. For the full definition – see clause 5.1 of the CPS2 Terms.
Optional Exchange Date	17 December 2017. See clause 19.2 of the CPS2 Terms.
Original Prospectus	The prospectus dated 25 September 2012 and lodged with ASIC on that date, which this Prospectus replaces.
Ordinary Share	A fully paid ordinary share in the capital of Suncorp.
Potential Acquisition Event	Has the meaning given in clause 19.2 of the CPS2 Terms.
Privacy Act	<i>Privacy Act 1988</i> (Cth).
Profit after tax from business lines	The net profit after tax for the General Insurance, Bank and Life business lines.
Prospectus	This document (including the electronic form of this document), and any supplementary or replacement prospectus in relation to this document, including the CPS2 Terms.



TERM	MEANING
RBA	Reserve Bank of Australia.
RBNZ	Reserve Bank of New Zealand.
RBS Morgans	RBS Morgans Limited (ABN 49 010 669 726, AFSL 235410).
Record Date	Has the meaning given in clause 19.2 of the CPS2 Terms.
Redeem	In relation to a CPS2, to redeem, buy back (other than by an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS2 in accordance with clause 19.2 of the CPS2 Terms. Redeemed and Redemption have corresponding meanings.
Register	The official register of Ordinary Shares and/or CPS2 (if issued) as the context requires, each being maintained by the Registry on Suncorp's behalf and including any subregisters established and maintained in CHESS.
Registry	Link Market Services Limited (ABN 54 083 214 537) or any other registry that Suncorp appoints to maintain the Register.
Regulatory Event	Broadly, occurs when Suncorp receives legal advice that, as a result of a change of law or regulation on or after the Issue Date, additional requirements would be imposed on Suncorp in relation to CPS2 which the Directors determine to be unacceptable, or under which the Directors determine that Suncorp is not or will not be entitled to treat some or all CPS2 as Residual Tier 1 Capital. For the full definition – see clause 19.2 of the CPS2 Terms.
Residual Tier 1 Capital	"Residual Tier 1 Capital" of the Group as defined by APRA from time to time and includes a reference to "Additional Tier 1 Capital" as described in the Basel III Consultation Paper.
RPS	The fully paid reset preference shares issued by SML on or about 30 August 2001 according to the terms of issue set out in the information memorandum dated 16 August 2001 and in the placement offer letter dated 3 September 2001.
Relevant Fraction	Relevant Fraction is discussed in Section 2.4.4. For the full definition – see clause 7.1 of the CPS2 Terms.
Relevant Tier 1 Capital Instruments	Relevant Tier 1 Capital Instruments are discussed in Section 2.6.2. For the full definition – see clause 19 of the CPS2 Terms.
Resale	Resale is discussed in Section 2.5.8. For the full definition – see clause 9 of the CPS2 Terms. Resold and Resell have corresponding meanings.
Resale Price	Resale Price is discussed in Section 2.5.8. For the full definition – see clause 19.2 of the CPS2 Terms.
Second Mandatory Conversion Condition	The Second Mandatory Conversion Condition is discussed in Section 2.4.4. For the full definition – see clause 3.3 of the CPS2 Terms.
Securityholder	A holder of an Ordinary Share, RPS, Floating Rate Capital Notes or CPS as the context requires.
Securityholder Applicant	An Eligible Securityholder who applies under the Securityholder Offer.
Securityholder Offer	The invitation to Eligible Securityholders to apply for CPS2 under this Prospectus.
Shareholder	A holder of Ordinary Shares from time to time.
Shareholder Approval	Approval by Special Resolution of Shareholders to amend the Constitution to allow the Board to determine, in the terms of issue of any preference shares, the rights of preference shareholders to a return of capital on the winding up of Suncorp. In respect of CPS2, this amendment will enable the Liquidation Sum payable on a winding up of Suncorp to be the sum which would have been paid in respect of CPS2 out of the surplus available to Shareholders in a winding up as if the CPS2 were the Conversion Number of Ordinary Shares. Shareholder approval is discussed in Section 5.1.19.
SML	Suncorp-Metway Limited (ABN 66 010 831 722).
Special Resolution	Has the meaning given in clause 19.2 of the CPS2 Terms.
SRN	Securityholder Reference Number for Ordinary Shares or CPS2 (when issued) held on the issuer sponsored subregister.
Suncorp	Suncorp Group Limited (ABN 66 145 290 124).
Suncorp Bank or Bank	The Suncorp Group's banking and associated businesses.
Suncorp Group or Group	The statutory consolidated group comprising Suncorp and its subsidiaries. The Suncorp Group and its activities are described in Section 3.
Suncorp Life or Life	The Suncorp Group's life insurance, superannuation and associated businesses.
Syndicate Broker	Any of the Joint Lead Managers and any senior co-manager, co-managers and brokers appointed by the Joint Lead Managers with the approval of Suncorp.

# Glossary

## (continued)

TERM	MEANING
Tax Event	Broadly, occurs when the directors receive advice that, as a result of a change in Australian tax law, or an administrative pronouncement or ruling, on or after the Issue Date, there is a more than insubstantial risk that a Dividend would not be frankable or that Suncorp would be exposed to more than an insignificant increase in its costs in relation to CPS2 being on issue. For the full definition – see clause 19.2 of the CPS2 Terms.
TFN	Tax File Number.
Third Mandatory Conversion Condition	The Third Mandatory Conversion Condition is discussed in Section 2.4.4. For the full definition – see clause 3.3 of the CPS2 Terms.
Tier 1 Capital	Tier 1 capital as defined by APRA from time to time.
Tier 2 Capital	Tier 2 capital as defined by APRA from time to time.
Treasury Shares	Ordinary shares of Suncorp that are acquired by subsidiaries including share-based remuneration trusts and controlled unit trusts. They are deducted from consolidated equity at the amount of the consideration paid. No gain or loss on treasury shares is recognised.
UBS	UBS AG, Australia Branch (ABN 47 088 129 613, AFSL 231087).
Underlying ITR	ITR adjusted for reserve releases, natural hazards, investment income mismatch and other adjustments.
US Securities Act	US Securities Act of 1933.
Westpac Institutional Bank	Westpac Institutional Bank, a division of Westpac Banking Corporation (ABN 33 007 457 141, AFSL 233714).
Written Off or Write Off	Has the meaning described in Section 2.6.6. For the full definition – see clause 19.2 of the CPS2 Terms.
VWAP	Has the meaning described in Section 2.4.5. For the full definition – see clause 19.2 of the CPS2 Terms.



Grid for Broker Code

Grid for Adviser Code

CPS2 Offer – General Offer Application Form

This is an Application Form for Convertible Preference Shares (CPS2) in Suncorp Group Limited (Suncorp) under the the General Offer on the terms set out in the accompanying prospectus and any supplementary or replacement prospectus (Prospectus). You may apply for a minimum of 50 CPS2 (A\$5,000). This Application Form and your cheque or money order must be received by 5:00pm (Sydney time) on 30 October 2012\*.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in CPS2 and you should read the entire Prospectus carefully before applying for CPS2.

To meet the requirements of the Corporations Act 2001 (Cth), this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

\*Suncorp and the Joint Lead Managers may agree to extend the Offer Period, to close the Offer early without notice or to withdraw the Offer at any time before CPS2 are issued.

A CPS2 applied for [ ] at A\$100.00 B A\$ [ ] Application Payment

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C Applicant #1 Surname/Company Name [ ] Title First Name Middle Name

Joint Applicant #2 Surname [ ] Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3) [ ]

PLEASE COMPLETE ADDRESS DETAILS

D PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable) [ ] Unit Number/Level Street Number Street Name Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of securityholder information) [ ]

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

E X [ ]

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any CPS2 issued as a result of the Offer will be held on the issuer sponsored sub-register.

F Telephone Number where you can be contacted during Business Hours Contact Name (PRINT) [ ]

Cheques or money orders should be made payable to "Suncorp Group Preference Share Account" in Australian currency and crossed "Not Negotiable".

G Cheque or Money Order Number BSB Account Number [ ]

Total Amount A\$ [ ]

LODGEMENT INSTRUCTIONS

You must return your Application Form and Application Payment so it is received before 5:00pm (Sydney time) on 30 October 2012 to: Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

SUN IPO001



# Your Guide to the Application Form

Further details about CPS2 are contained in the Prospectus issued by Suncorp. The Prospectus will expire on the date which is 13 months after the date of the Original Prospectus. While the Prospectus is current, Suncorp will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

ASIC requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the CPS2. You should read the Prospectus in its entirety before applying for CPS2.

**By returning this Application Form and the Application Payment, I/we make the acknowledgements, declarations, representations and warranties set out in Section 9.8 of the Prospectus.**

Please complete all relevant white sections of this Application Form in **BLOCK LETTERS**, using black or blue ink. These instructions are cross-referenced to each section of this Application Form.

## HOW TO APPLY FOR CPS2

- A** Insert the number of CPS2 you wish to apply for. You may apply for a minimum of 50 CPS2 (A\$5,000), and in multiples of 10 CPS2 thereafter. You may be issued all of the CPS2 applied for or a lesser number.
- B** Insert the total Application Payment. To calculate the total amount, multiply the number of CPS2 applied for by the Issue Price (A\$100.00). Amounts must be in Australian dollars. Please make sure the amount of your cheque or money order equals this amount. If the amount of any cheque or money order is insufficient to pay for the number of CPS2 that you have applied for, or, if there are insufficient funds held in a relevant account to cover a cheque that you have drawn, then Suncorp may, in consultation with the Joint Lead Managers determine that you have applied for such lower number of CPS2 as your cleared application monies will pay for (in multiples of 10 CPS2) and you will be deemed to have specified that number in your Application Form. If you provide a cheque or money order for an amount that is not in multiples of 10 CPS2, Suncorp will round down the dollar amount of CPS2 that you are applying for to the next lowest multiple of 10 CPS2.
- C** Write the full name you wish to appear on the register of CPS2. This must be either an individual's name or the name of a legal entity. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Please enter your postal address for all correspondence. All communications to you from Suncorp and the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHESS holder or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. You can find this number in your CHESS holding statement. If you do not know your HIN, contact your sponsoring broker. If the name or address recorded on CHESS for this HIN is different to the details given on this Application Form, your CPS2 will be issued to Suncorp's issuer sponsored subregister.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application Form.
- G** Please complete the details of your cheque or money order in this section. The total amount of your cheque or money order should correlate with the amount shown in section B.
- Make your cheque or money order payable to **"Suncorp Group Preference Share Account"** in Australian currency and cross it "Not Negotiable". Your cheque or money order must be drawn on an Australian bank account. Sufficient cleared funds should be held in your account, as cheques returned unpaid will result in your Application Form being rejected.

## LODGEMENT INSTRUCTIONS

This Application Form and your cheque or money order must be mailed or delivered so that it is received before 5:00pm (Sydney time) on 30 October 2012 at:

<p><b>Postal Delivery</b> Suncorp CPS2 Offer C/- Link Market Services Limited GPO Box 3560 Sydney NSW 2001</p>	or	<p><b>Postal Delivery</b> Suncorp CPS2 Offer C/- Link Market Services Limited Locked Bag 3415 Brisbane QLD 4001</p>	<p><b>Hand Delivery</b> Suncorp CPS2 Offer C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138</p>
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Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at any of the addresses on this form. Our privacy policy is available on our website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)).

**If you require further information on how to complete this Application Form, please contact the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (from outside Australia), Monday to Friday, 8:00am to 7:30pm (Sydney time).**

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold CPS2. Applications must be in the name(s) of natural persons or a legal entity. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Limited	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Limited <Super Fund A/C>	XYZ Pty Limited Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



Suncorp Group Limited
ABN 66 145 290 124

Broker Code

Adviser Code

Grid for Broker Code

Grid for Adviser Code

CPS2 Offer – Broker Firm Offer Application Form

This is an Application Form for Convertible Preference Shares (CPS2) in Suncorp Group Limited (Suncorp) under the Broker Firm Offer on the terms set out in the accompanying prospectus dated 3 October 2012 (Prospectus) (and any supplementary or replacement prospectus). You may apply for a minimum of 50 CPS2 (A\$5,000).

Broker Firm Offer Closing Date: 10:00am (Sydney time): 5 November 2012\* Broker Firm Applicants must contact their Syndicate Broker for information on how to submit this Application Form and their Application Payment.

This Application Form should be read in conjunction with the Prospectus. Capitalised words and certain terms used in this Application Form have the meanings given to them in the Prospectus. This Application Form is important.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in CPS2 and you should read the entire Prospectus carefully before applying for CPS2.

To meet the requirements of the Corporations Act 2001 (Cth), this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

\*Suncorp and the Joint Lead Managers may agree to extend the Offer Period, to close the Offer early without notice or to withdraw the Offer at any time before CPS2 are issued.

CPS2 applied for, Price per CPS2 (A\$100.00), Application Payment

(minimum 50 CPS2, A\$5,000, and in multiples of 10 CPS2 thereafter)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1

Surname/Company Name

Grid for Applicant #1 Surname/Company Name

Grid for Applicant #1 Title, First Name, Middle Name

Joint Applicant #2

Surname

Grid for Joint Applicant #2 Surname

Grid for Joint Applicant #2 Title, First Name, Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

Grid for Designated account

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

Grid for Address Line 1

Grid for Address Line 2

Grid for Suburb/City or Town, State, Postcode

Email address (only for purpose of electronic communication of securityholder information)

Grid for Email address

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

Grid for CHESS HIN

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any CPS2 issued as a result of the Offer will be held on the issuer sponsored sub-register.

Grid for Telephone Number and Contact Name

Cheques or money orders should be drawn up according to the instructions given by your Broker.

Grid for Cheque or Money Order Number, BSB, Account Number

Total Amount A\$

LODGEMENT INSTRUCTIONS

Broker Firm Offer: the Closing Date for the Broker Firm Offer is expected to be 10:00am (Sydney time) on 5 November 2012. You must return your Application Form and Application Payment directly to the Syndicate Broker who offered you a broker firm allocation, in accordance with their instructions, and not to the Registry or Suncorp. Completed Application Forms and Application Payments must be received by the Syndicate Brokers in sufficient time for the Syndicate Brokers to process that Application by the Closing Date. If you have any enquiries concerning your Application, please contact your Syndicate Broker directly.

# Your Guide to the Application Form

Further details about CPS2 are contained in the Prospectus issued by Suncorp. The Prospectus will expire 13 months after the date of the Original Prospectus. While the Prospectus is current, Suncorp will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

ASIC requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

**By returning this Application Form and the Application Payment, I/we make the acknowledgements, declarations, representations and warranties set out in Section 9.8 of the Prospectus.**

Please complete all relevant white sections of the Application Form in **BLOCK LETTERS**, using black or blue ink. These instructions are cross-referenced to each section of this Application Form.

- A** Insert the number of CPS2 you wish to apply for. The Application must be for a minimum of 50 CPS2, and in multiples of 10 CPS2 thereafter. You may be issued all of the CPS2 applied for or a lesser number.
- B** Insert the relevant amount of your Application Payment. To calculate your Application Payment, multiply the number of CPS2 applied for by the Issue Price (A\$100.00). Amounts should be in Australian dollars. Please make sure the amount of your Application Payment equals this amount. If the amount of any cheque or money order is insufficient to pay for the number of CPS2 that you have applied for, or, if there are insufficient funds held in a relevant account to cover a cheque that you have drawn, then Suncorp may, in consultation with the Joint Lead Managers, determine that you have applied for such lower number of CPS2 as your cleared Application Payment will pay for (in multiples of 10 CPS2) and you will be deemed to have specified that number in your Application Form. If you provide a cheque or money order for an amount that is not in multiples of 10 CPS2, Suncorp will round down the dollar amount of CPS2 that you are applying for to the next lowest multiple of 10 CPS2.
- C** Write the full name you wish to appear on the register of CPS2. This must be either an individual's name or the name of a legal entity. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Please enter your postal address for all correspondence. All communications to you from Suncorp and the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this Application Form, your CPS2 will be issued to Suncorp's issuer sponsored subregister.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application Form.
- G** Please complete the details of your cheque or money order in this section. The total amount of your cheque or money order should correlate with the amount shown in section B.
- If you receive a firm allocation of CPS2 from your Syndicate Broker make your cheque payable to your Syndicate Broker in accordance with their instructions.

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at any of the addresses on this form. Our privacy policy is available on our website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)).

**If you require further information on how to complete this Application Form, please contact the Suncorp CPS2 Offer Information Line on 1300 882 012 (within Australia) or +61 2 8280 7450 (from outside Australia), Monday to Friday, 8:00am to 7:30pm (Sydney time).**

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold CPS2. Applications must be in the name(s) of natural persons or a legal entity. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

# Corporate directory

## ISSUER

### **Suncorp Group Limited**

Level 18  
36 Wickham Terrace  
Brisbane QLD 4000

## AUSTRALIAN LEGAL ADVISER

### **King & Wood Mallesons**

Level 50, Bourke Place  
600 Bourke Street  
Melbourne VIC 3000

## AUSTRALIAN TAX ADVISER

### **Greenwoods & Freehills Pty Limited**

Level 38, MLC Centre  
19 Martin Place  
Sydney NSW 2000

## AUDITOR

### **KPMG**

Level 16, Riparian Plaza  
71 Eagle Street  
Brisbane QLD 4000

## REGISTRY

### **Link Market Services Limited**

Level 15  
324 Queen Street  
Brisbane QLD 4000

## STRUCTURING ADVISER

### **UBS AG, Australia Branch**

Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## JOINT LEAD MANAGERS

### **ANZ Securities**

ANZ Centre Melbourne  
Level 9  
833 Collins Street  
Docklands VIC 3008

### **National Australia Bank**

Level 25  
255 George Street  
Sydney NSW 2000

### **RBS Morgans**

Level 29, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

### **UBS AG, Australia Branch**

Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

### **Westpac Institutional Bank**

Level 2, Westpac Place  
275 Kent Street  
Sydney NSW 2000

## CO-MANAGERS

### **Bell Potter**

Level 29  
101 Collins Street  
Melbourne VIC 3000

### **JBWere**

Level 16  
101 Collins Street  
Melbourne VIC 3000

## HOW TO CONTACT US

Suncorp CPS2 Offer Information Line on  
1300 882 012 (within Australia) or  
+61 2 8280 7450 (outside Australia)  
Monday to Friday – 8:00am to 7:30pm (Sydney time)  
Website: [www.suncorpgroup.com.au](http://www.suncorpgroup.com.au)

One Company  
Many Brands



[www.suncorpgroup.com.au](http://www.suncorpgroup.com.au)