



One Company
Many Brands



18 November 2015

Suncorp Group Limited and AAI Limited Cleansing Notice

Further to the announcement on 11 November 2015, attached is a Notice under section 708A(12G)(e) of the Corporations Act 2001 given by Suncorp Group Limited and AAI Limited in relation to the Subordinated Notes.

A handwritten signature in black ink, appearing to read "Damien Johnson". The signature is written on a light yellow rectangular background.

Suncorp Group Limited

attch.

**Suncorp Group Limited and AAI Limited
Notice under section 708A(12G)(e) of the Corporations Act 2001 (Cth)**

Suncorp Group Limited ("**Suncorp**") is pleased to confirm that, on 18 November 2015, AAI Limited (the "**Issuer**") expects to settle its issue of A\$225,000,000 of floating rate unsecured, subordinated notes ("**Subordinated Notes**"). Terms used but not defined in this notice are defined in the attached redacted information memorandum dated 18 November 2015 ("**Redacted Information Memorandum**"), which is set out in, and forms part of, the Schedule to this notice ("**Schedule**").

The Subordinated Notes may be exchanged for fully paid ordinary shares of Suncorp ("**Ordinary Shares**") in the circumstances described in the Schedule (which include if a Non viability Trigger Event occurs, or on Conversion at the request of the Holder, subject to certain conditions).

This notice is a cleansing notice prepared for the purposes of section 708A(12G)(e) of the Corporations Act 2001 (Cth) ("**Corporations Act**") as inserted by ASIC Instrument [15/1047] ("**ASIC Instrument**"). The Issuer and Suncorp have elected to jointly give this notice to enable Ordinary Shares issued on Conversion to be sold without disclosure under Chapter 6D of the Corporations Act. The Schedule forms part of this notice. In particular, this notice includes:

- a description of the rights and liabilities attaching to the Subordinated Notes, as set out in section 3 (Information about the Issuer) and section 6 (Terms and conditions of the Subordinated Notes) of the Redacted Information Memorandum; and
- a description of the rights and liabilities attaching to Ordinary Shares, as set out in section 7 (Information about the Ordinary Shares) of the Redacted Information Memorandum.

The Redacted Information Memorandum included in the Schedule has been modified from the original Information Memorandum dated 12 November 2015 to delete certain information relating to the Notes in order to comply with Australian legal requirements, including the requirements of the ASIC instrument.

The Issuer and Suncorp jointly confirm:

- the Subordinated Notes were issued without disclosure to investors under Part 6D.2 of the Corporations Act;
- the information in this notice (including in the Schedule) remains current as of the date of this notice;
- this notice (including in the Schedule) complies with section 708A of the Corporations Act, as notionally modified by ASIC Class Orders [CO 08/35] and [CO 10/322], and further modified by the ASIC Instrument; and
- the Issuer and Suncorp have complied with subsection 708A(12H) of the Corporations Act as inserted by the ASIC Instrument.

Effect of the Subordinated Notes offer on the Issuer

The Issuer will use the proceeds of the Notes for general corporate purposes and they will form part of the Issuer's shareholder funds investment portfolio. The Australian Prudential Regulation Authority ("**APRA**") has provided confirmation that the Subordinated Notes are expected to qualify as Tier 2 Capital of the Issuer and of the Level 2 Group under the prudential standard for general insurers GPS 112 issued by APRA. This will assist the Issuer to meet its regulatory capital requirements and maintain the diversity of its sources and types of capital funding.

The proceeds, less the costs of the issue, will result in an increase in subordinated note liabilities and a corresponding increase in Financial assets designated at fair value issue though profit and loss in the statement of financial position of the Issuer. The proceeds, less the costs of the issue, will also result in an increase in Tier 2 capital of the Issuer for APRA regulatory purposes.

Effect of the Subordinated Notes offer on Suncorp

The issue of the Subordinated Notes will not have a material impact on Suncorp's financial position. If a Non-Viability Event occurs, or a Holder requests Conversion in accordance with the Terms, and accordingly Suncorp issues Ordinary Shares, the impact of Conversion on Suncorp would be to increase Suncorp's shareholders' equity. The number of Ordinary Shares issued on Conversion is limited to the Maximum Conversion Number, which, if calculated using a Nominal Amount of \$10,000 and the Issue Date VWAP of \$13.05 per Ordinary Share, is:

- in the case of Conversion on occurrence of a Non-Viability Trigger Event, 3,831.4176 Ordinary Shares per Subordinated Note; and
- in the case a Holder Conversion, 1,532.5670 Ordinary Shares per Subordinated Note.

Additional Information

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 both the Corporations Act and ASX Listing Rules. Suncorp must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about Suncorp that a reasonable person would expect to have a material effect on the price or value of its listed securities, including the Ordinary Shares.

Copies of documents lodged with ASIC and ASX in relation to Suncorp may be obtained from, or inspected at, an ASIC office and can also be obtained from www.asx.com.au.

The following information can be obtained from the "Investors" and "About Us" pages on Suncorp's website at www.suncorpgroup.com.au and Suncorp will provide a copy of any of the following documents free of charge to any person upon their request:

- Suncorp's 2014/15 annual financial report;
- any continuous disclosure notices given by Suncorp in the period after the lodgement of its 2014/2015 annual financial report and before the date of this notice; and
- Suncorp's constitution.

Requests for copies of these documents should be made in writing to:

Suncorp Investor Relations, Level 28, 266 George Street, Brisbane Queensland 4001

Other

This notice, including the attached Redacted Information Memorandum, is not a prospectus or other disclosure document under the Corporations Act and does not constitute an offer or invitation for the Subordinated Notes or any Ordinary Shares for issue or sale in Australia. The offer of Subordinated Notes has closed and Subordinated Notes were only made available for sale to persons in Australia where disclosure was not required in accordance with Part 6D.2 and Chapter 7 of the Corporations Act.

The securities referred to in this notice have not been, and will not be, registered under the United States Securities Act of 1933 ("**Securities Act**") or the securities laws of any state of the United States or to, or for the account or benefit of, U.S. persons unless an exemption from the registration requirements of the Securities Act is available and the offer and sale is in accordance with all applicable U.S. state securities laws. This notice is not an offer or invitation to any U.S. persons.

IMPORTANT NOTICE
NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR
ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the Information Memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Information Memorandum. In accessing the Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES DESCRIBED HEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING INFORMATION MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the Information Memorandum or make an investment decision with respect to the securities described herein, investors must not be in the United States (“**U.S.**”) and must not be either a U.S. person or acting for the account or benefit of a U.S. person (within the meaning of Regulation S under the Securities Act). The Information Memorandum is being sent at your request and by your acceptance of the e-mail attaching the Information Memorandum and accessing the Information Memorandum, you shall represent to AAI Limited (ABN 48 005 297 807) (the “**Issuer**”), Australia and New Zealand Banking Group Limited (ABN 11 005 357 522), Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832), Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162) and UBS AG, Australia Branch (ABN 47 088 129 613) (together, the “**Joint Lead Managers**”) that you are not in the U.S. or a U.S. person or acting for the account or benefit of a U.S. person, your stated electronic mail address to which this e-mail has been delivered is not located in the U.S. and that you consent to delivery of such Information Memorandum by electronic transmission.

The securities described herein are complex financial instruments and are not a suitable or appropriate investment for all investors and should not be promoted, offered, distributed and/or sold to retail investors. By your acceptance of the e-mail attaching the Information Memorandum and accessing the Information Memorandum you shall represent, warrant, agree with and undertake to the Issuer and the Joint Lead Managers that you have complied and will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area) relating to the promotion, offering, distribution and/or sale of the securities described herein (including without limitation the European Union’s Directive 2004/39/EC (as amended) as implemented in each Member State of the European Economic Area) and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the securities described herein by investors in any relevant jurisdiction. If you are acting as agent on behalf of a disclosed or

undisclosed client the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both you and your underlying client.

You are reminded that the Information Memorandum has been delivered to you on the basis that you are a person into whose possession the Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Information Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

The Information Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Joint Lead Managers nor any person who controls any of them nor any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any such alteration or change from the original Information Memorandum.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

**REDACTED VERSION DATED
18 NOVEMBER 2015**



AAI Limited
(ABN 48 005 297 807)

Information Memorandum

\$225,000,000 Floating Rate Subordinated Notes

Arranger

UBS AG, Australia Branch (ABN 47 088 129 613)

Joint Lead Managers

Australia and New Zealand Banking Group Limited
(ABN 11 005 357 522)

Citigroup Global Markets Australia Pty Limited (ABN
64 003 114 832)

Deutsche Bank AG, Sydney Branch (ABN 13 064 165
162)

UBS AG, Australia Branch (ABN 47 088 129 613)

Date

12 November 2015

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1 Introduction

1.1 General information

This information memorandum (**Information Memorandum**) relates to the offer by AAI Limited (ABN 48 005 297 807) (the **Issuer**) of \$225,000,000 floating rate unsecured, subordinated notes (**Subordinated Notes**). In certain circumstances, the Subordinated Notes may be redeemed, Written-Off or Converted into ordinary shares (**Ordinary Shares**) of Suncorp Group Limited (ABN 66 145 290 124) (**SGL**).

The Issuer is authorised as a general insurer under the *Insurance Act 1973* (Cth) (**Insurance Act**) and is a member of the level 2 insurance group (**Level 2 Group**) headed by its holding company, Suncorp Insurance Holdings Limited (ABN 99 123 023 334) (**SIHL**), which is an authorised non-operating holding company under the Insurance Act. The Issuer and SIHL are both ultimately wholly owned subsidiaries of SGL, which is also an authorised non-operating holding company under the Insurance Act but is not part of the Level 2 Group. SGL and its subsidiaries are referred to in this Information Memorandum as the **Group**.

The Subordinated Notes are expected to qualify as Tier 2 Capital of the Issuer and of the Level 2 Group under the prudential standard for general insurers GPS 112 (**GPS 112**) made by the Australian Prudential Regulation Authority (**APRA**).

1.2 Notes are not guaranteed and are complex financial instruments

Neither SGL nor SIHL guarantees the performance of obligations in respect of the Subordinated Notes and neither of them have any obligation in respect of any Subordinated Note except, in the case of SGL, to issue Ordinary Shares on conversion of Subordinated Notes as expressly set out in the Conditions.

The Subordinated Notes are not policy liabilities of the Issuer for the purposes of the Insurance Act, are not protected policies for the purposes of the Financial Claims Scheme established under Part V of the Insurance Act and are not guaranteed or insured by any government agency or compensation scheme. Payments on the Subordinated Notes may be affected by section 116(3) of the Insurance Act, as described further below.

The Subordinated Notes are complex financial instruments intended for issue and sale solely to professional and sophisticated investors who have the skill and experience necessary to make their own investigations and analysis of the risks involved in investments in instruments of that kind and of the Issuer, SIHL and SGL without the need for disclosure to investors under the Corporations Act. If you are not such an investor then the Subordinated Notes are not a suitable investment for you. If in any doubt, consult your financial adviser.

2 Important Notice

2.1 Responsibility

This Information Memorandum has been prepared and issued by the Issuer. No other party accepts responsibility for the information contained in this Information Memorandum.

2.2 No recommendation or advice

Nothing in this Information Memorandum constitutes a recommendation or statement of opinion (or a report of either of these things) by the Issuer, SIHL or SGL, or by the Arranger, the Joint Lead Managers described herein (together with the Arranger, the **Managers**) or the Registrar, Paying Agent and Calculation Agent (together, the **Agents**), that any recipient of the Information Memorandum should proceed with an investment in any Subordinated Notes. In addition, this Information Memorandum contains only general information and does not take into account the objectives, financial situation or needs of any potential investor.

No advice is given in respect of the taxation treatment of investors or any other matter in connection with an investment in any Subordinated Notes. Descriptions in this Information Memorandum of taxation or other matters calling for any professional opinion or judgement are included for information purposes only based on the Issuer's understanding of such matters and should be confirmed by each investor with its own professional advisers in light of its own particular circumstances.

2.3 Recipients must make their own independent investigations

This Information Memorandum is intended for the exclusive use of investors to whom it is delivered by the Managers in accordance with the conditions set out in this Information Memorandum to assist such recipients to determine whether to proceed with a further evaluation of an investment in Subordinated Notes. Recipients must make (and will be taken to have made) their own independent investigation and analysis of the Subordinated Notes, the Issuer, SIHL and SGL and obtain such advice as they deem necessary before deciding whether to proceed with an investment in the Subordinated Notes. Recipients must not rely solely on the information contained in this Information Memorandum for the purposes of making an investment decision.

Whilst the Issuer believes that the information contained in the Information Memorandum is not misleading or deceptive, this Information Memorandum is not a prospectus or other disclosure document for the purposes of the *Corporations Act 2001* (Cth) (**Corporations Act**) and does not contain all information that prospective investors may require in order to make an informed decision as to whether to proceed with an investment in the Subordinated Notes. This Information Memorandum is not suitable for, and is not to be provided to, any 'retail client' as defined in section 761G of the Corporations Act.

This Information Memorandum may not be reproduced or given to any other person, or be used for any purpose except as described above.

2.4 Role of Managers and Agents

None of the Managers or the Agents, and none of their respective related bodies corporate, officers or employees, has independently verified the information contained in this Information Memorandum. Accordingly, none of the Managers or the Agents accepts any responsibility for or makes any representation or warranty as to the completeness, accuracy or currency of this Information Memorandum.

Each of the Managers and the Agents acts in relation to the Subordinated Notes in accordance with its agreement with the Issuer and not in any other capacity. Except as otherwise agreed

between the Issuer and the relevant Manager or Agent (as applicable), none of the Managers or the Agents has any duty to any actual or prospective investor in any Subordinated Note. In particular, no such party has any responsibility for, makes any representation as to, or has any duty to review, the financial condition or affairs of the Issuer, SIHL or SGL or the completeness, accuracy or currency of the information contained in this Information Memorandum.

The Issuer has agreed to pay the Managers and the Agents fees for undertaking their respective roles and to reimburse or indemnify them for certain of their expenses or liabilities incurred in connection with the Subordinated Notes. Each of the Managers and the Agents, and each of their respective related bodies corporate, officers or employees, may have pecuniary or other interests in the Subordinated Notes, or benefit from the offer, issue or sale of the Subordinated Notes pursuant to other arrangements, and may act as a principal in dealing in any Subordinated Notes.

2.5 Information provided on behalf of the Issuer

The Issuer has authorised each Manager to provide to potential investors in Subordinated Notes copies of:

- this Information Memorandum; and
- each document incorporated by reference in this Information Memorandum,

subject to, and on terms not inconsistent with, the conditions contained in this Information Memorandum.

The Managers have not been authorised to provide any other information, and no person other than a Manager has been authorised to provide any information, on behalf of the Issuer in connection with the offer, issue or sale of the Subordinated Notes. Neither SIHL nor SGL nor any of their related bodies corporate (other than the Issuer) has provided, or authorised the Managers or any other person to provide on their behalf, any information to investors in connection with the Subordinated Notes.

2.6 Restrictions on sale and distribution

No prospectus or other disclosure document has been or will be lodged with the Australian Securities and Investments Commission (**ASIC**) in relation to the Subordinated Notes. Accordingly, the Subordinated Notes may only be offered for issue or sale, and invitations to subscribe for or purchase Subordinated Notes may only be made, where the minimum aggregate amount payable by the offeree is at least \$500,000 (or its equivalent in another currency, in each case disregarding any amounts lent by the offeror or its associates) or where the offer or invitation otherwise does not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act and such action complies with all applicable laws and regulations. In addition, Subordinated Notes must not be offered or sold, and this Information Memorandum must not be provided, to any person that is a 'retail client' as defined in section 761G of the Corporations Act.

The offering and sale of Subordinated Notes and the distribution of this Information Memorandum may also be restricted by law in other jurisdictions and persons who wish to acquire, offer or sell Subordinated Notes, or who are in possession of this Information Memorandum, must inform themselves of and observe such restrictions. None of the Issuer, SIHL or SGL, and none of the Arranger, the Managers or the Agents, represents that any Subordinated Notes may at any time be lawfully offered or sold, or that this Information Memorandum may at any time be lawfully distributed, in any jurisdiction.

In addition, as the Subordinated Notes may be Converted into Ordinary Shares, ownership of the Subordinated Notes and Conversion of Subordinated Notes held by an investor will be subject to laws restricting the ownership or acquisition of Ordinary Shares or rights to acquire Ordinary Shares. These laws include the Corporations Act, the *Foreign Acquisition and Takeovers Act* (Cth) and the *Financial Sector (Shareholders) Act* (Cth). Prospective investors in the Subordinated Notes must inform themselves of, and observe, all such laws.

The Managers have undertaken to the Issuer to comply with certain restrictions in relation to the offer or sale of the Subordinated Notes and the distribution of this Information Memorandum as set out in Section 8 of this Information Memorandum.

2.7 No offer

This Information Memorandum does not, and is not intended to, constitute an offer or invitation by or on behalf of the Issuer, SIHL or SGL, or by or on behalf of the Arranger, the Managers or the Agents, to any person to subscribe for, purchase or otherwise deal in any Subordinated Notes.

2.8 References to credit ratings

There are references in this Information Memorandum to credit ratings ascribed by certain ratings agencies. A credit rating is not a recommendation to buy, sell or hold Subordinated Notes and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency. The relevant ratings agencies hold only wholesale Australian Financial Service Licences in respect of the credit ratings ascribed and therefore its credit ratings are not available to 'retail clients' as defined in section 761G of the Corporations Act. Subordinated Notes may not be offered or sold, and this Information Memorandum may not be provided, to a person that is a 'retail client'.

2.9 Documents incorporated by reference

This Information Memorandum is to be read in conjunction with the following documents, which are incorporated in, and taken to form part of, this Information Memorandum:

- the most recent Suncorp Group Annual Report (includes Directors' Report and Financial Statements), which includes the most recent audited annual consolidated financial statements of SGL and its controlled entities for the financial year ended 30 June 2015 (**SGL Accounts**);
- the most recent audited annual consolidated financial statements of the Issuer and its controlled entities for the financial year ended 30 June 2015 (**AAI Accounts**);
- the most recent audited annual consolidated financial statements of Vero Insurance New Zealand Limited and its controlled entities for the financial year ended 30 June 2015 (**Vero NZ Accounts**);
- the current Risk Management overview as part of the wider Suncorp Group corporate governance framework (**Risk Management Overview**);
- the constitution of SGL as amended from time to time (the **Constitution**);
- the deed poll dated 12 November 2015 executed by the Issuer and SGL in relation to the Subordinated Notes (**Subordinated Note Deed Poll**);
- all amendments and supplements to this Information Memorandum prepared by the Issuer from time to time; and
- all documents issued by the Issuer and expressly stated to be incorporated in this Information Memorandum by reference.

References to this Information Memorandum include each document incorporated by reference in it.

Copies of the SGL Accounts, the AAI Accounts, the Vero NZ Accounts, the Risk Management Overview, the Constitution and the Subordinated Note Deed Poll are, and copies of other documents incorporated by reference in this Information Memorandum may be available on SGL's website at <http://www.suncorpgroup.com.au>. Documents incorporated by reference and not available on SGL's website will (at the Issuer's election), either be sent to actual or prospective

investors in Subordinated Notes without charge, or made available for inspection at the Issuer's office specified in the 'Directory' at the end of this Information Memorandum.

2.10 Currency of information

The information contained in this Information Memorandum has been prepared as of its Preparation Date (as defined below). Neither the delivery of this Information Memorandum nor any offer, issue or sale of Subordinated Notes at any time implies that the information contained in this Information Memorandum is correct at any time subsequent to the Preparation Date of that information. The Issuer does not assume any obligation to the holders of any Subordinated Notes to update this Information Memorandum at any time.

In this Information Memorandum, '**Preparation Date**' means:

- in relation to the financial statements incorporated in this Information Memorandum, the date up to, or as at, which the statements relate;
- in relation to any other information incorporated by reference in this Information Memorandum, the date indicated on its face as being its date of release or effectiveness; and
- in relation to all other information contained in this Information Memorandum, the date indicated on the face of this Information Memorandum.

2.11 Forward Looking Statements

This Information Memorandum contains numerous forward-looking statements including, without limitation, words and expressions such as 'expect', 'believe', 'plan', 'intend', 'estimate', 'project', 'anticipate', 'may', 'will', 'would', 'could' or similar words or statements (however, these words are not the exclusive means of identifying forward looking statements). In particular, the sections entitled "Information about SGL, SIHL and the Issuer" and "Risk Factors" in this Information Memorandum, contain statements in relation to future events, the Issuer's, SIHL's, SGL's and the Group's prospects, expected financial condition, business strategies, the future developments of the operations of the Group and industry and the future development of the general economy.

These statements are based on a range of assumptions including assumptions regarding the Group's present and future business strategy and the environment in which it expects to operate in the future. These matters and future results could differ materially from those expressed or implied by these forward-looking statements and although these forward-looking statements reflect its current view of future events, they are not a guarantee of future performance or other matters. In addition, the Group's future performance may be affected by various factors and risks. Should one or more risks or uncertainties materialise, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements.

In this Information Memorandum, statements of, or references to, intentions of the Issuer, SIHL, SGL or those of any of their directors are made as at the date of this Information Memorandum. Any such intentions may change in light of future developments.

The Issuer expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's, SIHL's or SGL's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based or any change in the intentions of the Issuer, SIHL, SGL or any of their directors.

2.12 Definitions

Capitalised terms used in this Information Memorandum have the same meaning given to them in the terms and conditions of the Subordinated Notes (**Conditions**) (set out in Section 6 below) unless otherwise specified.

3 Information about the issue

The following is a brief summary only and should be read in conjunction with the rest of this Information Memorandum including all information incorporated by reference in it.

Issuer or AAI AAI Limited (ABN 48 005 297 807).

Level 2 Parent or SIHL Suncorp Insurance Holdings Limited (ABN 99 123 023 334).

SGL Suncorp Group Limited (ABN 66 145 290 124).

Arranger UBS AG, Australia Branch (ABN 47 088 129 613).

Joint Lead Managers

- 1 Australia and New Zealand Banking Group Limited (ABN 11 005 357 522);
- 2 Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832); and
- 3 Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162).
- 4 UBS AG, Australia Branch (ABN 47 088 129 613);

Registrar, Paying Agent and Calculation Agent

Registrar and Calculation Agent: Austraclear Services Limited (ABN 28 003 284 419).

Paying Agent: Suncorp-Metway Limited (ABN 66 010 831 722)

Suncorp-Metway Limited acts solely as paying agent pursuant to its agreement with the Issuer and has no obligation to holders. The Subordinated Notes are not deposit liabilities of, or guaranteed by, Suncorp-Metway Limited.

The Agents act as agent solely for the Issuer and may be replaced in accordance with the Conditions.

See Condition 16.

Issue Date 18 November 2015

Status and ranking

The Subordinated Notes will be direct, subordinated and unsecured obligations of the Issuer and rank:

- 1 ahead of the claims of holders of Junior Ranking Creditors;
- 2 equally among themselves and with the claims of holders of Equal Ranking Securities; and
- 3 behind all claims of Senior Creditors and all liabilities mandatorily preferred by law.

The Subordinated Notes are not policy liabilities of the Issuer for the purposes of the Insurance Act, are not protected policies for the purposes of the Financial Claims Scheme established under Part V of the Insurance Act and are not guaranteed or insured by any government, government agency or compensation scheme of

Australia or any other jurisdiction or by SIHL, SGL or any other person.

Payments on the Subordinated Notes may be affected by section 116(3) of the Insurance Act, which provides that, in a winding up, the assets in Australia of a general insurer must not be applied in the discharge of its liabilities other than its "liabilities in Australia", unless it has no "liabilities in Australia". The Issuer makes no representation as to whether the Subordinated Notes are "liabilities in Australia" for the purposes of section 116(3) of the Insurance Act. To the extent the Subordinated Notes are "liabilities in Australia" for the purposes of the Insurance Act, claims of the Holders in respect of such Subordinated Notes will in any winding up of the Issuer be limited to the extent necessary to give effect to the intended ranking.

See Condition 4.

Solvency Condition

The Issuer's obligations to make payments in respect of the Subordinated Notes (including to pay interest and to repay the principal on maturity) are conditional on the Issuer being Solvent at the time of the payment and immediately after making the payment.

See Condition 4.2.

Interest

Subordinated Notes will bear interest at the Interest Rate from time to time and be payable quarterly in arrears on each Interest Payment Date, subject to the Solvency Condition and to deferral of interest as described in "Optional Interest Deferral" below.

The Interest Rate applicable during each Interest Period will be the sum of the three month Australian Bank Bill Swap Reference Rate on the first day of the Interest Period plus the Margin.

The Margin is 3.30% per annum.

Interest Payment Dates will be each 18 February, 18 May, 18 August and 18 November in each year commencing on 18 February 2016 and subject to adjustment in accordance with the Business Day Convention.

See Conditions 1.1, 5.2 and 5.3.

Optional Interest Deferral

The Issuer has a right to defer payment of interest on any Interest Payment Date in its absolute discretion including if:

- a Regulatory Deferral Condition is subsisting and no dividends or interest payments have been made on Junior Ranking Securities since the date on which it first arose; or
- no dividends or interest payments have been paid or made on Equal Ranking Securities (other than where the terms of those Equal Ranking Securities do not enable the Issuer to defer or eliminate the relevant payment on such Equal Ranking Securities) or Junior Ranking Securities or on Tier 1 Capital Securities or Tier 2 Capital Securities of the Level 2 Group issued by the Level 2 Parent (other than Tier 2 Capital Securities where the terms of those Tier 2 Capital Securities do not enable the Level 2 Parent to defer or eliminate the relevant payment on such Tier 2 Capital Securities), in each case during the Financial Year in which such Interest Payment Date falls.

See Condition 5.4.

Arrears of Interest Interest deferred under Condition 5.4 or otherwise not paid on an Interest Payment Date is cumulative, carries interest at the Interest Rate until paid and (subject to the Solvency condition) must be paid in certain circumstances specified in the Conditions.

Arrears of Interest, together with any accrued interest, is cancelled upon any Conversion due to a Non-Viability Trigger Event.

See Conditions 5.5 and 5.6 and Schedule 1 to the Conditions.

Maturity Date 18 November 2040

Optional Redemption Date 18 November 2020

The Issuer may redeem the Subordinated Notes on the Optional Redemption Date subject to APRA's prior written approval and the other conditions in Condition 6.6 being satisfied.

See Conditions 6.3 and 6.4.

Early redemption for tax or regulatory event The Issuer may redeem the Subordinated Notes if a Regulatory Event or Tax Event occurs, subject to APRA's prior written approval and the other conditions in Condition 6.6 being satisfied.

See Condition 6.2.

Conversion at the option of the Holders Holders have the option to require the Conversion of the Subordinated Notes into Ordinary Shares on any Holder Conversion Date at a 1% discount to the VWAP of Ordinary Shares during the 20 Business Days immediately prior to (but not including) the Holder Conversion Date, subject to a maximum conversion number based on a minimum conversion price set at 50% of the Issue Date VWAP.

The Holder Conversion Dates are the Interest Payment Date falling on or about 18 November 2022 and each Interest Payment Date falling after that date.

The **Issue Date VWAP** is the VWAP of Ordinary Shares during the 20 Business Days immediately prior to (but not including) the Issue Date, subject to certain adjustments for share splits and bonus issues.

See Condition 8 and Schedule 1 to the Conditions.

Conversion or Write-Off on Trigger Event Date A Non-Viability Trigger Event occurs upon:

- 1 APRA issuing a written determination to the Issuer or the Level 2 Parent that the Conversion or Write-Off of Relevant Securities of the Issuer or the Level 2 Group is necessary because, without it, APRA considers the Issuer or the Level 2 Parent would become non-viable; or
- 2 a determination by APRA, notified to the Issuer or the Level 2 Parent in writing, that without a public sector injection of capital, or equivalent support, the Issuer or the Level 2 Parent would become non-viable.

If a Non-Viability Trigger Event occurs then, on the Trigger Event Date:

- 1 the Issuer or the Level 2 Parent must Convert or Write-Off, or procure the Conversion or Write-Off of:
 - all Relevant Securities of the Issuer (in the case of an Issuer Non-Viability Trigger Event) or the Level 2 Group (in the case of a Level 2 Non-Viability Event); or
 - an amount of Relevant Securities of the Issuer (in the case of an Issuer Non-Viability Trigger Event) or the Level 2 Group (in the case of a Level 2 Non-Viability Event) if the Non-Viability Trigger Event is one described in paragraph 1 above and APRA is satisfied that conversion or write off of that amount will be sufficient to ensure that the Issuer or the Level 2 Parent (as the case may be) will not become non-viable;
- 2 if all Relevant Securities of the Issuer or the Level 2 Group are required to be Converted or Written Off under these provisions, the Issuer must immediately Convert all the Subordinated Notes; and
- 3 if some but not all Relevant Securities of the Issuer or the Level 2 Group are required to be Converted or Written-Off under Condition 7.2(a), the Issuer must or must procure the Level 2 Parent to determine the amount (if any) of Subordinated Notes to be Converted in accordance with these provisions on the following basis:
 - first, all Relevant Tier 1 Securities of the Issuer or the Level 2 Group (as the case may be) must be Converted or Written-Off before any Conversion of the Subordinated Notes; and
 - second, if Conversion or Write-Off of all Relevant Tier 1 Securities of the Issuer or the Level 2 Group (as the case may be) is less than the amount sufficient to satisfy APRA that the Issuer or the Level 2 Parent (as the case may be) would not become non-viable, an amount of Subordinated Notes must be Converted and an amount of other Relevant Tier 2 Securities of the Issuer or the Level 2 Group (as the case may be) must be Converted or Written-Off in an aggregate amount which when added to the amount of Relevant Tier 1 Capital Securities Converted or Written-Off will satisfy APRA that the Issuer or the Level 2 Parent (as the case may be) will not become non-viable.

A Non-Viability Determination takes effect, and the Issuer must perform the obligations in respect of the determination, immediately on the day it is received by the Issuer, whether or not such day is a Business Day.

Where Conversion of a Subordinated Note required to be Converted due to a Non-Viability Trigger Event does not occur on the Trigger Event Date and SGL is not otherwise able to issue the Ordinary Shares required to be issued in respect of such Conversion within five Business Days after the Trigger Event Date, then Conversion will not occur and the Subordinated Note will be terminated and written off. In such circumstances, Holders will not receive any compensation.

See Condition 7.

Restrictions on issue of Ordinary

In order to be able to receive Ordinary Shares, Holders must have

Shares	<p>provided certain information to the Issuer, SGL must be satisfied that it is legally able to issue the Ordinary Shares to the relevant Holder and certain other conditions must be satisfied.</p> <p>The Conditions include provision for the Ordinary Shares that would otherwise be issued to a Holder on a Conversion required due to a Non-Viability Trigger Event to be issued to a nominee for sale and payment of the net proceeds of sale to such Holder in certain circumstances, but none of the Issuer, SGL nor such nominee will have any duty to the Holder in respect of such sale.</p> <p>See Conditions 7 to 9.</p>
Substitution of Approved Acquirer as issuer of ordinary shares	<p>The Conditions contain provisions for the substitution of an Approved Acquirer as the issuer of the ordinary shares to be issued to Holders on Conversion in certain circumstances.</p> <p>See Condition 9.5.</p>
Events of default	<p>No Holder may take any other action or exercise any other remedy as a consequence of an Event of Default except as specified in Condition 10.2.</p> <p>Holdings have no right to accelerate the date for payment of a Subordinated Note except following an event of default resulting from a winding up of the Issuer.</p> <p>See Condition 10.</p>
Form	<p>The Subordinated Notes will be debt obligations of the Issuer constituted by and owing under the Subordinated Note Deed Poll executed by the Issuer and SGL and dated on or about 12 November 2015 (Subordinated Note Deed Poll) and will take the form of entries in a register (Register) maintained by the Registrar.</p> <p>Certificates will not be issued in respect of the Subordinated Notes unless required by law or the Issuer determines otherwise.</p>
Title	<p>Title to a Subordinated Note vests absolutely in the person entered in the Register as the holder thereof, subject to rectification of the Register for fraud or error.</p> <p>Unless required by law, neither the Issuer nor any Agent will recognise any person other than the registered holder as having any interest in a Subordinated Note.</p> <p>However, for the purposes of determining entitlements to Ordinary Shares on Conversion of a Subordinated Note held in the Austraclear System, the person in whose security record that Subordinated Note is held in the Austraclear System will be deemed to be the Holder of that Subordinated Note.</p>
Transfers	<p>Subordinated Notes may only be transferred in whole and by a transfer and acceptance form in accordance with the Conditions.</p> <p>A transfer takes effect on the transferee's name being entered in the Register.</p> <p>Subordinated Notes held by Austraclear and lodged in the Austraclear</p>

System are not transferable except in limited circumstances set out in Condition 3.

Any stamp duty or other taxes payable in connection with the transfer of a Subordinated Note are for the account of the Holder.

Payments

Payments in respect of the Subordinated Notes will be made in accordance with the Condition 11.

Subject to certain exceptions, if the Issuer is required to make a deduction or withholding from payments on the Subordinated Notes in respect of Australian tax, the Issuer will pay such Additional Amount as may be necessary to ensure that Holders receive a net amount equal to the full amount that would have been received if the deduction or withholding had not been made. See Condition 11.6 and 11.8.

Stamp duty and taxes

As at the date of this Information Memorandum, no ad valorem stamp duty is payable in any Australian State or Territory on the issue, transfer or redemption of the Subordinated Notes.

A brief overview of the Australian taxation treatment of payments of interest and certain other amounts on Subordinated Notes is set out in Section 9 entitled "*Australian taxation summary*" below.

Investors should obtain their own taxation and other applicable advice regarding the taxation and other fiscal status of investing in any Subordinated Notes.

Foreign Account Tax Compliance Act

Implications for SGL and the Issuer

SGL and the Issuer are Reporting Australian Financial Institutions under the intergovernmental agreement entered into between the Australian and United States governments in relation to FATCA on 28 April 2014 (**IGA**).

As a Reporting Financial Australian Institution, SGL and the Issuer are required to:

- conduct due diligence on prospective investors in the Subordinated Notes. Prospective investors in Subordinated Notes will need to provide SGL and/or the Issuer with certain information, or documentation, or both when applying for Subordinated Notes.
- report information in respect of certain investors in and their holdings of Subordinated Notes to the Australian Taxation Office (**ATO**). Broadly, SGL and/or the Issuer will report to the ATO information in respect of investors who are:
 - United States citizens or residents;
 - certain types of United States entities; or
 - certain types of non-United States entities that are controlled by one or more United States citizens or residents.
- report to the ATO the details of any payments made to "Non-participating Financial Institutions", as defined in the IGA.

Implications for investors in Subordinated Notes

If an investor in Subordinated Notes does not provide SGL and/or the Issuer with the required information and/ or documentation on request, SGL or the Issuer may report information in respect of the prospective investor to the ATO and, in limited circumstances, SGL and/or the Issuer may be required to make deductions from payments made in favour of such investors in Subordinated Notes.

FATCA withholding may also be required in limited circumstances in respect of payments made to an investor in Subordinated Notes who has failed to comply with its own FATCA reporting obligations.

SGL and/or the Issuer are not required to gross-up amounts withheld from payments under or in connection with FATCA.

In accordance with the IGA, the ATO will share information reported to it by Australian financial institutions with the United States Internal Revenue Service.

Investors in Subordinated Notes should seek their own legal advice in relation to either the impact of SGL and the Issuer's due diligence and reporting obligations under the IGA, or in relation to the possibility of withholding under the IGA or FATCA more generally. Affected investors should also seek their own legal advice regarding their individual FATCA obligations, including the impact of any relevant intergovernmental agreement.

Governing law

The Subordinated Notes, and all related documents, will be governed by the laws of New South Wales, Australia.

Selling restrictions

The offer, sale and delivery of Subordinated Notes and the distribution of this Information Memorandum and other materials in relation to the Subordinated Notes are subject to such restrictions as may apply in any country in which such offer, sale, delivery or distribution may occur. The restrictions which the Managers have agreed to observe for specific jurisdictions are provided at Section 8 entitled 'Selling and Distribution Restrictions' below.

Use of proceeds

The Issuer will use the proceeds of issue of the Subordinated Notes for general corporate purposes.

Clearing System

The Subordinated Notes will upon issue be lodged in the Austraclear System and registered in the name of Austraclear as the holder of the Subordinated Notes. Interests in Subordinated Notes lodged in Austraclear may in turn be entered in and held through the clearing systems operated by Euroclear S.A./N.V. and Clearstream, Luxembourg through the arrangements between those clearing systems. Investors who are not participants in the Austraclear System or such other clearing systems will need to hold their interests in the Subordinated Notes through nominees or other intermediaries who are such participants.

Persons holding interests in a Subordinated Note through Austraclear and / or such other clearing systems must look solely to the relevant clearing systems (and, if applicable, any nominee or other intermediary) for any payments on such Subordinated Notes and will not be recognised by the Issuer or any Agent as having any right to or interest in any payment.

All transfers of entitlements to Subordinated Notes entered in the

Austraclear System will be subject to the Austraclear Regulations.

The Issuer will not be responsible for any loss occasioned by the failure of the Austraclear System or any other clearing system or the failure of any person (except the Issuer) to perform its obligations under the Austraclear Regulations or the rules or any other clearing system or otherwise.

Accordingly, investors in the Subordinated Notes should ensure they are familiar with, and able to accept, the rules and procedures of the Austraclear System and any other clearing system, and the terms of any nominee or other intermediary through which they hold their interests in the Subordinated Notes.

Listing

The Subordinated Notes will not be listed on any stock exchange.

4 Information about SGL, SIHL and the Issuer

4.1 Information about SGL

(a) Background

SGL is the non-operating holding company (**NOHC**) and ultimate parent company of the Group. SGL is a top 20 ASX-listed company (ASX: SUN).

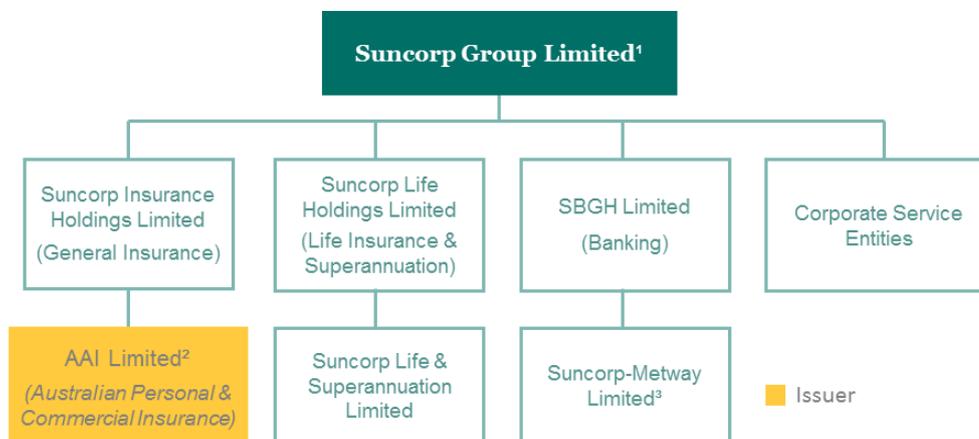
The Group is a financial services conglomerate with approximately 14,500 employees and relationships with approximately nine million customers.

As at 30 June 2015, the Group had total assets of \$95.7 billion and total equity of \$13.5 billion. For the financial year ended 30 June 2015 profit attributed to owners of SGL was \$1,133 million.

The current Group structure was established in early 2011, following a restructure of the group headed by the previously listed Suncorp-Metway Limited (**SML**). The Group has three business lines including leading general insurance, life insurance and superannuation, and banking brands, operating exclusively in Australia and New Zealand. NOHCs were established for each business as subsidiaries under SGL to align the Group's legal structure with its business model. Corporate service entities provide central support to the three business lines.

SIHL is the NOHC for two principal subsidiary companies engaged in general insurance business - the Issuer, conducting the Australian business, and Suncorp Insurance (General Overseas) Pty Limited which is the holding company of the New Zealand general insurance subsidiaries. SIHL is also the holding company of certain other subsidiaries which do not undertake general insurance business but are engaged in related and ancillary services and businesses. These subsidiaries are discussed in more detail below.

(b) SGL Group Structure



1. Suncorp Group Limited: Issuer Rated A/A2/A. Has issued three retail ASX listed instruments known as Convertible Preference Shares 2 (SUNPC), Subordinated Notes (SUNPD) and Convertible Preference Shares 3 (SUNPE).
2. AAI Limited (the Issuer): Issuer Rating A+/A1/A+. AAI Limited has subordinated bonds on issue. AUD bonds were originally issued out of Suncorp Metway Insurance Limited and subsequently novated to AAI Limited in 2012. GBP bonds are also on issue via a subsidiary of AAI Limited, Suncorp Insurance Funding 2007 Limited.
3. Suncorp-Metway Limited: Issuer Rated A+/A1/A+. Issues various wholesale instruments, including senior unsecured bonds off its Domestic MTN, TD and other debt Instruments Programme, U.S.\$15 billion Programme for the issuance of Medium Term Notes, Euro-commercial Paper and other debt instruments. It also issues Covered Bonds off its U.S.\$5 billion Global Covered Bond Programme and issues RMBS Notes off its APOLLO Securitisation Programme. Suncorp-Metway Limited has also issued ASX listed Floating Rate Capital Notes (SUNHB).

(c) Suncorp Group Strategy

The Group’s purpose is to create brighter futures for its customers, shareholders, employees and the communities where it operates. The Group has set the foundation to capitalise on its ‘One Company. Many Brands’ business model and maximise the Group’s strategic assets of:

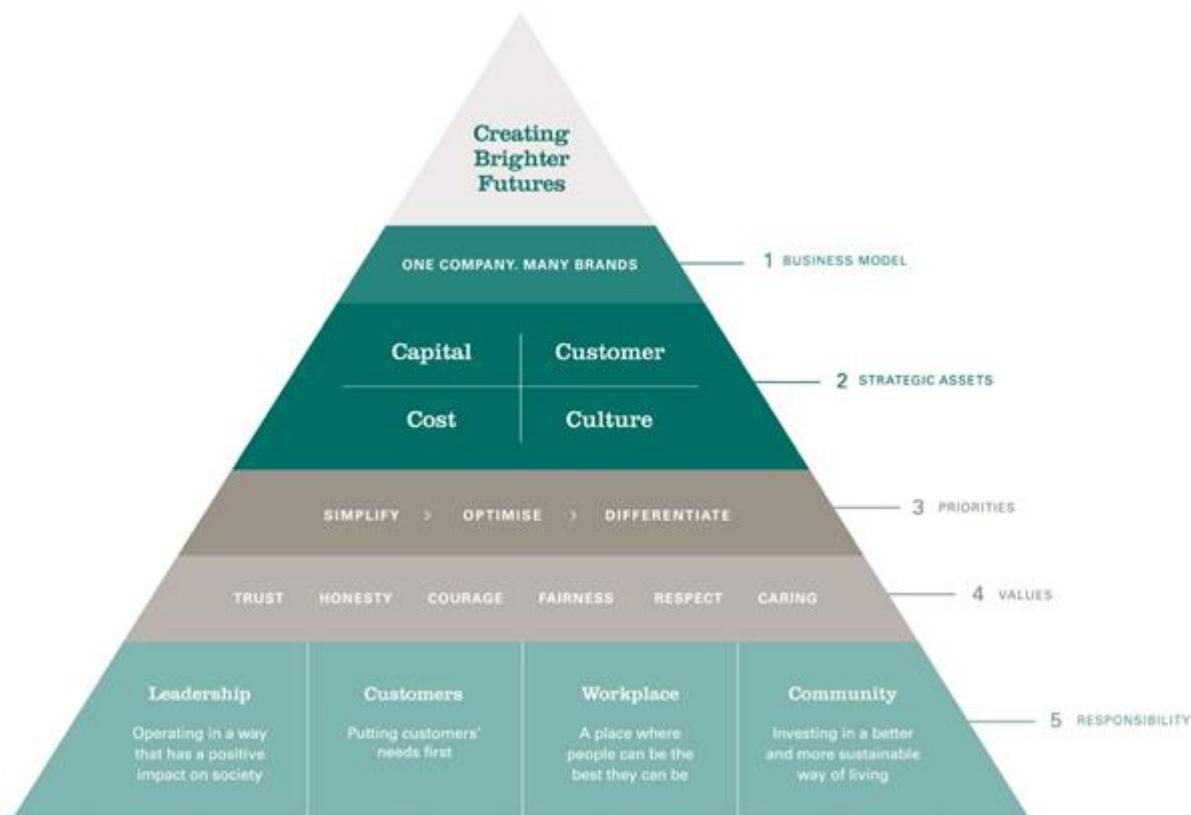
Cost – a stable cost base as a result of leveraging the Group’s scale, buying power and supplier relationships;

Capital – the use of Risk Based Capital (**RBC**) modelling to drive optimal long-term decision making in the Group;

Customer – enhancing the connection with the Group’s nine million customers by deepening their relationships with the Group’s brands; and

Culture – employee engagement and enablement scores above the global high-performing norms which is positioning the Group as THE place to work in Australia and New Zealand.

The Group’s strategic priority is to continue its simplification program and optimise its operating platform to create valuable, differentiated outcomes for customers.



(d) Suncorp Group business model – ‘One Company. Many Brands’

The ‘One Company. Many Brands’ business model has underpinned the Group’s transformation over the past five years. It has united the Group’s people and encouraged the sharing of information, processes and technology across brands.

The business model features five specialist areas. Personal insurance, commercial insurance and Vero New Zealand collectively make up the general insurance business, which operates alongside Suncorp Bank and Suncorp Life. Each business area is supported by a corporate centre and shared services division, including common technology and real estate services, but has end-to-end accountability.

The Issuer includes the Australian personal insurance and commercial insurance lines of business and their associated brands.

The Group's main brands



(e) **Business and Risk Management**

The SGL Board places great importance on the Group's risk management function being robust and independent with responsibility for all material business risk acceptance decisions. The Group's Enterprise Risk Management Framework (**ERM Framework**) has been adopted by all entities within the Group (including the Issuer and SIHL). It lays the foundation for all risk management processes, embeds Risk Management policy and demonstrates the relevant board's and management's commitment to effective risk management as a key element of success.

For further information on risk management at the Group, please see: <http://www.suncorpgroup.com.au/about-us/governance>.

(f) **Suncorp Group Capital Management**

The Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite.

The Group is subject to, and complies with, external capital requirements set and monitored by the Australian Prudential Regulation Authority (**APRA**) and (in respect of its New Zealand insurance business) the Reserve Bank of New Zealand (**RBNZ**).

The Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Group as a whole, and each regulated entity, is capitalised to meet both regulatory minimum capital requirements for entities regulated by APRA or the RBNZ as well as internal requirements. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the Group's capital requirements.

For regulatory purposes, capital is classified as follows:

- Common Equity Tier 1 (**CET1**) comprising accounting equity with adjustments for certain items including intangible assets and regulatory reserves;
- Tier 1 Capital comprising CET1 plus Additional Tier 1 Capital such as hybrid securities with certain 'equity-like' qualities;
- Tier 2 Capital comprising certain hybrid securities with certain loss-absorbing characteristics, together with specific Bank reserves eligible as regulatory capital; and
- Total Capital is the sum of Tier 1 Capital and Tier 2 Capital (**Total Capital**).

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

SGL was authorised by APRA under section 18 of the Insurance Act as the NOHC for the Group just prior to the implementation of the new Group structure in early 2011. It is subject to conditions set by APRA which include minimum capital requirements for the Group. APRA has also issued a draft framework for the supervision of level 3 groups with standards covering risk management, governance and capital requirements for conglomerates.

The existing NOHC conditions have much in common with the capital requirements contained in APRA's proposed framework. A timetable for implementation has yet to be finalised. The Group remains well placed to implement the proposed requirements.

The licenced entities and authorised NOHCs for the three businesses of general insurance, life insurance and banking are subject to separate prudential capital requirements as described below, together with a range of other prudential requirements for each business.

(g) Risk Based Capital

The Group's RBC models, first introduced in 2013, have been further developed and embedded in capital and risk processes. In particular, the RBC models have:

- enabled enhanced articulation of aspects of risk appetite across the Group, including a review of the risk appetite and associated capital targets and triggers for the Australian and New Zealand general insurance businesses; and
- been a key tool used in the annual review of capital targets and triggers for the Group's life business and the overall Group, including confirmation of the strength of the Group's targets given the diversification inherent in the conglomerate structure.

In addition to assessment of capital targets, the Group's RBC modelling framework will be increasingly used to drive optimal decision making in the Group, including product pricing, assessment of growth opportunities, informing business planning via sensitivity analysis, further development of risk appetite, reinsurance strategy and strategic asset allocation. Going forward, RBC will continue to be used to explore opportunities to further optimise the Group's capital structure.

(h) Suncorp Group Executive Team Management

Michael Cameron	Managing Director and Chief Executive Officer
Anthony Day	Chief Executive Officer - Commercial Insurance
Jeremy Robson	Acting Chief Executive Officer - Suncorp Life
Clayton Herbert	Chief Risk Officer
Steve Johnston	Chief Financial Officer
Anna Lenahan	Group General Counsel and Company Secretary
Gary Dransfield	Chief Executive Officer - Personal Insurance
John Nesbitt	Chief Executive Officer - Suncorp Bank

Matt Pancino	Group Executive Suncorp Business Services
Mark Reinke	Group Executive Customer, Data and Marketing
Amanda Revis	Group Executive Human Resources
Paul Smeaton	Chief Executive Officer - Vero New Zealand

(i) **SGL Board Members**

Zygmunt Switkowski	Chairman, Non-Executive Director
Michael Cameron	Executive Director
William Bartlett	Non-Executive Director
Audette Exel	Non-Executive Director
Sally Herman	Non-Executive Director
Ewoud Kulk	Non-Executive Director
Christine McLoughlin	Non-Executive Director
Douglas McTaggart	Non-Executive Director
Geoffrey Ricketts	Non-Executive Director

More information on Suncorp Group can be found in the Suncorp Group Directors' Report contained in the Suncorp Group Annual Report at <http://www.suncorpgroup.com.au>. More information on the appointment of Sally Herman is provided in the Suncorp Group's ASX announcement of 6 October 2015.

4.2 Information about SIHL

(a) **Background**

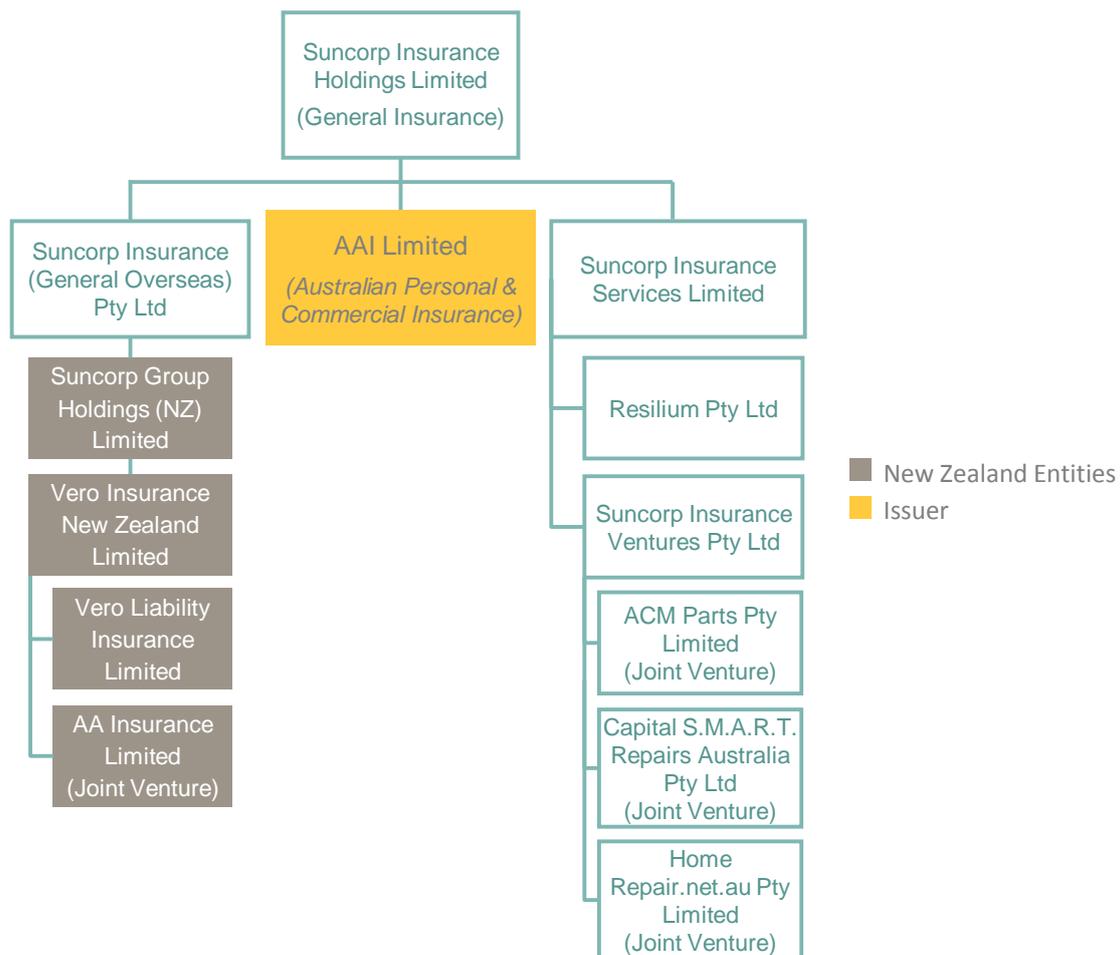
SIHL is authorised by APRA under section 18 of the Insurance Act as the NOHC for the Group's Australian general insurance businesses, and is also the immediate Australian holding company for the Group's New Zealand general insurance business and certain other subsidiaries described below. In regulatory terms, SIHL is known as the parent of the Level 2 Group and is the 'Level 2 Parent' for the purposes of the Conditions. The Level 2 Group consists of a number of different businesses which have been consolidated over a number of years:

- In 2007, SML, the ASX listed predecessor to SGL, which included Suncorp and GIO brands, merged with Promina Group Limited by way of a scheme agreement (the **Promina Merger**). The Promina Merger, which included the AAMI and Vero insurance businesses, transformed the SML group into what was then, the second largest general insurance company by gross written premium (**GWP**) in Australia and New Zealand. The Promina Merger also expanded the reach of the group's general insurance business well beyond its home state of Queensland, diversifying its risk.
- SIHL was approved by APRA as the NOHC for the general insurance group as part of a broader restructure of the SML group and its subsidiaries which established SGL as the new ASX-listed parent NOHC of the Group. The restructure was formally implemented in early 2011.
- Further restructuring took place within SIHL throughout 2011 and 2012. During 2011, all the entities conducting the Group's Australian and New Zealand general insurance businesses were transferred into SIHL. On 1 October 2012, Vero Insurance Limited changed its name to AAI Limited (the Issuer).

- Further consolidation of the Australian general insurance licences under the Issuer occurred in 2013 and 2015 and is discussed in 'Information about the Issuer' below.

For the year ended 30 June 2015, the SIHL Group (the **SIHL Group**) contributed over 60% of the Group's earnings and the Australian and New Zealand general insurance businesses set the foundation for the Group's strategic objectives. At 30 June 2015, the SIHL Group had total assets of \$24.8 billion and total equity of \$7.9 billion. For the financial year ending 30 June 2015, GWP was \$8.9 billion and profit including non-controlling interests of the SIHL Group was \$692 million. Further information about the SIHL Group's consolidated financial information can be found in Attachment 1 to this document.

(b) SIHL Group Structure



SIHL has three direct subsidiaries (which, together with SIHL and their own subsidiaries, are known as the Level 2 Group) - the Issuer, Suncorp Insurance (General Overseas) Pty Limited and Suncorp Insurance Services Limited (**SISL**), each of which have certain subsidiaries as described below.

AAI Limited (the Issuer)

The Issuer is the operating company of the Group's Australian-based personal and commercial insurance brands. Further information on the Issuer can be found in Section 4.3 headed 'About the Issuer' below.

Suncorp Insurance (General Overseas) Pty Limited

Suncorp Insurance (General Overseas) Pty Limited is the Australian holding company for Suncorp Group Holdings New Zealand Limited (**SGHNZL**). SGHNZL is in turn, the New Zealand holding company for the New Zealand general insurance businesses. Vero Insurance New Zealand Limited (**Vero NZ**), a subsidiary of SGHNZL, is the second largest personal and commercial insurer in New Zealand. The commercial insurance business provides commercial and corporate property, motor and marine cargo insurance products through a range of corporate partners and brokers. The personal insurance business provides personal insurance products including home, contents, motor and warranty, also through corporate partners and brokers. A separate licenced subsidiary of Vero NZ, Vero Liability Insurance Limited (**VLIL**), provides liability insurance. Both Vero NZ and VLIL are licenced insurers under section 19 of the *Insurance (Prudential Supervision) Act 2010* (NZ) (**IPSA**).

AA Insurance Limited is also a subsidiary of Vero NZ, and a licenced insurer under section 19 of IPSA. Vero NZ holds a 68% shareholding in AA Insurance Limited as part of a joint venture arrangement with the New Zealand Automobile Association Incorporated. AA Insurance Limited is a direct personal lines insurer. The New Zealand Automobile Association Incorporated is New Zealand's leading motor club.

At 30 June 2015, Vero NZ had total assets of NZ\$2.9 billion (\$2.6 billion) and total equity of NZ\$599 million (\$530 million). For the financial year ending 30 June 2015, profit was NZ\$147.7 million (\$137.2 million).

Suncorp Insurance Services Limited

SISL is the holding company for a number of subsidiaries including the Resilium Pty Limited broker distribution business and Suncorp Insurance Ventures Pty Limited (**SIV Pty Ltd**).

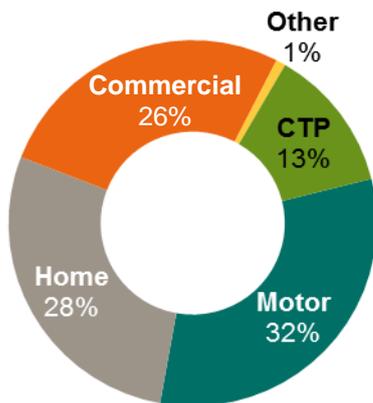
Resilium Pty Ltd was previously AMP GI Distribution Pty Ltd, AMP's general insurance distribution business. The Issuer issues products that are distributed by Resilium Pty Ltd's Authorised Representatives. Resilium Pty Ltd is not an APRA regulated insurer.

SIV Pty Ltd is the holding company of three majority owned joint ventures that support the personal insurance businesses' vertical integration strategy. Capital S.M.A.R.T Repairs Australia Pty Ltd (**SMART**) is a smash repair business that services repairs for Group related motor claims across major metropolitan centres in Australia and New Zealand. ACM Parts Pty Ltd is a joint venture in the motor parts supply chain space serving both SMART and the broader parts market. HomeRepair.net.au Pty Ltd is a home repair business that services Group related claims. While the joint ventures are supportive to business strategy, individually or collectively they are not considered to be of a material financial size in the context of the SIHL Group.

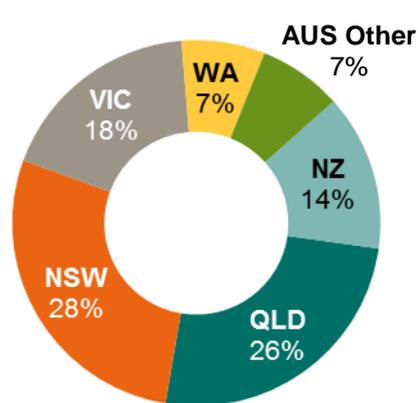
(c) SIHL Business Portfolio

The charts below show the GWP related to the SIHL portfolio totalling \$8,872 million for the financial year ending 30 June 2015, with 60% of GWP from home and motor insurance.

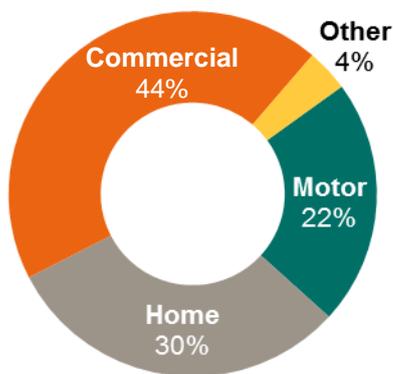
SIHL Gross Written Premium by Product



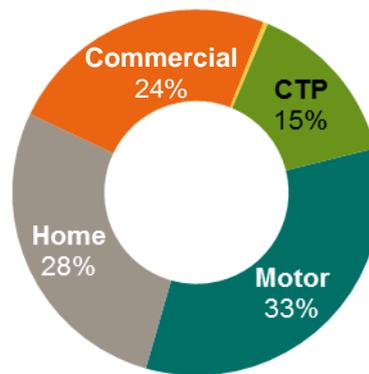
SIHL Gross Written Premium by Geography



Vero NZ Gross Written Premium by Product



AAI Limited Gross Written Premium by Product



(d) SIHL Group's Investment Portfolio

As a NOHC, the SIHL Group's investment portfolio comprises the consolidated portfolios of the Issuer, Vero NZ, VLIL and AA Insurance Limited. As at 30 June 2015, the consolidated Australian and New Zealand insurance funds (**Insurance Fund**) and shareholder funds (**Shareholder Fund**) in the investment portfolio were valued at \$12.7 billion.

The Insurance Fund of \$9.5 billion is an asset portfolio held to match the insurance liabilities of the business. The liabilities consist of the estimated payments for existing insurance claims and expenses, and estimated payments for expected claims and expenses.

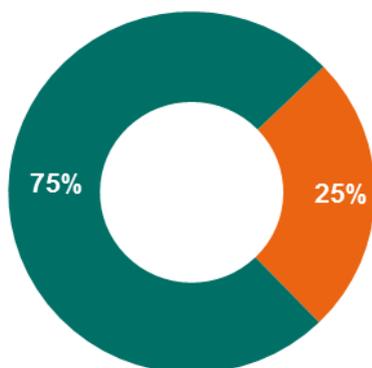
The Shareholder Fund of \$3.2 billion is an asset portfolio held in excess of the estimated value of the insurance liabilities. This portfolio is majority invested in high quality (investment grade)

corporate bonds with a small allocation to Australian, New Zealand and offshore equity and Infrastructure.

The primary objective of the portfolio is to optimise investment returns relative to the board approved risk appetite statement. For the SIHL Group, this process inherently has regard to the nature of insurance liabilities and capital requirements and seeks to substantially offset the associated interest rate and claims inflation risks in the insurance liabilities. High quality fixed interest securities and inflation-linked bonds with an average credit rating at AA, (as described below) play a central role in achieving this objective.

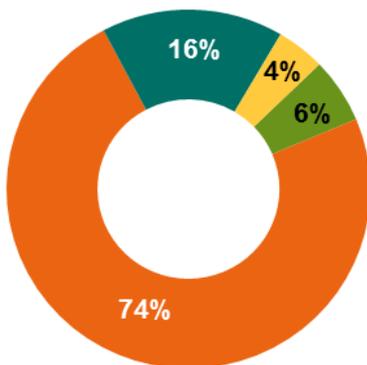
At 30 June 2015, the SIHL Group's overall investment allocation is positioned with 69% of total investments in fixed interest instruments or cash on deposit with institutions rated 'AA' or higher. The portfolio breakdown at 30 June 2015 is illustrated in the charts below.

SIHL Group's Investment Portfolio



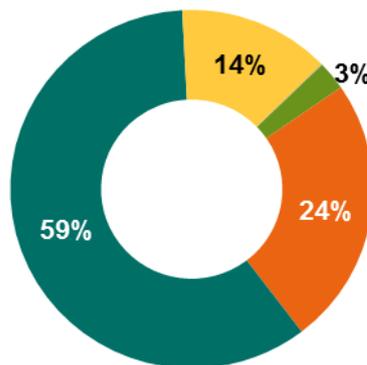
- Shareholder Funds
- Insurance Funds

SIHL Shareholder Funds



- Cash and short-term deposits
- Interest bearing securities
- Equities
- Infrastructure

SIHL Insurance Funds



- Cash and short-term deposits
- Inflation-Linked bonds
- Corporate bonds
- Semi-Government bonds

(e) Business and Risk Management

SIHL adopts and adheres to the ERM Framework as outlined in paragraph 4.1(e) above. Consistent with the ERM Framework, the Issuer's and the New Zealand businesses' risk appetite is assessed around the key risk levers of underwriting, reinsurance, capital, asset allocation and risk management.

The Australian and New Zealand insurance entities have their own board approved Risk Appetite Statements (**RAS**) which have separate tolerances for capital volatility, the volatility of earnings and the maintenance of credit ratings. Within these board approved RASs, there are tolerances for a range of key risk drivers including strategic risk, insurance risk, counterparty risk, market and asset liability mismatch risk, liquidity risk, operational risk and compliance risk.

(f) Reinsurance for the General Insurance Entities

The insurance companies owned by SIHL are protected by a number of reinsurance arrangements including our main catastrophe program and casualty cover. These arrangements allow the general insurance entities of the Issuer, Vero NZ, VLIL and AA Insurance Limited to limit their risks from particular lines of business or from specific events, such as natural catastrophes, to increase their capacity to write new policies and to stabilise earnings and protect capital resources.

Under these arrangements, other insurers and reinsurers agree to bear a portion of the general insurance entities' exposure to reported and unreported losses in exchange for a premium.

The main reinsurance program has been renewed for the financial year to 30 June 2016 to provide similar levels of protection to the 2015 financial year program.

The main catastrophe reinsurance program purchased by the Issuer, which covers all of the SIHL general insurance entities' home, motor and commercial property portfolios for major events such as earthquakes, cyclones, storms, floods and bushfires, has increased coverage to \$6.9 billion from \$6.1 billion. The program provides full NZ event coverage from retention to NZ\$7 billion with 65% protection for up to NZ\$8.8 billion.

Under these arrangements, the maximum retention for a single event in Australia is \$250 million reducing to \$200 million for a second Australian event and \$50 million for two subsequent events. The maximum retention for a single event in New Zealand is NZ\$50 million reducing to NZ\$25 million for two subsequent events.

The SIHL Group faced, and continues to face exposure to the multiple earthquake events around Christchurch in 2010/11. The New Zealand business has progressed well in settling Christchurch earthquake claims, with over NZ\$4.5 billion (85%) of total expected costs paid. An additional reinsurance cover for the Issuer and the New Zealand general insurance businesses for the February 2011 event has been put in place to moderate further exposure.

Both the Issuer and the New Zealand general insurance businesses are exposed to the risk that its reinsurers default on, or dispute, their obligation to pay valid claims. To manage this risk, reinsurance is purchased from counterparties with high credit ratings. The overall credit quality of the 2016 financial year program is high, with a minimum counterparty rating of 'A-' and with over 85% of the program protected by reinsurers rated 'A+' or better.

(g) SIHL Financial Profile

Selected summary unaudited financial information in relation to the SIHL Group is presented in Attachment 1 to this document.

(h) SIHL Capital Management

The SIHL Group capital position is regulated by APRA and, in relation to its New Zealand subsidiaries, the RBNZ.

Australia – APRA

Under APRA's prudential standards, the Level 2 Group, comprising the NOHC and its subsidiaries, is subject to minimum capital requirements for each of CET1, Tier 1 and Total Capital. All APRA

authorised general insurance entities that conduct insurance business in Australia are subject to a risk-based approach for measuring and holding the required regulatory level of capital, referred to as the Prudential Capital Requirement (**PCR**). The PCR is the minimum level of capital that APRA deems necessary to meet policy owner obligations and consists of the Prescribed Capital Amount (**PCA**) and any supervisory adjustment determined by APRA. The company uses APRA's standardised method for calculating the PCA in accordance with the relevant prudential standards and holds regulatory capital in excess of the PCA.

Under the standardised method, various risks charges are quantified to determine the prescribed capital required. These include charges for insurance and insurance concentration risk, risks associated with assets held and concentration risk as well as operational risks. In addition to APRA requirements, internal capital targets, structured according to risk appetite, the business line regulatory framework, rating agency requirements and APRA's standards, are set for each class of capital.

A range of instruments and methodologies are used to effectively manage capital including share issues, reinsurance, dividend policies and Tier 1 and Tier 2 instruments.

New Zealand – RBNZ

IPSA requires that all entities carrying on insurance business in New Zealand are required to be licensed by the RBNZ. Vero NZ and its two general insurance subsidiaries, VLIL and AA Insurance Limited (the **NZ Licenced Insurer Group**), are fully licensed by the RBNZ.

Regulatory capital requirements are imposed under the IPSA and under the Solvency Standard for Non-life Business (the **Solvency Standard**) issued by the RBNZ. The Vero NZ ICAAP provides the framework to ensure continuous and full compliance with the solvency standard. Capital targets are structured according to risk appetite and the Solvency Standard to ensure that both the individual entities and the NZ Licenced Insurer Group hold capital in excess of the RBNZ minimum requirement.

Capital

Total regulatory capital for the Level 2 Group at 30 June 2015, prior to the declaration of dividends is set out as follows:

Level 2 Group Capital position at 30 June 2015	\$m	Coverage ratio¹	APRA requirement¹
CET1 Capital	3,069	1.40	0.60
Tier 1 Capital	3,579	1.64	0.80
Total Capital	4,079	1.86	1.00

¹ - represents a multiple PCA

CET1 capital levels at 30 June 2015 were \$1,756 million in excess of the PCA requirement and Total Capital was \$1,891 million in excess of the PCA requirement. The CET1 coverage ratio of 1.40 times the PCA was also above the target of 1.05 times and above the target operating range of 0.95-1.15 times PCA.

Total Capital (and therefore the capital of the Level 2 Group for the purposes of the Conditions) at 30 June 2015 included:

- \$510 million of Additional Tier 1 Capital, of which \$110 million consists of the CPS2 Internal Notes (Level 2 Parent) and \$400 million of CPS3 Internal Notes (Level 2 Parent) which are Relevant Tier 1 Securities of the Level 2 Group for the purposes of the Conditions; and
- \$500 million of pre-LAGIC Tier 2 Capital of the Issuer which is recognised as Tier 2 Capital on a transitional basis until their first call dates. Subsequent to 30 June 2015, instruments with a capital value of \$172 million were called at their first call date in September 2015. Remaining instruments have their first call dates in October 2016 and June 2017. These instruments are intended to rank ahead of the Subordinated Notes and are not Relevant Securities for the purposes of the Conditions.

The NZ Licenced Insurer Group capital position, measured against minimum solvency capital requirements by the RBNZ, prior to the declaration of dividends, is set out as follows:

NZ Licenced Insurer Group position at 30 June 2015	\$NZD m	Solvency ratio
Actual solvency	394	1.80
minimum solvency requirement	219	
solvency margin	175	

(i) SIHL Board Members

The SIHL Board is constituted by the same members as are listed under the SGL Board at paragraph 4.1(i) above.

For more information on the SIHL Board members please refer to the Suncorp Group Directors' Report contained in the Suncorp Group Annual Report at <http://www.suncorpgroup.com.au>

(j) SIHL Executive Team Management

SIHL's executive functions are carried out by, or by reports to, the SGL executive team management as outlined in paragraph 4.1(h) above.

4.3 Information about the Issuer

(a) Background

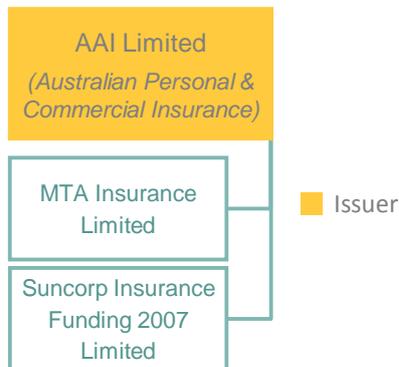
The Issuer is one of three directly held subsidiaries of SIHL. In 2013, the Group simplified its Australian insurance operations by consolidating its general insurance licences. It reduced the number of authorised general insurers in the Group in Australia from five (remaining from the Promina Merger) to one. The general insurance licences of Australian Associated Motor Insurers Limited, GIO General Limited, Suncorp Metway Insurance Limited and Australian Alliance Insurance Company Limited were consolidated into the Issuer. The Issuer now conducts business through a number of brands including AAMI, GIO, Suncorp Insurance and Vero Insurance. The Issuer became the regulated level 1 entity and single Australian licensed general insurer regulated by both APRA and ASIC and underwriter for all of the Group's general insurance products in Australia.

On 29 August 2014, the Issuer acquired MTA Insurance Limited (**MTAI**) which sold add-on insurance, including consumer credit insurance through motor dealers and at the time of the acquisition was an authorised general insurer. On 1 July 2015, the general insurance assets and liabilities of MTAI were transferred to the Issuer by way of a Court approved scheme under the Insurance Act. The general insurance licence of MTAI was then revoked on 30 September 2015.

The Issuer is the second largest general insurer by GWP in Australia.

At 30 June 2015, the Issuer had total assets of \$17.4 billion and total equity of \$2.5 billion. For the financial year ending 30 June 2015, profit attributed to owners of the Issuer was \$604.2 million.

(b) Company Structure of the Issuer



Suncorp Insurance Funding 2007 Limited is a special purpose vehicle which issued (and on-lent to the Issuer) GBP Sterling 200 million subordinated debt in 2007 with an optional call date in June 2017 (currently GBP Sterling 121 million outstanding).

Details of certain other subsidiaries and two joint ventures can be found in the Issuer's audited financial statements for the financial year ended 30 June 2015, which are available on SGL's website at <http://www.suncorpgroup.com.au>.

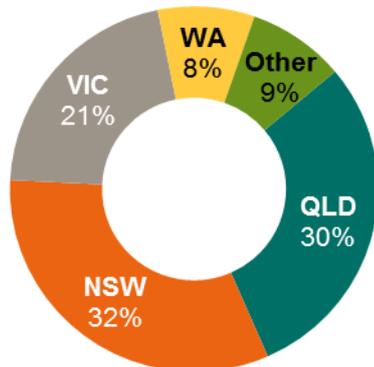
(c) The Issuer's Business Portfolio

The Issuer includes Australian personal and commercial insurance business areas and has a strong reputation for innovation and supply chain simplification. The personal and commercial insurance businesses work alongside the supply chain joint ventures that sit under SISL, to improve the customer experience, quality and cost outcomes.

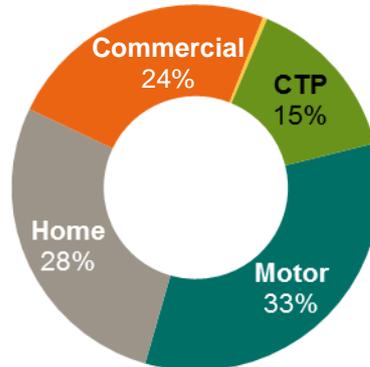
Whilst some business activities take place in New Zealand, the Issuer's and its subsidiaries' revenue from external customers is predominantly attributed to Australia. There are no significant assets located in foreign countries.

The composition of the Issuer's insurance portfolio by GWP, which totalled \$7,667 million for the financial year ending 30 June 2015, is illustrated on the charts below:

AAI Limited Gross Written Premium by Geography



AAI Limited Gross Written Premium by Product



Personal Insurance

The Issuer’s personal insurance business offers a range of insurance products including motor, home and contents, travel, boat, motorbike and caravan insurance.

The key to the Issuer’s success in personal insurance is its portfolio of well-known brands. These include Suncorp Insurance, AAMI, GIO, Apia, Vero, Shannons, Just Car Insurance, Insure My Ride, Bingle, Terri Scheer and CIL Insurance. These brands have built reputations for insurance innovation, outstanding customer service and trustworthy products.

The business has also partnered with industry leading providers to offer white labelled health insurance (Apia).

Personal insurance product overview and composition

Home	The Home portfolio offers a range of home and contents insurance products, including building-only, contents-only and comprehensive home and contents policies protecting investors, owner-occupiers and renters from unforeseen weather events, fire, damage or theft.
Motor	Motor (car) insurance includes comprehensive car insurance, third-party property damage, and fire, theft and third party property insurance.
Other	A number of specialty personal insurance brands offer niche insurance products including travel, boat, motorbike, and caravan and trailer insurance.

Commercial Insurance

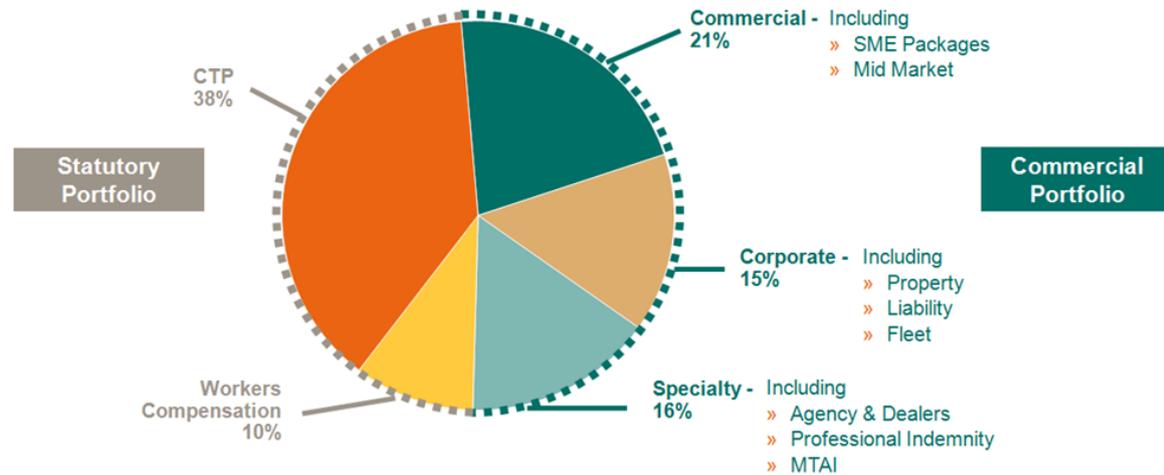
The Issuer’s commercial insurance business offers insurance products that serve the needs of a wide range of commercial customers – from small business people to global companies – through a range of channels and a portfolio of brands including GIO, AAMI, Suncorp Insurance, Vero and Resilium.

The Issuer’s commercial insurance business is also Australia’s largest personal injury insurer, serving the needs of governments, employers and the community, via compulsory third party insurance (CTP) and the various state workers’ compensation statutory schemes which are described further in the commercial product overview below. Overall, the Group has more than 85 years of personal injury insurance experience through many of its brands all now underwritten by the Issuer. These brands have built reputations on community focused activities centred on risk

management, injury prevention, social participation and quality of care for those injured or with a disability.

The Issuer's commercial insurance products include commercial motor insurance, commercial property insurance, marine insurance, industrial special risks insurance, public liability and professional indemnity insurance, workers' compensation insurance, compulsory third party insurance, loan protection insurance and equity and cash benefit insurance.

Commercial insurance product overview and composition by GWP for financial year ending 30 June 2015



<i>Statutory portfolio</i>	
Compulsory Third Party (CTP)	CTP covers insured customers in Australia against liability to third parties injured in motor vehicle accidents and is the means by which those third parties are compensated for their injuries in Australia. The insurance is compulsory for all motor vehicles in Australia. Claims are governed by legislation and disputes can be resolved by the courts. In New South Wales, Queensland and the Australian Capital Territory, CTP is underwritten by private insurers. It is intended that in South Australia, CTP will be written by private insurers from 1 July 2016. In other states and the Northern Territory, CTP is underwritten by the respective state and territory governments.
Workers compensation	Workers' compensation insurance is provided for work-related injuries or disease. The provision of workers' compensation insurance is typically a statutory class of business, as it is required by local or state government legislation. Legislation also typically requires employers to either self-insure with adequate reinsurance or to obtain appropriate workers' compensation insurance with an approved insurer. The level of insurance required is mainly determined by reference to the number of workers employed and the nature of work performed. It includes employers' liability. In New South Wales, Victoria and South Australia, insurers operate as scheme agents on behalf of the government authority. In Queensland, the scheme is operated entirely by the state.

<i>Commercial portfolio</i>	
Commercial	“SME packages” are the tailored multi-class product line solutions (property, liability, machinery breakdown, etc.) dedicated to the small medium enterprise (SME) business sector. Significant focus on technology and systems delivery is a key component in this segment of the market. Mid Market focuses on and refers to property, liability, and fleet in the total asset value segments between SME and corporate.
Corporate	<p>Property insurance refers to the underwriting of a broad range of risks including policies for fire, crime and consequential loss, as well as schemes tailored for specific classes of cover for both personal and property damage.</p> <p>Liability insurance and risk management solutions are for organisations of all sizes, from small business to global enterprises. The cover can include public and products liability insurance; umbrella and excess liability insurance; product recall expense insurance; and product errors and omissions insurance.</p> <p>Commercial motor fleet insurance covers business’ vehicles, including comprehensive cover (theft, loss or damaged vehicles)</p>
Speciality	This includes highly specialised products dedicated to the marine insurance marketplace, professional indemnity and financial lines of insurance, and construction & engineering exposures. Other products include surety bonds and consumer credit insurance dedicated to the motor dealer industry. Specialty also includes an array of niche product solutions targeting frontier markets serviced via tailored partnership agreements in the underwriting agency community.

(d) The Issuer’s Investment Portfolio

As a general insurer, the Issuer maintains an investment portfolio for the purposes described in ‘SIHL Group’s Investment Portfolio’ above.

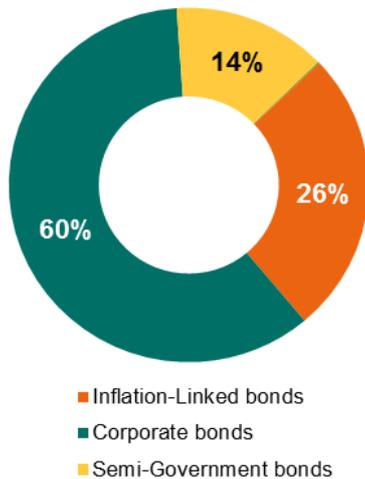
At 30 June 2015, the Issuer held an investment allocation with 69% of total investments in fixed interest instruments or cash on deposit with institutions rated ‘AA’ or higher.

The investment portfolio comprises of:

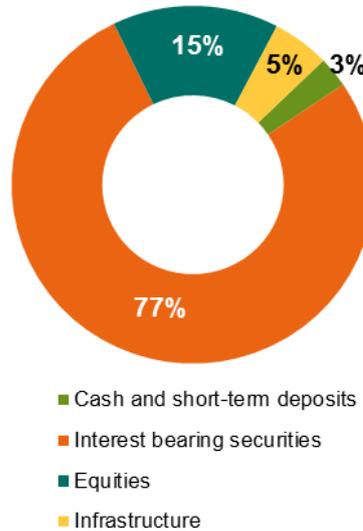
- total investments of \$11.5 billion;
- insurance funds of \$8.8 billion; and
- shareholder funds of \$2.7 billion.

The composition of the Issuer’s investment portfolio at 30 June 2015 is illustrated by the charts below:

AAI Limited Insurance Funds



AAI Limited Shareholder Funds



(e) Business and Risk Management

The Issuer adopts and adheres to the ERM Framework for SGL as outlined in paragraph 4.1(e) and SIHL as outlined in paragraph 4.2(e) above.

(f) Reinsurance

As a general insurer the Issuer enters into reinsurance arrangements for the purpose described in the SIHL Group’s reinsurance arrangements in Section 4.2(f) above. The Issuer’s reinsurance arrangements are largely outlined under paragraph 4.2(f) above.

The Issuer has a significant share of the Queensland home insurance market and, to reduce its geographical concentration, it has entered into a 30%, multi-year, sharing arrangement (known as proportional quota share reinsurance) covering this portfolio until 30 June 2018.

(g) The Issuer’s Capital

The Issuer, as the licenced Australian insurer within the Level 2 Group, a level 1 insurer, is subject to similar minimum capital requirements to SIHL, for each of CET1, Tier 1 and Total Capital. The Issuer adopts APRA’s standardised method for calculating the PCA in accordance with the relevant prudential standards and completes statutory returns to APRA. It currently holds capital in excess of the PCA requirements. Similar to SIHL, it maintains internal capital targets structured according to risk appetite, the business regulatory framework, rating agency requirements and APRA standards for each class of capital.

The capital held at 30 June 2015, prior to the declaration of dividends is set out as follows:

AAI Limited Regulatory Capital position at 30 June 2015	\$m	Coverage ratio¹	APRA requirement¹
CET1 Capital	2,431	1.20	0.60
Tier 1 Capital	2,941	1.45	0.80
Total Capital	3,441	1.70	1.00

¹ - represents a multiple PCA

CET1 capital levels at 30 June 2015 were \$1,218 million in excess of the PCA requirements and Total Capital was \$1,419 million in excess of the PCA requirement. The CET1 coverage ratio of 1.20 times the PCA was also above the target of 1.02 and above the target operating range of 0.90-1.10 times PCA.

The Issuer's Total Capital at 30 June 2015 included:

- \$510 million of Additional Tier 1 Capital, of which \$110 million consists of the CPS2 Internal Notes (Issuer) and \$400 million of CPS3 Internal Notes (Issuer) which are Relevant Tier 1 Securities of the Issuer for the purposes of the Conditions; and
- \$500 million of pre-LAGIC Tier 2 Capital of the Issuer which are recognised as Tier 2 Capital on a transitional basis until their first call dates. Subsequent to 30 June 2015, instruments with a capital value of \$172 million were called at their first call date in September 2015. Remaining instruments have their first call dates in October 2016 and June 2017. These instruments are intended to rank ahead of the Subordinated Notes and are not Relevant Securities for the purposes of the Conditions.

(h) The Issuer's Board

The Issuer's Board is constituted by the same members as are listed under the SGL Board at paragraph 4.1(i) above.

(i) The Issuer's Executive Team Management

The Issuer's executive functions are carried out by, or by reports to, the SGL executive team management as outlined in paragraph 4.1(h) above.

4.4 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.

(a) Australia

APRA

APRA regulates companies operating in the Australian financial services industry. APRA has established prudential standards for all general insurers, banks, life insurance companies and superannuation entities and has released prudential standards for conglomerate groups (implementation date for some of these yet to be announced).

From 1 January 2013, the Group was 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).

(b) **New Zealand**

Reserve Bank of New Zealand

The RBNZ is the regulator of insurance business in New Zealand under IPSA. IPSA sets insurer licensing requirements in New Zealand which include disclosure of financial strength ratings and compliance with solvency, risk management and governance standards.

The Group's insurance businesses in New Zealand hold IPSA licences where required.

5 Risk Factors

Prospective investors should consider carefully the risks set forth below and the other information contained in this Information Memorandum prior to making any investment decision with respect to the Subordinated Notes.

Each of the risks highlighted below, being risks which, as indicated, affect the Issuer, SIHL and SGL and their respective businesses, could have a material adverse effect on operations, financial condition or prospects of one or all of the Issuer, SIHL or SGL or the Group, which, in turn, could have a material adverse effect on the amount which investors will receive in respect of the Subordinated Notes or Ordinary Shares issued on Conversion of the Subordinated Notes. Risks faced by the Issuer, SIHL and SGL are managed within the RAS that provide a narrative of the boards' acceptance of risk, having regard to the controls in place and/or management's capability to manage emerging risks

In addition, risks arising from the nature of financial markets or investment in securities generally, or from the specific terms of the Subordinated Notes, could adversely affect the trading price of the Subordinated Notes or the rights of investors under the Subordinated Notes or otherwise result in investors losing some or all of their investment. Some of the risks arising from the specific terms of the Subordinated Notes are also described below.

Prospective investors should note that the risks described below are not the only risks faced by the Issuer, SIHL, or SGL or the Group or relating to the Subordinated Notes. There may be additional risks and any of these risks could have the effects set forth above.

5.1 Risk Factors – the Issuer

(a) Competitive Environment

The general insurance industry is highly competitive and, as a result, the Issuer faces intense competition in all aspects of its business. The Issuer competes with numerous other insurance companies, both domestically and foreign owned. Traditional insurers such as the Issuer continue to dominate market share, but as competition continues to intensify, non traditional companies (e.g., new market entrants, reinsurers and brokers) who are extending across the value chain, will possibly challenge incumbent insurers' market share.

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

The Issuer is also dependent on its ability to offer products and services that match evolving customer preferences, habits and sentiment. Failure to respond to changes may cause the Issuer to lose customers to its competitors. This could adversely affect the Issuer's business, financial performance, financial condition and prospects.

(b) Dependence on the Australian Economy

An adverse change or weakening in the economy and business conditions in Australia, where the Issuer has the majority of its operations, but also potentially in other countries across the world, may have an impact on the financial condition, performance and prospects of the Issuer. This includes reduced demand for products and services but also lower investment returns and increased costs.

(c) Reliance on Intermediaries

Insurance brokers remain the dominant distribution channel for customers purchasing commercial insurance products. The Issuer distributes a large proportion of commercial insurance products through third party-owned insurance agents and brokers (intermediaries). While not reliant on any individual intermediary, the failure, inability or unwillingness of intermediaries to successfully market the Issuer's insurance products could have a material adverse effect on the Issuer's

businesses, financial condition and operations. This risk may be mitigated through the number of available intermediaries in the market place and terms and conditions in distribution agreements between the Issuer and each intermediary that the Issuer deals with. However, the Issuer's business remains dependent on its relationships with intermediaries.

(d) Risks Relating to the Legal and Regulatory Landscape

The Issuer is subject to extensive laws and regulations in Australia and is licensed to operate in the various states and territories in which it operates. The Issuer is also supervised by a number of different regulatory authorities which have broad administrative powers over its businesses. These include APRA, ASIC, the Australian Competition and Consumer Commission (**ACCC**), the Office of the Australian Information Commissioner and AUSTRAC. In particular, the Issuer is subject to prudential supervision by APRA and is required, amongst other things, to meet capital requirements prescribed by APRA as a level 1 insurer. In addition, the Issuer is regulated at a State level by various regulators in respect of its CTP insurance and workers compensation insurance businesses.

The Issuer 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.

If the Issuer fails to comply with applicable laws, regulations, standards and codes, it may be subject to fines, penalties, restrictions on its ability to do business, or loss of licence to conduct business or restrictions on its ability to perform its obligations with respect to the Subordinated Notes. Any such fines, penalties, restrictions or loss of licence could adversely affect the Issuer's businesses, financial performance, financial condition and prospects. There continues to be domestic legislative and regulatory reforms which will, or may, impact the Issuer's operations. These include:

Northern Australia Insurance Premiums Taskforce – On 30 March 2015, the Federal Government established the Northern Australia Insurance Premiums Taskforce which was tasked with examining if the government could “provide support to a reinsurance pool or a mutual insurer that provides cyclone-specific cover” and other policy options to reduce insurance premiums in Northern Australia. This may lead to a reduction in the size of the market in which the private sector can operate. The taskforce is expected to provide its report in November 2015. The issuer has a large market share in North Queensland.

It is intended that the *South Australian (SA) Compulsory Third Party Insurance scheme* will transition to the private insurance market from 1 July 2016. This is the first transition of a personal injury scheme since the NSW CTP scheme was privatised in 1989. Successful privatisation of CTP in SA could influence reform in other jurisdictions where similar schemes are underwritten by State Governments.

(e) Credit Ratings

Credit rating downgrades may be driven by the occurrence of one or more of the other events identified as risks in this Section 5 or by other events including changes to the methodologies used by the rating agencies to determine ratings.

If the Issuer fails to maintain its current credit ratings, this could adversely affect the Issuer's competitive position through loss of insurance business and access to capital and funding markets. This could, in turn, adversely affect the Issuer's 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 the Issuer differ among agencies (split ratings) and whether any ratings changes also impact the Issuer's peers or the general insurance sector.

(f) Operational Risk

The Issuer is exposed to a variety of operational risks associated with internal and external fraud and other dishonest activities, workplace safety, project and change management, compliance,

business continuity and crisis management, key person dependencies, information and systems resilience as well as reliance on partners, suppliers and outsourcing.

While, as part of the Group, the Issuer has adopted policies and procedures to control exposure to, and limit the extent of, these risks, there are inherent limitations in any risk management control system and control breakdowns can occur.

The Issuer also relies to a significant degree on information technology systems. Most of the Issuer's daily operations are computer based and their information technology systems are essential to maintaining effective communication with customers and keeping pace with the competitive environment. The Issuer 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 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 including data protection breaches.

As part of the Group, the Issuer has disaster recovery and systems development roadmaps in place to mitigate these risks. However, significant failure in information technology systems could result in business interruption, the loss of customers, damaged reputation and weakening of its competitive position. As part of the Group, the Issuer relies on shared systems and support functions from corporate services entities. It is therefore exposed to the corporate services entities continuing to provide those systems and services.

(g) Investment Performance

The Issuer has a significant investment portfolio supporting liabilities arising within its general insurance business. The portfolio comprises:

- insurance funds for general insurance which support outstanding claims and unearned premiums; and
- other assets investing shareholder funds.

The Issuer, through its investment portfolio, is exposed to risk and volatility in the markets, securities and other assets in which it invests. Those risks include, but are not limited to:

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

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

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

(h) Insurance Risk

The Issuer is exposed to the risk of financial loss and the inability to meet liabilities due to inadequate insurance product design, pricing, underwriting, concentration risk, reserving or claims

management and/or reinsurance management. A number of these risks are discussed in further detail below:

(1) Reinsurance Risk

The availability, amount and cost of reinsurance capacity depends on prevailing market conditions, the credit ratings of reinsurance counterparties and previous loss experience and this can vary significantly.

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

There are risks associated with the determination of proper levels of reinsurance protection, the cost of such reinsurance and the financial security of reinsurers. Whilst modelling is utilised to assist with determining adequate coverage there can be no assurance that the reinsurance coverage for the Issuer 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 Issuer is also exposed to the risk that a reinsurer may default on any obligation to pay valid claims. In the case of longer tail claims (e.g. liability claims), the Issuer may take a considerable period to collect on reinsurance receivables, and reinsurers may dispute some claims, even if valid. Whilst mitigants, including the use of APRA authorised reinsurers, contractual arrangements and exposure limits to individual reinsurers are in place, risks remain. Despite reinsurance, the Issuer is primarily liable to policyholders, and so a failure by a reinsurer to make payment, for whatever reason, could adversely affect the Issuer's business, financial performance, financial condition and prospects.

(2) Estimation of Claims Provisions

The Issuer's provisions for insurance liabilities may prove to be inadequate to cover its ultimate liability under policies written by them. Within its general insurance business, the Issuer maintains provisions for outstanding claims and unearned premiums to cover the estimated ultimate liability for claims including claims handling expenses. Although the Issuer seeks to maintain outstanding claims provisions at a probability of adequacy of approximately 90%, the estimation of claims provisions is inherently uncertain so there remains a chance that the ultimate cost of claims will be higher, perhaps significantly. The estimates are based on actuarial and statistical methodologies made on the basis of facts and circumstances known at a given time and estimates of trends into the future. Potential causes of inadequate estimates include a greater than estimated number of future claims reported, wage inflation greater than forecast, increased costs as a result of new legal precedents or increased cost of goods and services for repairs. Insufficient provisions for insurance liabilities could adversely affect the Issuer's business, financial performance, liquidity, capital resources and financial condition.

(3) Catastrophes

The Issuer deals with claims arising from catastrophic events predominantly in Australia including, but not limited to, cyclones, earthquakes, wind, hail, fires, floods and bushfires, in addition to man-made disasters. It is not possible to predict the timing or severity of catastrophes. The Issuer manages its exposure to catastrophes through the purchase of catastrophe reinsurance, which is also required to meet APRA requirements in Australia. It is subject to the same reinsurance risks as outlined above.

(i) Litigation

The Issuer is party to claims and litigation in the ordinary course of business. The Issuer is not currently involved in any legal proceedings that it believes will result, individually or in the aggregate, in a material adverse effect on the Issuer's financial condition or results of operations.

The Issuer is currently party to proceedings in the High Court of New Zealand concerning a disputed claim under an insurance policy in relation to which a statutory demand and related application for a winding up of the Issuer have been filed by a policyholder. These proceedings have been stayed pending resolution of the Issuer's appeal against a decision of Osborne AJ declining its application to have the statutory demand set aside on the grounds it related to a disputed claim and was an abuse of process. Should the Issuer's appeal be successful, the Issuer expects the statutory demand to be set aside and the related application for winding up to be struck out. Should the appeal be unsuccessful then, subject to any further appeal the Issuer may choose to pursue, the Issuer will pay the outstanding claim of NZ\$1.87 million forthwith and accordingly expects the application for winding up would be discontinued. Should the Issuer's appeal be unsuccessful and for any reason an application for winding up was pursued against it, the Issuer is in a position to prove that it is and remains solvent and that accordingly there are no grounds for a winding up order to be made against it.

(j) General Business Risks

The Issuer may also be affected by the general business risks set out in Section 5.3 below.

5.2 Risk Factors – SIHL (and the Level 2 Group)

As the Issuer has the largest general insurance business in the Level 2 Group, the risk factors outlined under Section 5.1 above also form part of the risk factors of the Level 2 Group. The other material business in the Level 2 Group is the general insurance business in New Zealand. Risk factors in relation to Vero NZ and its licenced subsidiaries, VLIL and AA Insurance Limited are consistent with those of the Issuer as outlined in 5.1. Particular risk aspects in relation to the New Zealand businesses are set out below:

(a) Dependence on the New Zealand Economy

The risks to the Issuer relating to the dependence on the Australian economy apply equally for the New Zealand business with respect to the New Zealand economy.

(b) Reliance on Intermediaries

The risk to the Issuer associated with reliance on brokers and insurance agents, extends to the New Zealand business, where Vero NZ primarily distributes its products through third party intermediaries including corporate partners, agents and brokers.

(c) Risks Relating to the Legal and Regulatory landscape

Vero NZ is subject to New Zealand law and its entities are licensed by the RBNZ. It is subject to prudential supervision by the RBNZ and is required to meet solvency requirements prescribed by RBNZ. It is responsible for ensuring that it complies with all applicable legal and regulatory requirements and may be subject to fines, penalties, restrictions on its ability to do business, insurer licence conditions or loss of licence to conduct business and statutory intervention. There continues to be legislative and regulatory reforms in New Zealand that will, or may, impact Vero NZ's operations. These include:

Financial Markets Conduct Act – The Financial Markets Conduct Act 2013 (the Act) came into force fully on 1 December 2014, with certain transitional arrangements taking effect up to 1 December 2016. The Act represents significant new legislation and will replace much of New Zealand's existing financial markets conduct law. The Act governs the creation, promotion, trading and sale of financial products and introduces, amongst other things, new fair dealing obligations, new disclosure requirements, new licensing obligations, and a new governance and accountability framework.

(d) Catastrophes

The risks to the Issuer associated with catastrophe reinsurance also apply to the New Zealand business. The amount of cover purchased is designed to meet New Zealand catastrophe requirements and RBNZ requirements.

(e) General Business Risks

As with the Issuer, the SIHL Group may also be affected by the general business risks set out in Section 5.3 below.

5.3 Risk Factors – General

In addition to those risk factors specifically relating to the Issuer and to SIHL, SGL and other members of the Group (including the Issuer and SIHL) are also exposed to a range of additional risk factors. These factors may arise as a result of SGL being the listed entity or due to risks associated with the broader Group.

(a) Competitive Environment

The financial services industry is highly competitive. As a result SGL faces intense competition in all aspects of its business in addition to general insurance. SGL's banking business competes, both domestically and internationally, with retail and commercial banks and its life business competes, with other insurance firms. If SGL is unable to compete effectively in its various businesses and markets, its market share may decline. Increased competition may also divert business to SGL's competitors or create pressure to lower margins.

(b) Reputational Damage

SGL's and each other Group member's ability to attract and retain customers and investors and its prospects could be adversely affected if its or 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 and allied industries in general or from the actions of its customers and counterparties.

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

(c) Mergers, Acquisitions and Divestments

While SGL is currently focussing on organic growth, SGL or other members of the Group may engage in merger, acquisition or divestment activity which facilitates SGL's strategic direction. This activity may involve entering new markets or expanding the Group's current product suite. Whilst SGL recognises that benefits may arise from merger, acquisition or divestment activities, significant risks exist in both the execution and implementation of such activities.

It is likely that SGL or other members of the Group would raise additional debt or raise equity to finance any major merger or acquisition and this would cause SGL and/or such other Group members 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, SGL's or other Group members' operating results may be adversely affected.

As a target in any future merger or acquisition activity the issues identified above may also be relevant. Where SGL or another Group member decides to divest a business or asset, this may involve a loss against book value, particularly of any goodwill or other intangibles.

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

(d) Accounting Estimates and Judgments

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

(e) Declines in Asset Markets

Each member of 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 held against loans and derivatives which may impact the ability to recover amounts owing to Group members if customers or counterparties were to default.

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

(f) Funding and Liquidity Risk

Financial institutions (including SGL and its subsidiaries) are currently subject to global credit and capital market conditions which experienced extreme volatility, disruption and decreased liquidity following the global financial crisis.

If market conditions deteriorate due to economic, financial, political or other reasons, SGL's funding costs as well as those of the Issuer and SGL's other subsidiaries 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 credit ratings of SGL and its subsidiaries 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 SGL, the Issuer or any of SGL's other subsidiaries will be able to obtain adequate funding at acceptable prices or at all.

(g) Market Risk

The Group is exposed to market risk as a consequence of both its investments in its general and life insurance operations and bank trading activities in financial markets and through the asset and liability management of its balance sheet. It is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and credit prices. If SGL or any

other member of the Group was to suffer substantial losses due to any market volatility, it could adversely affect its and the Group's businesses or financial performance.

(h) Risks Relating to the Legal and Regulatory Landscape

SGL and its subsidiaries are subject to extensive laws and regulations Australia and New Zealand and are licensed in both countries. SGL and its subsidiaries are also supervised by a number of different regulatory authorities which have broad administrative powers over its businesses. In Australia and New Zealand, the relevant regulatory authorities include APRA, RBA, RBNZ, ASIC, ASX, ACCC and AUSTRAC. SGL and its subsidiaries are 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.

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

There continues to be domestic and global legislative and regulatory reforms which will, or may, impact the Group's operations in Australia and New Zealand now and in the future. Government and regulator consultations, reviews and inquiries which may result in relevant changes or proposals that could impact the Group continue to occur such as the Federal Government Tax White Paper, APRA's *Prudential Standards CPS220 and CPS510 and Level 3 Framework*, the Productivity Commission inquiry into the Federal workplace relations framework and the Federal Government consultation on the Harper review of Australia's competition policy.

In particular:

Financial System Inquiry- the Final Report (**Report**) of the Financial System Inquiry (**Inquiry**) was released on 7 December 2014. The Inquiry was tasked with undertaking a wide-ranging review of Australia's financial system and the Report purports to provide a blueprint for the future. The Report's recommendations are likely to underpin future regulatory reform of the Australian financial services sector. Although regulators, including APRA, have indicated support for a variety of Report recommendations and released information that provides some indication as to the approach they will likely adopt, ultimately the reform agenda of the Federal Government, reflected in its Release of 20 October 2015, will now dictate the extent and timing of any changes. It is difficult at this stage to judge the likely impact of the Report, government response and regulator action, including whether there may be increased capital requirements for SML.

Financial advice reforms – In March 2014, the Federal Government introduced the Corporations Amendment (Streamlining of Future of Financial Advice) Bill 2014. If enacted, the Bill would amend some of the changes brought about by the Future of Financial Advice reforms including, in certain circumstances, exempting general advice from the ban on conflicted remuneration, removing the 'opt in' requirements and making improvements to the best interests duty 'safe harbour' provisions. There remains uncertainty as to whether the Bill will eventually pass; however should it do so it is anticipated it will lessen the regulatory burdens imposed on the Group by the initial reforms.

There have also been numerous inquiries into, and reports on, the financial adviser and life insurance industries including those by the Financial System Inquiry, the Federal Parliamentary Joint Committee on Corporations, ASIC and the Life Insurance Advisory Working Group. Of particular note was the release of the Trowbridge Report which made 11 recommendations relating to adviser remuneration, licensee remuneration, and quality of advice and insurer practices. The Federal Government is consulting on raising the professional, ethical and education standards in the financial services industry. It is currently uncertain as to what the eventual impact of any of these inquiries, reports or consultations will be other than that there will be changes.

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

The Group is not currently involved in any legal proceedings that SGL believes will result, individually or in the aggregate, in a material adverse effect on the Group's financial condition or results of operations. However, as described in relation to the Issuer in Section 5.1(i) above, members of the Group are subject to claims and litigation in the ordinary course of business and there is a risk that they may be adversely affected by such claims and litigation.

(i) Execution of Strategic Initiatives

The Group is managing the delivery of a number of strategic initiatives, including Group wide initiatives such as the Business Intelligence and customer extension programs as well as the core banking system replacement and the Advanced Accreditation programs within SML.

Failure to successfully deliver these programs could adversely affect SGL's businesses or financial performance.

5.4 Risk Factors relating to the Subordinated Notes

The Subordinated Notes are complex financial instruments and an investment in the Subordinated Notes is subject to a number of risks associated with investments in instruments of that kind. Risks related to specific features of the Subordinated Notes include:

- The Interest Rate will fluctuate over time and so may become more or less attractive.
- The Issuer may elect to defer payments of interest on the Subordinated Notes indefinitely during their term, subject to certain conditions. Deferral may occur notwithstanding the payment of dividends on Ordinary Shares.
- The Issuer is not required to redeem the Subordinated Notes until their maturity date in 18 November 2040. Holders may therefore be required to bear the risk of their investment in the Subordinated Notes for a long time. The Issuer may also elect to redeem the Subordinated Notes early in certain circumstances and with the prior written approval of APRA, in which case holders will be required to bear the tax consequences of such early redemption and may not be able to re-invest the proceeds in an equally attractive investment. Investors should not expect that APRA's approval will be given for any redemption of Subordinated Notes at the option of the Issuer.
- There is no liquid market for the Subordinated Notes, and investors should not expect such a market is likely to develop. The price, if any, for which Subordinated Notes may be sold will be affected by a range of factors.
- The number of Ordinary Shares received on Conversion is determined by reference to the trading price of Ordinary Shares over a period prior to Conversion. This may not reflect the value of the Ordinary Shares or the price for which they may be sold, especially if the Ordinary Shares have been suspended from trading. The number of Ordinary Shares issued on Conversion is also limited by a maximum conversion number. The maximum conversion number is adjusted for only limited corporate actions and accordingly other corporate actions may affect the value of the maximum conversion number. There may be no market in the Ordinary Shares issued on Conversion. Accordingly, there can be no assurance that a holder will be able to sell the Ordinary Shares received on Conversion for an amount equal to the face value of the Subordinated Notes.
- If Conversion is required due to a Non-Viability Trigger Event and for any reason Conversion cannot be effected within 5 Business Days, the Subordinated Notes will be Written-Off and holders will receive no compensation.
- It is not certain what events or circumstances would give rise to a Non-Viability Trigger Event because such events and circumstances have not been prescribed by APRA but may be determined by it in its discretion. If relevant events or circumstances were to occur or arise, it is uncertain whether they would give rise to a Non-Viability Trigger Event in respect of the Issuer, or the Level 2 Group, or both, and the consequences for the Holders of each of these occurrences may be different.

- Subordinated Notes are exposed to risks associated with SIHL because Conversion or Write Off may be required because a Non-Viability Trigger Event occurs due to circumstances affecting SIHL. However, Subordinated Notes are not guaranteed by SIHL.
- Subordinated Notes are also exposed to risks associated with SGL because Conversion is into Ordinary Shares. However, Subordinated Notes are not guaranteed by SGL.
- Subordinated Notes are subordinated to other creditors of the Issuer. In the event of a winding up of the Issuer, holders of Subordinated Notes are likely to suffer the loss of some or all of their investment. To the extent Subordinated Notes are not considered liabilities of the Issuer in Australia for the purposes of section 116(3) of the Insurance Act, the assets of the Issuer could not be applied in payment of the Subordinated Notes in a winding up of the Issuer until all its liabilities in Australia had been satisfied in full.
- The Conditions of the Subordinated Notes do not restrict the Issuer from issuing prior or equal ranking indebtedness.
- Holders of the Subordinated Notes have only the limited rights provided by the Conditions and have no right to vote at any general meeting of the Issuer, SIHL or SGL or in respect of any Conversion (or, if applicable, Write-Off) of the Subordinated Notes following a Non-Viability Trigger Event.
- The precise order or priority in which the Subordinated Notes may be subject to Conversion (or, if applicable, Write-Off) following a Non-Viability Trigger Event, and the return (if any) to investors in a winding up of the Issuer, relative to other instruments of the Issuer (or, where relevant, the Level 2 Group) is subject to uncertainty because these matters depend on the interaction of the terms of the Subordinated Notes with the terms of other relevant instruments, which are complex, and the facts and circumstances prevailing at that time. There is no assurance that the Issuer or the Level 2 Group will have other Relevant Securities on issue at the time a winding up or Non-Viability Event occurs, in which case the full amount of losses required to be borne by Relevant Securities would be borne by the Subordinated Notes. In addition, Conversion of Subordinated Notes after Conversion of other instruments may be disadvantageous to Holders because of the impact of the earlier Conversion of such other instruments on the value of Ordinary Shares and the application of the maximum conversion number.
- The terms of the Subordinated Notes are subject to amendment without the consent of the holders. These amendments may include the substitution of an Approved Acquirer (which may be listed on ASX or on another securities exchange, and may be an Australian or foreign corporation) in place of SGL as the issuer of the ordinary shares to be issued to Holders on Conversion and the risks associated with such conversion may be different to, or greater than, the risk associated with Conversion into Ordinary Shares. The terms may also be amended or their terms waived with the approval of a prescribed majority of the Holders or at a meeting of Holders whether or not all Holders approve the amendment or waiver.

An investment in the Subordinated Notes will also be subject to other risks related to the nature of the Subordinated Notes not identified above. In particular, Subordinated Notes are hybrid securities which have very complex features and the risks they can pose are often poorly understood by investors. See *ASIC Report 365 Hybrid Securities* for more information about the risks associated with investing in hybrid securities.

The Subordinated Notes are intended for issue and sale solely to professional and sophisticated investors who have the skill and experience necessary to make their own investigations and analysis of the risks referred to above and other risks that may be involved in an investment in the Subordinated Notes without the need for disclosure to investors under Part 6D.2 of the Corporations Act. If you are not such an investor then the Subordinated Notes are not a suitable investment for you. If in any doubt, consult your financial adviser.

6 Terms and Conditions of the Subordinated Notes

*The following are the terms and conditions (**Conditions**) of the subordinated notes (**Subordinated Notes**) issued by AAI Limited (**Issuer**) under the Subordinated Note Deed Poll (**Subordinated Note Deed Poll**) executed by the Issuer and Suncorp Group Limited (**SGL**) on or about the Issue Date.*

Each Holder and any person claiming through or under an Holder is deemed to have notice of and is bound by these Conditions, the Subordinated Note Deed Poll and the Information Memorandum. Copies of each of these documents are available for inspection by any Holder at the offices of the Issuer and the Registrar at their respective addresses specified in the Information Memorandum.

1 Interpretation

1.1 Definitions

The following words have these meanings in these Conditions unless the contrary intention appears:

Additional Interest Amounts has the meaning given in Condition 5.6.

Agency Agreement means an agreement entered into between the Issuer and an Agent under which the Issuer appoints the Agent to act as Agent.

Agent means the Registrar, the Paying Agent or the Calculation Agent.

APRA means the Australian Prudential Regulation Authority as constituted under the *Australian Prudential Regulation Authority Act 1998* (Cth) or any successor authority responsible for the prudential regulation of the Issuer.

Arrears of Interest means at any time any interest in respect of a Subordinated Note not paid on an Interest Payment Date by virtue of Condition 5.4(a) or otherwise and which remains unpaid at that time.

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

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

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

Attorney has the meaning given in Condition 9.3.

Austraclear means Austraclear Limited (ABN 94 002 060 773).

Austraclear Regulations means the regulations known as the "Regulations and Operating Manual" established by Austraclear to govern the use of the Austraclear System as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

Austraclear System means the system operated by Austraclear for the holding of securities and electronic recording and settling of transactions in those securities between members of that system.

Business Day means:

- (a) for the purposes of Conditions 7 to 8, a day which is a business day within the meaning of the ASX Listing Rules;
- (b) for the purposes of determining a date for payment on a Subordinated Note (other than a payment to be made as part of the Conversion of that Subordinated Note), a day on which:
 - (1) commercial banks settle payments in Sydney; and

- (2) the Austraclear System is operating; and
- (c) for all other purposes, a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general banking business in Sydney.

Business Day Convention means, in relation to a date on or by or by reference to which anything is required to be done, that if the date is not a Business Day it is postponed to the following Business Day.

Calculation Agent means the calculation agent in relation to the Subordinated Notes specified in the Information Memorandum, or any replacement calculation agent appointed by the Issuer from time to time in relation to the Subordinated Notes.

Condition means the correspondingly numbered condition in these Conditions.

Conversion means, in relation to any Tier 1 Capital Security or Tier 2 Capital Security of the Issuer or the Level 2 Group, conversion into ordinary shares of the issuer or a parent entity as contemplated by paragraph 1(a) of Attachment G of GPS 112 (as interpreted or applied by APRA at the time of issue of such Tier 1 Capital Security or Tier 2 Capital Security) in accordance with its terms or by operation of law and, in relation to a Subordinated Note means:

- (a) the Subordinated Note is immediately and irrevocably transferred by the Holder free from any Encumbrances to SGL or, only with APRA's written approval prior to the Conversion Date, to another subsidiary of SGL which is a holding company of the Issuer on the Conversion Date nominated by SGL;
- (b) SGL issues the Conversion Number of Ordinary Shares to the Holder (or to a nominee in accordance with Condition 7.9); and
- (c) the Subordinated Note is converted into ordinary shares in the capital of the Issuer or written off in the manner separately agreed between the Issuer, the Level 2 Parent and SGL on or about the Issue Date (as such agreement may be varied after the Issue Date with the prior approval of APRA),

in accordance with and subject to Conditions 7 to 8 and Schedule 1, and "**Convert**", "**Converting**" and "**Converted**" have corresponding meanings.

Conversion Date means, in relation to a Subordinated Note, the date on which it is required to be Converted.

Conversion Number has the meaning given in Schedule 1.

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

CPS2 Internal Notes (Issuer) means the notes issued under the deed poll made by the Issuer dated 11 February 2014.

CPS2 Internal Notes (Level 2 Parent) means the notes issued under the deed poll made by the Level 2 Parent dated 11 February 2014.

CPS3 Internal Notes (Issuer) means the notes issued under the deed poll made by the Issuer dated 26 June 2014.

CPS3 Internal Notes (Level 2 Parent) means the notes issued under the deed poll made by the Level 2 Parent dated 26 June 2014.

Day Count Fraction means, in respect of the calculation of an amount for any period of time, the actual number of days in that period divided by 365.

Denomination means the notional face value of a Subordinated Note, being \$10,000.

Dollars and **\$** mean the lawful currency of Australia.

Encumbrance means any:

- (a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust or title retention arrangement and any "security interest" as defined in sections 12(1) or (2) of the *Personal Property Securities Act 2009* (Cth); or
- (b) third party right or interest, or any right arising as a consequence of the enforcement of a judgment,

or any agreement to create any of them or allow them to exist.

Equal Ranking Securities means all Relevant Tier 2 Securities of the Issuer.

Event of Default has the meaning given to it in Condition 10.

External Administrator means, in respect of a person:

- (a) a liquidator, a provisional liquidator, an administrator, judicial manager 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.

Extraordinary Resolution has the same meaning as in the Meetings Provisions.

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-U.S. laws enacted with respect to those provisions).

Financial Year means a period of 12 months beginning on 1 July in any year and ending on 30 June in the following year.

Foreign Holder means a Holder:

- (a) whose address in the Register (or, if applicable, in the records of the Austraclear System) is a place outside Australia; or
- (b) who SGL otherwise believes may not be a resident of Australia or may be a person to whom the issue of Ordinary Shares may be restricted by the laws of any other jurisdiction.

Group means SGL and its subsidiaries.

Holder means:

- (a) for the purposes of determining the person entitled to be issued Ordinary Shares (or, where Condition 7.9 applies, the net proceeds of sale of such shares) and the amount of their entitlements in respect of a Subordinated Note held in the Austraclear System, an Austraclear Participant (as defined in the Austraclear Regulations) in whose Security Record (as defined in the Austraclear Regulations) a Subordinated Note is held; and
- (b) for all other purposes, a person whose name is for the time being entered in a Register as the holder of a Subordinated Note (or, where a Subordinated Note is held jointly by two or more persons, the persons whose names appear in the Register as the joint holders of that Subordinated Note).

Holder Conversion means Conversion of a Subordinated Note at the election of the Holder in accordance with Condition 8.

Holder Conversion Date means the Interest Payment Date falling on or about 18 November 2022 and each Interest Payment Date falling after that date.

Holder Conversion Notice has the meaning given in Condition 8.1.

Holder Details Notice means a notice in the form (if any) available from the Registrar and specifying the information required by Condition 9.2.

Inability Event means any of SGL, the Issuer or any Related Body Corporate of either of them is prevented by applicable law or order of any court or action of any government authority or External Administrator (including regarding the insolvency, winding up or other external administration of SGL, the Issuer or such Related Body Corporate) or any other reason from performing any of their obligations in connection with a Conversion of Subordinated Notes.

Information Memorandum means the information memorandum prepared by or on behalf of, and approved in writing by, the Issuer in relation to the Subordinated Notes and dated 12 November 2015, including all supplements to and documents incorporated by reference in it.

Interest Determination Date means the first Business Day of each Interest Period.

Interest Payment Date means 18 February, 18 May, 18 August and 18 November of each year, commencing on 18 February 2016, in each case subject to adjustment in accordance with the Business Day Convention.

Interest Period means a period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date, provided that:

- (a) the first Interest Period commences on and includes the Issue Date; and
- (b) the final Interest Period ends on but excludes the Maturity Date.

Interest Rate means the rate (expressed as a percentage per annum) of interest payable in respect of the Subordinated Notes from time to time, calculated or determined in accordance with Condition 5.2.

Issue Date means 18 November 2015.

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 Issue Date, as adjusted in accordance with paragraphs 4 to 7 (inclusive) of Schedule 1.

Issuer means AAI Limited (ABN 48 005 297 807).

Issuer Non-Viability Trigger Event means a Non-Viability Trigger Event that relates to the viability of the Issuer.

Junior Ranking Creditors means creditors of the Issuer whose claims against the Issuer:

- (a) arise under Junior Ranking Securities; or
- (b) are postponed to the claims of Holders under section 563AA or section 563A of the Corporations Act.

Junior Ranking Securities means:

- (a) all ordinary shares in the capital of the Issuer;
- (b) all Relevant Tier 1 Securities of the Issuer and any other securities or instruments issued by the Issuer after 1 January 2013 which are eligible for inclusion in its Tier 1 Capital at the time of issue of such securities or instruments;

including, so long as they are on issue, the CPS2 Internal Notes (Issuer) and the CPS3 Internal Notes (Issuer).

Level 2 Group means the Level 2 insurance group (as defined by APRA from time to time) of which the Issuer is a member.

Level 2 Non-Viability Trigger Event means a Non-Viability Trigger Event that relates to the viability of the Level 2 Parent.

Level 2 Parent means Suncorp Insurance Holdings Limited (ABN 99 123 023 334).

Margin means 3.30 per cent. per annum.

Maturity Date means 18 November 2040, subject to adjustment in accordance with the Business Day Convention.

Meetings Provisions means the provisions for the convening and holding of meetings of, and passing of resolutions by, Holders set out in Schedule 2 of the Subordinated Note Deed Poll.

Non-Viability Determination means a determination of APRA referred to in Conditions 7.1(a) or 7.1(b).

Non-Viability Trigger Event has the meaning given in Condition 7.1.

Optional Interest Payment Date means an Interest Payment Date where:

- (a) a Regulatory Deferral Condition is subsisting and no dividends or interest payments have been paid or made on Junior Ranking Securities since the date on which it first arose; or
- (b) no dividends or interest payments have been paid or made on Equal Ranking Securities (other than where the terms of those Equal Ranking Securities do not enable the Issuer to defer or eliminate the relevant payment on such Equal Ranking Securities) or Junior

Ranking Securities or on Tier 1 Capital Securities or Tier 2 Capital Securities of the Level 2 Group issued by the Level 2 Parent (other than Tier 2 Capital Securities where the terms of those Tier 2 Capital Securities do not enable the Level 2 Parent to defer or eliminate the relevant payment on such Tier 2 Capital Securities), in each case during the Financial Year in which such Interest Payment Date falls.

Optional Redemption Date means 18 November 2020 adjusted, if necessary, in accordance with the Business Day Convention.

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

Outstanding means, in relation to a Subordinated Note, that:

- (a) the Subordinated Note has not been redeemed or Converted or Written-Off in full; and
- (b) the Holder has not become unable to make any claim in respect of the Subordinated Note as a result of the operation of Condition 13.

Outstanding Principal Amount means, in relation to Subordinated Note, the Denomination of the Subordinated Note less the aggregate of any parts of the principal amount of that Subordinated Note that have been redeemed or Converted or Written-Off.

Paying Agent means the paying agent in relation to the Subordinated Notes specified in the Information Memorandum, or any replacement paying agent appointed by the Issuer from time to time in relation to the Subordinated Notes.

Payment Date means a date for payment on a Subordinated Note, including an Interest Payment Date and the Maturity Date.

Payment Default has the meaning given in Condition 10.1(a).

Record Date means, in relation to payments of interest or principal on a Subordinated Note, the eighth calendar day before the relevant date for payment.

Redemption Amount means:

- (a) in relation to the redemption of a Subordinated Note (other than pursuant to a Conversion or Condition 10.2), 100% of the Outstanding Principal Amount of the Subordinated Note together with all accrued but unpaid interest on the Subordinated Note (including any unpaid Arrears of Interest and any unpaid Additional Interest Amount); and
- (b) in relation to the redemption of a Subordinated Note transferred to SGL as part of a Conversion, 100% of the Outstanding Principal Amount of the Subordinated Note (and to avoid doubt does not include any accrued but unpaid interest on the Subordinated Note (including any unpaid Arrears of Interest and any unpaid Additional Interest Amount)).

Reference Banks means four major banks selected by the Calculation Agent in the inter-bank market that is most closely connected with the Reference Rate.

Reference Rate means rate for Australian dollar denominated bank accepted bills of exchange and negotiable certificates of deposit used to derive the Australian Bank Bill Swap Reference Rate (administered by the Australian Financial Markets Association (or any other person which takes over the administration of that rate)) for a period of three months.

Register means a register, including any branch register, of Holders established and maintained by or on behalf of the Issuer in which is entered the names and addresses of Holders, the amount of Subordinated Notes held by each Holder, and any other particulars which the Issuer thinks fit.

Registrar means the registrar in relation to the Subordinated Notes specified in the Information Memorandum, or any replacement registrar appointed by the Issuer from time to time in relation to the Subordinated Notes.

Regulated Subsidiary means any entity engaged in the insurance business and regulated as such by APRA, in which the Issuer or the Level 2 Parent directly or indirectly holds 20% or more of the voting rights or share capital.

Regulatory Event has the meaning given in Condition 6.2(b).

a **Regulatory Deferral Condition** arises if:

- (a) a request is received by the Issuer or the Level 2 Parent from APRA to restore or improve any applicable measure of solvency, liquidity or capital adequacy of the Issuer, the Level 2 Parent, the Level 2 Group or any Regulated Subsidiary; or
- (b) either:
 - (1) prior to any date on which a payment in respect of interest on the Subordinated Notes is due; or
 - (2) on any date on which a payment in respect of interest on the Subordinated Notes is due,

the Issuer, the Level 2 Parent, the Level 2 Group or a Regulated Subsidiary has failed (or in the case of paragraph (b)(2) above is reasonably likely to fail immediately after such payment) to meet any applicable minimum measure of solvency, liquidity or capital adequacy levels as at the later of:
 - (3) the date of the most recent audited accounts of the Issuer, the Level 2 Parent, the Level 2 Group or, as the case may be, a Regulated Subsidiary; or
 - (4) the date such measures were most recently tested for regulatory purposes; or
 - (5) any date selected by the board of directors (or other management body) of the Issuer, the Level 2 Parent or, as the case may be, a Regulated Subsidiary, falling on or prior to the date on which a payment in respect of interest on the Subordinated Notes is, or would otherwise be, due.

A Regulatory Deferral Condition is deemed to be continuing until such date as, in the case of paragraph (a) above, the relevant measures of solvency, liquidity or capital adequacy levels have been restored or improved to the satisfaction of APRA or the request is otherwise withdrawn or addressed to the satisfaction of APRA, and, in the case of paragraph (b)(2) above, the first date on which the Issuer, the Level 2 Parent, the Level 2 Group or a Regulated Subsidiary (as applicable), meets its applicable minimum measures of solvency, liquidity and capital adequacy, in all cases as determined and certified to this effect by two directors of the Issuer.

Related Body Corporate means, in relation to a corporation, a body corporate that is related to that corporation by virtue of section 50 of the Corporations Act.

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

Relevant Date means the date on which a payment in respect of the Subordinated Notes first becomes due, except that if the full amount payable has not been received by the Paying Agent on or before the due date, it means the date on which, the full amount having been so received, notice to that effect is given to the Holders in accordance with Condition 17.

Relevant Financial Centre means Sydney.

Relevant Fraction means:

- (a) with respect to Conversion required under Condition 7, 0.2; and
- (b) with respect to a Holder Conversion, 0.5.

Relevant Screen Page means the Reuters page "BBSW".

Relevant Securities means:

- (a) Relevant Tier 1 Securities of the Issuer or the Level 2 Group (as applicable); or
- (b) Relevant Tier 2 Securities of the Issuer or the Level 2 Group (as applicable);

Relevant Tier 1 Securities means:

- (a) in relation to the Issuer and an Issuer Non-Viability Trigger Event, Tier 1 Capital Securities of the Issuer that, in accordance with their terms or by operation of law, are capable of being Converted or Written-Off upon the occurrence of that event and include the CPS2 Internal Notes (Issuer) and the CPS3 Internal Notes (Issuer); and
- (b) in relation to the Level 2 Parent and a Level 2 Non-Viability Trigger Event, Tier 1 Capital Securities of the Level 2 Group that, in accordance with their terms or by operation of law, are capable of being Converted or Written-Off upon the occurrence of that event and

include the CPS2 Internal Notes (Level 2 Parent) and the CPS3 Internal Notes (Level 2 Parent).

Relevant Tier 2 Securities means:

- (a) in relation to the Issuer and an Issuer Non-Viability Trigger Event, Tier 2 Capital Securities that, in accordance with their terms or by operation of law, are capable of being Converted or Written-Off upon the occurrence of that event; and
- (b) in relation to the Level 2 Parent and a Level 2 Non-Viability Event, Tier 2 Capital Securities that, in accordance with their terms or by operation of law, is capable of being Converted or Written-Off upon the occurrence of that event.

Senior Creditor means all the Issuer's present and future creditors, including policy holders, other than creditors in respect of Equal Ranking Securities or Junior Ranking Creditors.

SGL means Suncorp Group Limited (ABN 66 145 290 124).

Solvent means at any time in respect of the Issuer:

- (a) it is able to pay all its debts as and when they become due and payable; and
- (b) its assets exceed its liabilities,

in each case determined on an unconsolidated stand-alone basis.

Subordinated Note means a debt obligation of the Issuer constituted by, and owing under, the Subordinated Note Deed Poll to a Holder, the details of which are recorded in, and evidenced by, inscription in the Register.

Subordinated Note Deed Poll means the deed poll in relation to Subordinated Notes executed by the Issuer and SGL on or about the Issue Date.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), as the case may be.

Tax Event has the meaning given in Condition 6.2(a).

Taxes means taxes, levies, imposts, deductions, charges or withholdings and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties and expenses in connection with them.

Tier 1 Capital means:

- (a) in the case of the Issuer, Tier 1 capital (as defined by APRA from time to time) of the Issuer; and
- (b) in the case of the Level 2 Group, Tier 1 capital (as defined by APRA from time to time) of the Level 2 Group.

Tier 1 Capital Security means:

- (a) in relation to the Issuer, a share, note or other security or instrument constituting Tier 1 Capital of the Issuer; and
- (b) in relation to the Level 2 Group, a share, note or other security or instrument constituting Tier 1 Capital of the Level 2 Group.

Tier 2 Capital means:

- (a) in relation to the Issuer, Tier 2 capital (as defined by APRA from time to time) of the Issuer; and
- (b) in relation to the Level 2 Group, Tier 2 capital (as defined by APRA from time to time) of the SGL Level 2 Group.

Tier 2 Capital Security means:

- (a) in relation to the Issuer, a share, note or other security or instrument constituting Tier 2 Capital of the Issuer; and
- (b) in relation to the Level 2 Group, a share, note or other security or instrument constituting Tier 2 Capital of the Level 2 Group.

Trigger Event Date shall mean the date on which APRA notifies the Issuer or Level 2 Parent of a Non-Viability Determination as contemplated in Condition 7.1.

Trigger Event Notice has the meaning given to it in Condition 7.2.

VWAP means, subject to any adjustments under Schedule 1, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on the ASX during the VWAP 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 respect of a Conversion on a Holder Conversion Date, the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Holder Conversion Date; and
- (b) in respect of a Conversion on a Trigger Event Date, the 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Date.

Winding Up Default has the meaning given in Condition 10.1(b).

Written-Off means, in respect of a Tier 1 Capital Security or Tier 2 Capital Security of the Issuer or the Level 2 Group, written-off as provided in paragraph 1(b) of Attachment G of GPS 112 (as interpreted or applied by APRA at the time of issue of such Tier 1 Capital Security or Tier 2 Capital Security) in accordance with its terms or by operation of law, and in relation to the Subordinated Notes has the meaning given to it in Condition 7.8.

1.2 Interpretation

In these Conditions unless the contrary intention appears:

- (a) 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;
- (b) the singular includes the plural and vice versa;
- (c) the word "person" includes a firm, body corporate, an unincorporated association or an authority;
- (d) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;
- (e) a reference to any thing (including, without limitation, any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to all of them collectively and to each of them individually;
- (f) a reference to an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act or, if not in connection with those standards, in accounting principles and practices generally accepted in Australia;
- (g) any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer only if the Issuer is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time;
- (h) any provisions which require APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time;
- (i) any provisions in these Conditions requiring the prior approval of APRA for a particular course of action to be taken by the Issuer do not imply that APRA has given its consent or approval to the particular action as of the Issue Date of the applicable Subordinated Note;

- (j) a reference to any term defined by APRA (including, without limitation, "Additional Tier 1 Capital", "Level 1", "Level 2", "Related Entity", "Tier 1 Capital" and "Tier 2 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;
- (k) a reference to a term defined by the ASX Listing Rules, the ASX Settlement Operating Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term;
- (l) in respect of Ordinary Shares, if the principal securities exchange on which the Ordinary Shares are listed becomes other than the ASX, unless the context otherwise requires, a reference to the ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, the ASX Settlement Operating Rules, the 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).

1.3 Headings

Headings are inserted for convenience and do not affect the interpretation of these Conditions.

2 Form, denomination and title

2.1 Constitution under Subordinated Note Deed Poll

The Subordinated Notes are registered debt obligations of the Issuer constituted by, and owing under, the Subordinated Note Deed Poll and take the form of entries in the Register. Each entry in the Register constitutes a separate and individual acknowledgment to the relevant Holder of the indebtedness of the Issuer to the relevant Holder.

2.2 Independent obligations

The obligations of the Issuer in respect of each Subordinated Note constitute separate and independent obligations which the Holder to whom those obligations are owed is entitled to enforce without having to join any other Holder or any predecessor in title of a Holder.

2.3 Currency and denomination

Subordinated Notes are denominated in Dollars and in the amount of \$10,000.

2.4 Issue restrictions

Subordinated Notes may only be issued if the consideration payable is a minimum of \$500,000 (disregarding any monies lent by the Issuer or its associates) or the offer or invitation does not otherwise require disclosure to investors under Part 6D.2 or 7.9 of the Corporations Act and the Holder is not a 'retail client' as defined in section 761G of the Corporations Act.

2.5 Register conclusive

Entries in the Register in relation to a Subordinated Note constitute conclusive evidence that the person so entered is the registered holder of the Subordinated Note subject to rectification for fraud or error. Subject to the Corporations Act, no Subordinated Note will be registered in the name of more than three persons. A Subordinated Note registered in the name of more than one person is held by those persons as joint tenants. Subordinated Notes will be registered by name only without reference to any trusteeship. The person registered in the Register as a Holder will be treated by the Issuer and the Registrar as absolute owner of that Subordinated Note and neither the Issuer nor

the Registrar is, except as ordered by a court or as required by statute, obliged to take notice of any other claim to a Subordinated Note.

2.6 Holder absolutely entitled

Upon a person acquiring title to any Subordinated Note by virtue of becoming a Holder in respect of that Subordinated Note, all rights and entitlements arising by virtue of the Subordinated Note Deed Poll in respect of that Subordinated Note vest absolutely in the Holder, such that no person who has previously been the Holder in respect of that Subordinated Note has or is entitled to assert against the Issuer or the Registrar or the Holder for the time being and from time to time any rights, benefits or entitlements in respect of the Subordinated Note.

2.7 Location of Register

The Register will be established and maintained in New South Wales unless otherwise agreed with the Registrar.

2.8 Certificates

No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to a Subordinated Note unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

2.9 Acknowledgement

Where Austraclear is recorded in the Register as the Holder, each person in whose account that Subordinated Note is recorded is deemed to acknowledge in favour of the Registrar and each relevant person that:

- (a) the Registrar's decision to act as the Registrar of the Subordinated Note does not constitute a recommendation or endorsement by the Registrar or the relevant person in relation to the Subordinated Note but only indicates that such Subordinated Note is considered by the Registrar to be compatible with the performance by it of its obligations as Registrar under its agreement with the Issuer to act as Registrar of the Subordinated Note; and
- (b) the Holder does not rely on any fact, matter or circumstance contrary to Condition 2.9(a).

3 Transfers

3.1 Limit on transfer

Subordinated Notes may only be transferred:

- (a) in whole;
- (b) if the consideration payable at the time of transfer is a minimum amount of \$500,000 (disregarding any monies lent by the transferor or its associates) or if the offer or invitation giving rise to the transfer does not otherwise require disclosure to investors under Part 6D.2 or 7.9 of the Corporations Act and the transferee is not a 'retail client' as defined in section 761G of the Corporations Act; and
- (c) where the transfer complies with any applicable law or directive of the jurisdiction where the transfer takes place.

3.2 Transfer procedures

Application for the transfer of Subordinated Notes must be made by the lodgement of a transfer form with the Registrar. Transfer forms are available from the Registrar. Each form must be accompanied

by such evidence (if any) as the Registrar, the Issuer or SGL may require to prove the title of the transferor or the transferor's right to transfer the Subordinated Note and be signed by both the transferor and the transferee (and in respect of a transferor or a transferee that is or intends to be a joint holder of a Subordinated Note (as the case may be) such transfer form must be signed by all such joint holders).

Subordinated Notes entered in the Austraclear System will be transferable only in accordance with the rules and regulations of the Austraclear System.

3.3 Registration of transfer

The transferor of a Subordinated Note is deemed to remain the holder of that Subordinated Note until the name of the transferee is entered in the Register in respect of that Subordinated Note.

3.4 No charge on transfer

Transfers will be registered without charge provided any taxes, duties or other governmental charges (if any) imposed in relation to the transfer have been paid.

3.5 Estates

A person becoming entitled to a Subordinated Note as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the Subordinated Note or, if so entitled, become registered as the Holder in respect of that Subordinated Note.

3.6 Unincorporated associations

A transfer to an unincorporated association is not permitted.

3.7 Transfer of unidentified Subordinated Notes

Where the transferor executes a transfer of less than all Subordinated Notes registered in its name, and the specific Subordinated Notes to be transferred are not identified, the Registrar may (subject to the limit on minimum holdings) register the transfer in respect of such of the Subordinated Notes registered in the name of the transferor as the Registrar thinks fit, provided the aggregate Outstanding Principal Amount of the Subordinated Notes registered as having been transferred equals the aggregate Outstanding Principal Amount of the Subordinated Notes expressed to be transferred in the transfer.

4 Status

*Pursuant to section 116(3) of the Insurance Act 1973 of Australia (**Insurance Act**), in a winding up of the Issuer, the Issuer's assets in Australia must not be applied in the discharge of its liabilities other than its "liabilities in Australia", unless it has no "liabilities in Australia". The Issuer makes no representation as to whether the Subordinated Notes are "liabilities in Australia" for the purposes of section 116(3) of the Insurance Act. To the extent the Subordinated Notes are a liability in Australia for the purposes of the Insurance Act, claims of the holders in respect of such Subordinated Notes will in any winding up of the issuer be limited to the extent necessary to give effect to the intended ranking of the Subordinated Notes as provided below.*

4.1 Status

Subordinated Notes constitute direct, subordinated and unsecured obligations of the Issuer and rank:

- (a) ahead of the claims of Junior Ranking Creditors;
- (b) equally among themselves and with the claims of holders of Equal Ranking Securities; and
- (c) behind all claims of Senior Creditors and all liabilities mandatorily preferred by law.

4.2 Payments prior to a winding up

When the Issuer is not in a winding-up:

- (a) the obligations of the Issuer to make any payment in respect of the Notes will be conditional on the Issuer being Solvent at the time of the payment; and
- (b) no payment in respect of the Notes will be made unless the Issuer is Solvent immediately after making the payment,

(the **Solvency Condition**).

Any amount not paid on account of the Solvency Condition remains as a debt owing by the Issuer to the relevant Holders which is payable on the first Business Day on which the amount may be paid in compliance with the Solvency Condition.

A certificate signed by the Issuer, two authorised signatories of the Issuer, its auditor or, if the Issuer is being wound up, its liquidator, as to whether the Issuer is Solvent at any time is (in the absence of wilful default, bad faith or manifest error) conclusive evidence of the information contained in the certificate and will be binding on the Holders. In the absence of such a certificate, Holders are entitled to assume (unless the contrary is proved) that the Issuer is Solvent at the time of, and will be Solvent immediately after, any payment in respect of the Notes.

4.3 Payments in a winding up

In a winding up of the Issuer, a Holder's claim for an amount owing by the Issuer in connection with a Subordinated Note is subordinated to the claims of Senior Creditors of the Issuer, in that:

- (a) all claims of Senior Creditors must be paid or provided for in full before the Holder's claim is paid; and
- (b) until the Senior Creditors have been paid or provided for in full, the Holder must not claim in the winding up in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive,

and such Holder's claim and the Issuer's liability in respect of the Subordinated Note will be further limited to the extent necessary to allow the claims of all Senior Creditors to be paid in full and the claims of all Holders and the claims of holders of Equal Ranking Securities to be paid on a pro rata basis.

4.4 No set-off

A Holder does not have any right to set-off any amounts owing to it by the Issuer in respect of Subordinated Notes against any amount owing by it to the Issuer in connection with the Subordinated Notes or otherwise.

The Issuer does not have any right to set-off any amounts owing to it by a Holder in respect of Subordinated Notes against any amount owing by it to the Holder in connection with the Subordinated Notes or otherwise.

4.5 Acknowledgements by Holder

Each Holder irrevocably acknowledges and agrees that:

- (a) Condition 4.3 is a debt subordination for the purposes of section 563C of the Corporations Act;

- (b) it must not exercise its voting rights as an unsecured creditor in the winding up or administration of the Issuer to defeat the subordination in Condition 4.3;
- (c) the debt subordination effected by Condition 4.3 is not affected by any act or omission of the Issuer or a Senior Creditor which might otherwise affect it at law or in equity;
- (d) it must pay or deliver to the liquidator any amount or asset received on account of its claim in the winding up of the Issuer in connection with a Subordinated Note in excess of its entitlement under Condition 4.3;
- (e) there is no limit on the amount of debt or other obligations which rank equally with or ahead of the Subordinated Notes that may be incurred or assumed by the Issuer; and
- (f) nothing in these Conditions shall be taken to require the consent of any Senior Creditor to any amendment of this Condition 4.

4.6 No Guarantee

A Subordinated Note is not a policy liability of the Issuer for the purposes of the *Insurance Act 1973* (Cth), is not a protected policy for the purposes of the Financial Claims Scheme established under Part V of the *Insurance Act 1973* (Cth) and is not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other person. Without limitation, neither SGL nor the Level 2 Parent guarantees the performance of obligations in respect of the Subordinated Notes and neither of them have any obligation in respect of any Subordinated Note except, in the case of SGL, to issue Ordinary Shares on Conversion of a Subordinated Note as expressly set out in these Conditions.

5 Interest

5.1 General

Subordinated Notes bear interest on their Outstanding Principal Amount during each Interest Period at the Interest Rate for that Interest Period subject to and in accordance with this Condition 5.

5.2 Calculation of interest

- (a) Interest Rate
 - (1) Screen Rate Determination

The Interest Rate for each Interest Period will be, subject as provided below, either:

 - (A) the offered quotation; or
 - (B) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Sydney time) (**Relevant Time**) on the Interest Determination Date for that Interest Period plus the Margin, all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purposes of determining the arithmetic mean of such offered quotations.
 - (2) Reference Banks

If Condition 5.2(a)(1)(A) applies and no offered quotation appears on the Relevant Screen Page at the Relevant Time on the Interest Determination

Date, or if Condition 5.2(a)(1)(B) applies and fewer than two offered quotations appear on the Relevant Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Interest Rate is the arithmetic mean of the Reference Rates (expressed as a percentage rate per annum) that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent.

If the preceding paragraph applies and the Calculation Agent determines that fewer than two Reference Banks are making offered quotations for the Reference Rate, subject as provided below, the Interest Rate is the arithmetic mean of the rates (expressed as percentage rates per annum) that the Calculation Agent determines to be the nearest equivalent to the Reference Rate in respect of an amount of approximately \$100,000 that at least two out of five leading banks selected by the Calculation Agent in the Relevant Financial Centre are quoting to leading banks carrying on business in the Relevant Financial Centre at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the first day of the Interest Period for a period equivalent to the relevant Interest Period to leading banks carrying on business in the Relevant Financial Centre.

(3) Fallback Interest Rate

If, during the Interest Period, the Calculation Agent is unable to determine a rate (or, as the case may be, the arithmetic mean of rates) in accordance with the above provisions, the Interest Rate applicable to the Subordinated Notes during that Interest Period will be the Interest Rate applicable to the Subordinated Notes during the immediately preceding Interest Period.

(4) Rounding

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

- (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);
- (B) all figures shall be rounded to five significant figures (with halves being rounded up); and
- (C) all amounts that fall due and payable shall be rounded to the nearest cent (with halves being rounded up).

(b) Interest amount

The amount of interest payable on a Subordinated Note in each Interest Period will be calculated by multiplying the product of the Interest Rate for such Interest Period and the Outstanding Principal Amount of the Subordinated Note by the applicable Day Count Fraction and rounding the resultant figure to the nearest cent (with halves being rounded upwards).

(c) Determination and notification of Interest Rate and interest amount

The Calculation Agent will, as soon as practicable on or after the Interest Determination Date, determine the Interest Rate and the amount of interest payable on a Subordinated Note for that Interest Period and promptly notify the Issuer and each other Agent of that determination.

The Calculation Agent's determination is, in the absence of manifest error, final and binding on the Issuer, each Agent and each Holder and the Issuer will promptly give or cause to be given notice to the Holders of such determination.

5.3 Accrual and payment of interest

(a) Interest Payment Dates

Subject to Condition 5.4, interest accrues on a daily basis on each Subordinated Note during each Interest Period on which it is Outstanding and will be payable in arrear on each Interest Payment Date and on the Maturity Date.

(b) Accrual of interest after date for redemption

Interest ceases to accrue on a Subordinated Note as from the due date for redemption of the Subordinated Note unless the relevant payment is not made in which case interest will continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the Outstanding Principal Amount of the Subordinated Note until the date on which the relevant payment is made or, if earlier, the seventh day after the date on which any Agent receives the funds required to make such payment (provided that notice of such circumstance is given to the Holders in accordance with Condition 17) except to the extent that there is failure in the subsequent payment thereof to the relevant Holder.

5.4 **Optional deferral of interest**

(a) Deferral of interest

The Issuer may, on any Optional Interest Payment Date, in its absolute discretion defer the payment of the interest on the Subordinated Notes which would otherwise be payable on such date.

The Issuer shall notify the Holders as soon as practicable (and in any event within ten Business Days after any Optional Interest Payment Date in respect of which payment is deferred) of any Optional Interest Payment Date on which the Issuer elects to defer the payment of interest pursuant to this Condition 5.4, but failure to give such notice shall not prejudice the right of the Issuer not to pay interest pursuant to this Condition 5.4.

(b) No default

Notwithstanding any other provision in these Conditions, the failure to make any payment which for the time being is not made on the Subordinated Notes by virtue of Condition 5.4(a) does not constitute a default on the part of the Issuer for any purpose (including, but without limitation, Condition 10) and does not give any Holder the right to accelerate repayment of the Subordinated Notes.

5.5 **Optional and compulsory payments of Arrears of Interest**

Any Arrears of Interest (together with any corresponding Additional Interest Amounts) may be paid in whole or in part at any time upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Holders in accordance with Condition 17.

All Arrears of Interest (together with all corresponding Additional Interest Amounts) will automatically become immediately due and payable in whole upon the earliest of the following dates:

- (a) the date on which any dividend or interest payment is paid or made on any Junior Ranking Securities or Equal Ranking Securities (excluding any such payment on an Equal Ranking Security where the terms of that security do not enable the Issuer to defer or eliminate the relevant payment on such Equal Ranking Securities);
- (b) the date on which any dividend or interest payment is paid or made on any Tier 1 Capital Securities or Tier 2 Capital Securities of the Level 2 Group issued by the Level 2 Parent (other than Tier 2 Capital Securities where the terms of those Tier 2 Capital Securities do not enable the Level 2 Parent to defer or eliminate the relevant payment on such Tier 2 Capital Securities);
- (c) the first Interest Payment Date on which no Regulatory Deferral Condition that has occurred is or will be continuing, unless that Interest Payment Date is otherwise an Optional Interest Payment Date;
- (d) the date on which the Issuer voluntarily redeems, purchases or acquires, or commences and does not abandon any public offer to voluntarily redeem, purchase or acquire, any Junior Ranking Securities or Equal Ranking Securities or the Level 2 Parent voluntarily redeems, purchases or acquires or makes an offer to voluntarily redeem, purchase or

acquire any Tier 1 Capital Securities or Tier 2 Capital Securities of the Level 2 Group issued by the Level 2 Parent;

- (e) the date on which a Winding Up Default occurs; or
- (f) the date fixed for any redemption of Subordinated Notes or the date fixed for any purchase of Subordinated Notes by or on behalf of the Issuer pursuant to Condition 6 or Condition 10.2(c).

5.6 Additional Interest Amounts

Interest will accrue on each amount of Arrears of Interest at the Interest Rate from time to time applicable to the Subordinated Notes, and such amount of interest (the **Additional Interest Amount**) will become due and payable pursuant to Condition 5.5 and shall be calculated by the Issuer by applying the Interest Rate from time to time applicable to the relevant Subordinated Notes to the amount of Arrears of Interest and multiplying the resulting product by the Day Count Fraction.

All Additional Interest Amounts accrue and are payable on the same basis as interest on a Subordinated Note, subject to deferral on the same basis as interest under Condition 5.4(a).

All Additional Interest Amounts accrued up to any Interest Payment Date and not paid on such Interest Payment Date shall be added, for the purpose only of calculating the Additional Interest Amounts accruing thereafter, to the amount of Arrears of Interest remaining unpaid on such Interest Payment Date.

6 Redemption and purchase

6.1 Redemption on maturity

Unless previously redeemed, or purchased and cancelled, each Subordinated Note shall be redeemed on the Maturity Date by payment of its Redemption Amount. A Subordinated Note may only be redeemed or purchased prior to the Maturity Date if:

- (a) such redemption or purchase is pursuant to Condition 6.2 or on or after the fifth anniversary of the Issue Date of that Subordinated Note;
- (b) the Issuer has obtained the prior written approval of APRA; and
- (c) the conditions in Condition 6.6 are satisfied.

6.2 Redemption for taxation reasons and regulatory reasons

- (a) Redemption for taxation reasons

A **Tax Event** occurs if the Issuer receives an opinion from reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (1) 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;
- (2) any judicial decision, 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
- (3) 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, 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 the Issuer on the Issue Date, there is a more than insubstantial risk which the directors of the Issuer determine (having received all approvals they consider in their absolute discretion to be necessary) at their absolute discretion to be unacceptable that:

- (4) the Issuer, on the occasion of the next payment due in respect of the Subordinated Note, would be required to make payment of any Additional Amount (as defined in Condition 11.6);
- (5) any interest payable on any Subordinated Note will not be allowed as a deduction for the purposes of Australian income tax to any material extent; or
- (6) the Issuer or the consolidated tax group of which it is a member or the head entity of such consolidated tax group would be exposed to more than a *de minimis* increase in its costs (including without limitation through the imposition of any Taxes, assessments or other charges) in connection with any Subordinated Note.

If a Tax Event occurs then the Issuer may, notwithstanding Condition 6.1(a), at any time, on giving not more than 30 days' nor less than 15 days' notice to the relevant Agents and the Holders, redeem all (but not some only) of the Subordinated Notes for their Redemption Amount provided that the Issuer did not on the Issue Date expect that matters giving rise to the Tax Event would occur, the prior written approval of APRA has been obtained and the conditions in Condition 6.6 are satisfied.

Prior to publication of any such notice of redemption, the Issuer shall deliver to the Registrar a certificate signed by an authorised person of the Issuer stating that the conditions precedent to the right of the Issuer so to redeem have occurred.

Any notice given under this Condition is irrevocable and obliges the Issuer to redeem the Subordinated Notes at the time and in the manner specified in the notice.

(b) Redemption for regulatory reasons

A **Regulatory Event** occurs if:

- (1) the Issuer receives an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a prospective change) in, any law or regulation, or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date that additional requirements would be imposed on the Issuer, the Level 2 Parent or SGL, or a Related Body Corporate of any of them, in relation to or in connection with the Subordinated Notes which the directors of the Issuer, the Level 2 Parent or SGL determine, in their absolute discretion, to be unacceptable; or
- (2) the Issuer determines that the Issuer or the Level 2 Parent (or, if it becomes subject to capital requirements which recognise such a category of capital or its equivalent, SGL) is not or will not be entitled to treat all Subordinated Notes as Tier 2 Capital of the Issuer or the Level 2 Group (or, in the case of SGL, of the conglomerate group of which it is the parent entity) (as applicable) or the treatment of the Subordinated Notes for the purposes of determining the capital requirements applicable to SGL would be adversely affected.

If a Regulatory Event occurs, the Issuer may, notwithstanding Condition 6.1(a), at any time, on giving not more than 30 days' nor less than 15 days' notice to the relevant Agents and the Holders, redeem all (but not some only) of the Subordinated Notes for their Redemption Amount provided the Issuer did not on the Issue Date expect that the matters giving rise to the Regulatory Event would occur, the prior written approval of APRA has been obtained and the conditions in Condition 6.6 are satisfied.

Prior to publication of any such notice of redemption, the Issuer shall deliver to the Registrar a certificate signed by an authorised person of the Issuer stating that the conditions precedent to the right of the Issuer so to redeem have occurred.

Any notice given under this Condition is irrevocable and obliges the Issuer to redeem the Subordinated Notes at the time and in the manner specified in the notice.

6.3 Early redemption at the option of the Issuer

The Issuer may, having given not more than 30 days' nor less than 15 days' notice to the relevant Agents and the Holders redeem all (but not some only) of the Subordinated Notes on the Optional Redemption Date for their Redemption Amount, provided the prior written approval of APRA has been obtained and the conditions in Condition 6.6 are satisfied.

The notice referred to in the preceding paragraph shall specify:

- (a) the due date for redemption; and
- (b) the Redemption Amount for the Subordinated Notes.

Any notice given under this Condition 6.3 is irrevocable and obliges the Issuer to redeem the Subordinated Notes at the time and in the manner specified in the notice.

6.4 Redemption at the option of Holders

Holders have no right to require early redemption of Subordinated Notes.

6.5 Purchase of Subordinated Notes

Subordinated Notes may at any time be purchased in the open market or otherwise and at any price by the Issuer or any Related Entity of the Issuer provided the prior written approval of APRA has been obtained and the conditions in Condition 6.6 are satisfied.

All unmaturing Subordinated Notes purchased in accordance with this Condition 6.5 must be cancelled by the Issuer, subject to compliance with all legal and regulatory requirements.

For the purposes of the Meetings Provisions, in determining whether the provisions relating to quorum, meeting and voting procedures are complied with, any Subordinated Notes held in the name of the Issuer or any Related Body Corporate will be disregarded.

6.6 Redemption condition for Subordinated Notes

A redemption of Subordinated Notes in accordance with Condition 6.2 or Condition 6.3 and any purchase of Subordinated Notes in accordance with Condition 6.5, must not occur unless either:

- (a) the Subordinated Notes are replaced, concurrently with or prior to the redemption or purchase, with Tier 1 Capital or Tier 2 Capital of the Issuer of the same or better quality (for the purposes of APRA's prudential standards) and the replacement of the Subordinated Notes is done under conditions that are sustainable for the income capacity of the Issuer; or
- (b) APRA is satisfied, having regard to the capital position of the Issuer, that the Subordinated Notes do not have to be replaced.

Holders should not expect that APRA's approval will be given for any redemption or purchase of the Subordinated Notes.

7 Conversion or Write-Off following Non-Viability Trigger Event

7.1 Non-Viability Trigger Event

A **Non-Viability Trigger Event** occurs upon:

- (a) the issuance to the Issuer or the Level 2 Parent of a written determination from APRA that Conversion or Write-Off of Relevant Securities of the Issuer or the Level 2 Group is

necessary because, without it, APRA considers that the Issuer or the Level 2 Parent would become non-viable; or

- (b) a determination by APRA, notified to the Issuer or the Level 2 Parent in writing, that without a public sector injection of capital, or equivalent support, the Issuer or the Level 2 Parent would become non-viable.

7.2 Conversion on Trigger Event Date

If a Non-Viability Trigger Event occurs then, on the Trigger Event Date:

- (a) the Issuer or the Level 2 Parent must Convert or Write-Off, or procure the Conversion or Write-Off of:
 - (1) all Relevant Securities of the Issuer (in the case of an Issuer Non-Viability Trigger Event) or the Level 2 Group (in the case of a Level 2 Non-Viability Event); or
 - (2) an amount of Relevant Securities of the Issuer (in the case of an Issuer Non-Viability Trigger Event) or the Level 2 Group (in the case of a Level 2 Non-Viability Event) if the Non-Viability Trigger Event arises under Condition 7.1(a) and APRA is satisfied that conversion or write off of that amount will be sufficient to ensure that the Issuer or the Level 2 Parent (as the case may be) will not become non-viable;
- (b) if all Relevant Securities of the Issuer or the Level 2 Group are required to be Converted or Written Off under Condition 7.2(a), the Issuer must immediately Convert all the Subordinated Notes;
- (c) if some but not all Relevant Securities of the Issuer or the Level 2 Group are required to be Converted or Written-Off under Condition 7.2(a), the Issuer must or must procure the Level 2 Parent to determine the amount (if any) of Subordinated Notes to be Converted in accordance with Condition 7.2(a) on the following basis:
 - (1) first, all Relevant Tier 1 Securities of the Issuer or the Level 2 Group (as the case may be) must be Converted or Written-Off before any Conversion of the Subordinated Notes; and
 - (2) second, if Conversion or Write-Off of all Relevant Tier 1 Securities of the Issuer or the Level 2 Group (as the case may be) is less than the amount sufficient to satisfy APRA that the Issuer or the Level 2 Parent (as the case may be) would not become non-viable, an amount of Subordinated Notes must be Converted and an amount of other Relevant Tier 2 Securities of the Issuer or the Level 2 Group (as the case may be) must be Converted or Written-Off in an aggregate amount which when added to the amount of Relevant Tier 1 Capital Securities Converted or Written-Off will satisfy APRA that the Issuer or the Level 2 Parent (as the case may be) will not become non-viable; and
 - (3) in determining the amount of Subordinated Notes to be Converted and the amount of other Relevant Tier 2 Capital Securities to be Converted or Written-Off in accordance with Condition 7.2(c)(2), the Issuer or the Level 2 Parent (as the case may be) must endeavour to treat the Holders and holders of other Relevant Tier 2 Capital Securities on an approximately proportionate basis or in a manner that is otherwise, in its opinion, fair and reasonable but may discriminate to take account of minimum denominations, the effect on marketable parcels and other logistical considerations and the need to effect Conversion immediately,

and the Issuer must immediately:

- (4) determine that Conversion will be effected in respect of a portion of the Subordinated Notes or in respect of a part of each Subordinated Note and the Subordinated Notes or parts thereof (as applicable) in relation to which 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 Subordinated Notes that have not been

settled or registered at that time provided that such determination does not impede or delay the immediate Conversion of the relevant amount of Subordinated Notes; and

- (5) Convert the Subordinated Notes or parts thereof so determined, provided always that such determination does not impede or delay the immediate Conversion of the relevant amount of Subordinated Notes;
- (d) the Issuer must give notice of its determination pursuant to Condition 7.2(c) (a **Trigger Event Notice**) as soon as practicable to the Holders, which must specify:
 - (1) the Trigger Event Date;
 - (2) the amount of the Subordinated Notes Converted; and
 - (3) the relevant amount of other Relevant Securities converted or written-off; and
- (e) none of the following events shall prevent, impede or delay the Conversion of Subordinated Notes as required by Condition 7.2(a):
 - (1) any failure or delay in the conversion or write-off of other Relevant Securities;
 - (2) any failure or delay in giving a Trigger Event Notice;
 - (3) any failure or delay in quotation of Ordinary Shares to be issued on Conversion; or
 - (4) any requirement to determine or select the amount of Subordinated Notes to be Converted or Written-Off (as applicable) in accordance with this Condition 7.2.

A Non-Viability Determination takes effect, and the Issuer must perform the obligations in respect of the determination, immediately on the day it is received by the Issuer, whether or not such day is a Business Day.

7.3 Conversion of a portion of a Subordinated Note

If any Subordinated Note is to be Converted only in part:

- (a) the Subordinated Note will be deemed to be divided into two Subordinated Notes having the respective denominations of the amount to be Converted and the amount not to be Converted;
- (b) Conversion (or, if Condition 7.7 applies, Write-Off) will occur in respect of the Subordinated Note having the denomination equal to the amount to be Converted;
- (c) the Issuer shall instruct the Registrar to make appropriate entries in the Register to reflect such division and Conversion so that the Denomination and Outstanding Principal Amount of Subordinated Note which continues to be held by the Holder is reduced to an amount equal to the non-Converted portion of such Subordinated Note; and
- (d) to avoid doubt, the amount of interest payable in respect of that Subordinated Note on each Interest Payment Date falling immediately after that Trigger Event Date will be reduced and calculated on the Outstanding Principal Amount of that Subordinated Note as so reduced.

7.4 Conversion immediate and irrevocable

Notwithstanding any other provision in these Conditions:

- (a) on the Trigger Event Date the relevant amount (as determined under Condition 7.2) of the Subordinated Notes must be Converted immediately and irrevocably; and
- (b) from the Trigger Event Date, SGL shall treat any Holder to whom Ordinary Shares are required to be issued in connection with such Conversion as the holder of the relevant number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion and the issuance of such Ordinary Shares.

7.5 Failure to issue Ordinary Shares

If SGL fails to issue the Ordinary Shares required to be issued in respect of the Conversion of a Subordinated Note on the Trigger Event Date to the relevant Holder (or to a nominee in accordance with Condition 7.9), the Subordinated Note which would otherwise be subject to Conversion shall remain Outstanding and be treated as held by the Holder until:

- (a) the Ordinary Shares are issued to the Holder (or to a nominee in accordance with Condition 7.9); or
- (b) the Subordinated Note is Written-Off in accordance with these Conditions;

provided, however, that the sole right of the Holder in respect of Subordinated Notes or portion thereof that are subject to Conversion is its right to be issued Ordinary Shares upon Conversion in accordance with Schedule 1 (subject to its compliance with these Conditions) or to receive the proceeds from their sale pursuant to Condition 7.9 (as applicable) and the remedy of such Holder against the Issuer or SGL in respect of SGL's failure to issue the Ordinary Shares in accordance with Schedule 1 is limited to seeking an order for specific performance of SGL's obligations to issue the Ordinary Shares in accordance with Schedule 1 to the Holder (or to a nominee in accordance with Condition 7.9), in each case, in accordance with these Conditions.

This Condition 7.5 does not affect the obligation of SGL to issue the Ordinary Shares when required in accordance with these Conditions.

7.6 Failure to transfer

If SGL has issued the required number of Ordinary Shares to a Holder (or to a nominee in accordance with Condition 7.9) in respect of the Conversion of a Subordinated Note but for any reason that Subordinated Note has not been transferred to SGL free from Encumbrances, then on and from that issue and despite any other provision of these Conditions:

- (a) all amounts payable in respect of that Subordinated Note are payable to SGL or its assigns as and when they fall due in accordance with these Conditions;
- (b) SGL is absolutely beneficially entitled to such monies and may deal with such entitlement as it sees fit; and
- (c) (without limiting Condition 9.4 or any other provision of these Conditions) the Issuer, SGL or any Attorney may at any time (and on behalf of the Holder or otherwise) take any step to effect the transfer of the Subordinated Notes to SGL free of Encumbrances,

provided that, if for any reason the Subordinated Note has not been transferred to SGL free from Encumbrances by the fifth Business Day after the Trigger Event Date then, on and from the sixth Business Days after the issue of such Ordinary Shares, the Subordinated Note is irrevocably terminated and Written-Off as defined in Condition 7.8(b) and such Ordinary Shares shall be taken to be fully paid in consideration of that Write-Off.

7.7 Write-Off of Subordinated Notes

Notwithstanding any other provision of these Conditions, where a Subordinated Note is required to be Converted and due to an Inability Event or for any other reason Conversion does not occur on the Trigger Event Date and SGL is not otherwise able to issue the Ordinary Shares required to be issued in respect of such Conversion within five Business Days after the Trigger Event Date, then:

- (a) the Subordinated Note will not be Converted and instead will be Written-Off on the sixth Business Day after the Trigger Event Date; and
- (b) the Issuer and SGL shall notify the Holder as promptly as practically possible that Conversion of the Subordinated Note has not occurred and that such Subordinated Note has been Written-Off,

and, where a Subordinated Note is Written-Off, Write-Off will be taken to have occurred with effect on and from the Trigger Event Date.

7.8 Meaning of “Written-Off”

For the purposes of this Condition 7, **Written-Off** shall mean that, in respect of a Subordinated Note that is otherwise subject to Conversion and a Trigger Event Date:

- (a) the Subordinated Note that is otherwise subject to Conversion will not be Converted on that date and will not be Converted or redeemed under these Conditions on any subsequent date; and
- (b) the rights of the relevant Holder of the Subordinated Note or portion thereof (including to any right to receive any payment thereunder) in relation to such Subordinated Note or portion thereof are immediately and irrevocably terminated and written-off,

and **Write-Off** has a corresponding meaning.

7.9 Issue to nominee

If any Subordinated Note is required to be Converted under this Condition 7 and:

- (a) the Holder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of the Conversion (whether entirely or to the extent specified in the notice), which notice may be given at any time prior to the Trigger Event Date;
- (b) the Subordinated Notes are held by a Foreign Holder or by a person to whom SGL believes the issue of the required number of Ordinary Shares may result in a contravention of applicable law; or
- (c) for any reason (whether or not due to the fault of the Holder) SGL has not received the information required by Condition 9.2 prior to the Trigger Event Date and the lack of such information would prevent SGL from issuing the Ordinary Shares to the Holder on the Trigger Event Date,

then, on the Trigger Event Date:

- (d) where Condition 7.9(a) or 7.9(b) applies, SGL shall issue the Ordinary Shares required to be issued in respect of the Conversion to the Holder only to the extent (if at all) that:
 - (1) where Condition 7.9(a) applies, the Holder has notified the Issuer that it wishes to receive them;
 - (2) where Condition 7.9(b) applies, the Issuer is satisfied that the laws of both the Commonwealth of Australia and the Holder’s country of residence, and any other country whose laws may restrict the issue of Ordinary Shares to the Holder permit the issue of Ordinary Shares to the Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer in its absolute discretion regards as acceptable and not unduly onerous;

and, to the extent SGL is not obliged to issue Ordinary Shares to the Holder, SGL will, subject to applicable laws, issue the balance of the Ordinary Shares to a nominee in accordance with Condition 7.9(f);

- (e) in any other case, SGL will, subject to applicable laws, issue all the Ordinary Shares required to be issued in respect of the Conversion to a nominee in accordance with Condition 7.9(f); and
- (f) SGL will issue the Ordinary Shares required to be issued to a nominee under Condition 7.9(d) or 7.9(e) in respect of the Holder to a competent nominee (which may not be a Related Entity of the Issuer or SGL) on terms that:
 - (1) where Condition 7.9(c) applies, the nominee will hold such Ordinary Shares and will, subject to applicable laws, transfer Ordinary Shares to such Holder promptly after such Holder provides the nominee with the information required to be provided by such Holder under Condition 9.2 (as if a reference in Condition 9.2(d)(3) to SGL is a reference to the nominee and a reference to the issue of Ordinary Shares is a reference to the transfer of Ordinary Shares) but only where such information is provided to the nominee within 30 days of the date on which Ordinary Shares are issued to the nominee upon

Conversion of such Subordinated Note and failing which the nominee will, subject to applicable laws, sell the Ordinary Shares and pay the proceeds to such Holder in accordance with Condition 9.2; and

- (2) subject to Condition 7.9(f)(1), the nominee will as soon as reasonably possible after issue of the Ordinary Shares sell those Ordinary Shares and, subject to applicable laws, pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes, costs and charges, to the Holder.

None of the Issuer, SGL or the nominee owes any obligations or duties to the Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares.

Nothing in this Condition 7.9 shall affect the Conversion of the Subordinated Notes of a Holder who is not a person to which any of Condition 7.9(a) to 7.9(c) (inclusive) applies.

7.10 Holder acknowledgements

For the purposes of Conversion as required by Condition 7, each Holder irrevocably acknowledges and agrees as a fundamental term of the Subordinated Notes:

- (a) that (subject to Conditions 7.9 and 8.3) it is obliged to accept Ordinary Shares upon a Conversion of the of Subordinated Notes it holds notwithstanding anything that might otherwise affect a Conversion of such Subordinated Notes including:
 - (1) any change in the financial position of SGL, the Issuer or the Group since the issue of such Subordinated Notes;
 - (2) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or
 - (3) any breach by the Issuer or SGL of any obligation in connection with such Subordinated Notes;
- (b) that where Condition 7.2 applies:
 - (1) there are no other conditions to a Non-Viability Trigger Event occurring as and when provided in Condition 7.1;
 - (2) Conversion must occur immediately on the occurrence of a Non-Viability Trigger Event and that may result in disruption or failures in trading or dealings in the Subordinated Notes;
 - (3) it will not have any rights to vote in respect of any Conversion; and
 - (4) the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all;
- (c) that where Condition 7.7 applies, no conditions or events will affect the operation of that Condition and such Holder will not have any rights to vote in respect of any Write-Off under that Condition and has no claim against the Issuer or SGL arising in connection with the application of that Condition;
- (d) that none of the following shall prevent, impede or delay the Conversion or (where relevant) Write-Off of the Subordinated Notes:
 - (1) any failure to or delay in the Conversion or Write-Off of other Relevant Securities;
 - (2) any failure or delay in giving a Trigger Event Notice or other notice required by this Condition 7 (inclusive);
 - (3) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion or in the taking of such action as is needed to make them freely tradeable;
 - (4) any failure or delay in Converting any Subordinated Note in part pursuant to the provisions of Condition 7.3; and

- (5) any requirement to select or adjust the number or amount of Subordinated Notes to be Converted in accordance with Condition 7.2(c); and
- (e) that where Subordinated Notes are Converted it has no right to receive payment of any amount payable in respect of the transfer of its Subordinated Notes contemplated by the definition of Conversion.

8 Conversion at the option of the Holder

8.1 When a Holder Conversion will occur

A Holder may at its option give a written notice (a **Holder Conversion Notice**) in respect of all (but not some only) of its Subordinated Notes and a Holder Conversion Date in accordance with and subject to Condition 8.2, in which case the Subordinated Notes the subject of the Holder Conversion Notice will be Converted into Ordinary Shares on the Holder Conversion Date in accordance with the provisions set out in Schedule 1.

8.2 Holder Conversion Notice

- (a) In order to elect to Convert its Subordinated Notes, a Holder must give a Holder Conversion Notice to the Issuer (with a copy to SGL) in accordance with Condition 17 at least 21 Business Days and not more than 30 Business Days before the Holder Conversion Date on which Conversion is to occur. A Holder Conversion Notice must specify:
 - (1) the Holder Conversion Date;
 - (2) the information required by Condition 9; and
 - (3) be accompanied by a duly executed (and if required by SGL, stamped) transfer form in respect of the Subordinated Notes to be transferred.
- (b) A Holder Conversion Notice once given is irrevocable.

8.3 Restrictions

If the Subordinated Notes are held by a Foreign Holder or by a person to whom SGL believes the issue of the required number of Ordinary Shares may result in a contravention of applicable law, then Conversion (following a Holder Conversion) will be subject to SGL being satisfied that the laws of both the Commonwealth of Australia and the Holder's country of residence, and any other country whose laws may restrict the issue of Ordinary Shares to the Holder permit the issue of Ordinary Shares to the Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer in its absolute discretion regards as acceptable and not unduly onerous.

If SGL is not so satisfied then Conversion will not occur and the relevant Subordinated Notes will remain outstanding.

8.4 Settlement of Holder Conversion

On the Holder Conversion Date, SGL, the Issuer and the Holder shall perform their respective obligations in respect of the Conversion and the Subordinated Note shall be Converted accordingly.

8.5 Impediments to completion of Holder Conversion

If, for any reason, SGL issues the Ordinary Shares required to be issued in respect of the Conversion of a Subordinated Note to the relevant Holder (or to a nominee in accordance with Condition 7.9) but the Subordinated Note is not transferred to SGL free from Encumbrances, then on and from that issue and despite any other provision of these Conditions:

- (a) all amounts payable in respect of those Subordinated Notes are payable to SGL or its assigns (to the exclusion of the Holder or any other person) as and when they fall due in accordance with these Conditions;
- (b) SGL is absolutely beneficially entitled to such monies and may deal with such entitlement as it sees fit; and
- (c) the Subordinated Notes shall be taken to have been Converted accordingly.

8.6 Failure to Convert

If on a Holder Conversion Date, the required number of Ordinary Shares is not issued or delivered in respect of a Subordinated Note required to be Converted, that Subordinated Note remains on issue and any interest (including any Arrears of Interest and Additional Interest Amounts) will continue to accrue until the Ordinary Shares are issued to the Holder (which date shall be the Holder Conversion Date in respect of that Subordinated Note) or the Subordinated Note is redeemed or purchased in accordance with Condition 6, or Converted or Written Off as required by Condition 7.

The remedy of a Holder in respect of SGL's failure to issue or deliver the Ordinary Shares in accordance with Schedule 1 is limited to seeking an order for specific performance of SGL's obligations to issue or deliver the Ordinary Shares to the Holder in accordance with the terms of the Subordinated Notes.

This Condition 8.6 does not affect the obligation of SGL to issue or deliver Ordinary Shares when required in accordance with these Conditions.

9 General provisions relating to Conversion

9.1 Consent to become a member

For the purposes of Conversion under Conditions 7 and 8, each Holder by becoming a Holder and by delivering any Holder Conversion Notice or Holder Details Notice irrevocably consents to becoming a member of SGL upon the Conversion of the relevant amount of Subordinated Notes and agrees to be bound by the constitution of SGL, in each case in respect of the Ordinary Shares issued to such Holder on Conversion.

9.2 Provision of information

Where:

- (a) a Subordinated Note (or portion thereof) is required to be Converted under Condition 7, a Holder wishing to receive Ordinary Shares must; or
- (b) a Holder has elected a Conversion under Condition 8, the Holder must, no later than the Holder Conversion Date,

have provided to SGL:

- (c) in the case of a Conversion on account of a Non-Viability Trigger Event, in a Holder Details Notice to be given no later than the Trigger Event Date (or, in the case where Condition 7.9(f) applies, within 30 days of the date on which Ordinary Shares are issued upon such Conversion); and
- (d) in the case of a Holder Conversion, in the Holder Conversion Notice (or in the case of information requested in Condition 9.2(d)(3), in a Holder Details Notice to be given no later than 2 Business Days following the request from SGL), have provided to SGL:
 - (1) its name and address (or the name and address of any person in whose name it directs the Ordinary Shares to be issued) for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares;

- (2) the security account details to which the Ordinary Shares may be credited; and
- (3) such other information as is reasonably requested by SGL for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to such Holder (but SGL has no duty to seek or obtain such information).

Where Ordinary Shares are issued to a nominee in respect of the Conversion of the Subordinated Notes of a Holder, the Holder must provide such information as is requested by the nominee in connection with the transfer of Ordinary Shares, or payment of the proceeds of sale of the Ordinary Shares, to such Holder in accordance with Condition 7.9(f).

9.3 Power of Attorney

Each Holder appoints each of SGL or the Issuer, each of their respective officers and any External Administrator of the Issuer or SGL (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 Conditions including, but not limited to, effecting any transfers of Subordinated Notes or, for the purposes of Conversion, making or consenting to any entry in the Register, or in SGL's register of members, or exercising any voting power in relation to any consent or approval required for Conversion.

The power of attorney given in this Condition 9.3 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Conditions is irrevocable.

9.4 Obligations subject to laws

The obligations of SGL and any nominee in respect of any issue of or dealing with any Ordinary Shares or the proceeds of sale of such Ordinary Shares are subject in all cases to all applicable laws and regulations.

9.5 Substitution of Approved Acquirer as issuer of Ordinary Shares

Where:

- (a) either of the following occurs:
 - (1) a takeover bid is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional, all regulatory approvals necessary for the acquisition to occur have been obtained and either:
 - (A) the bidder has at any time during the offer period, a relevant interest in more than 50 per cent. of the Ordinary Shares on issue; or
 - (B) the directors of SGL acting as a board, issue a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer); or
 - (2) a court orders the holding of meeting(s) to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50 per cent. of the Ordinary Shares that will be on issue after the scheme is implemented and:
 - (A) all classes of members of SGL pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and
 - (B) all conditions to the implementation of the scheme including any necessary regulatory approval (but not including approval of the scheme by the court) have been satisfied or waived;
- (b) the bidder or the person having a relevant interest in the Ordinary Shares of SGL after the scheme is implemented (or any entity that controls (within the meaning of section

50AA of the Corporations Act) the bidder or the person having the relevant interest) is a company (**Approved Acquirer**) whose ordinary shares are quoted on ASX or another securities exchange; and

- (c) the Approved Acquirer executes a deed poll in favour of the Holders agreeing to be bound by the obligations of SGL under the Subordinated Note Deed Poll and these Conditions (as amended pursuant to paragraphs (d) to (e) below);

then the Issuer and SGL may without the consent of any Holder (but with the prior written approval of APRA):

- (d) vary these Conditions by replacing references to SGL with references to the Approved Acquirer such that (without limiting the foregoing), unless APRA otherwise agrees, on the date a Subordinated Note is to be Converted:
 - (1) the Subordinated Note will be immediately and irrevocably transferred by the Holder free from Encumbrances to the Approved Acquirer (or, only with APRA's written approval prior to the Conversion Date, to another subsidiary of the Approved Acquirer which is a holding company of the Issuer on the Conversion Date nominated by the Approved Acquirer;
 - (2) the Approved Acquirer will issue the Conversion Number of Ordinary Shares (which, to avoid doubt, will be ordinary shares in the Approved Acquirer) to the Holder (or to a nominee in accordance with Condition 7.9) (and, for the purposes of determining the Conversion Number of Ordinary Shares in any case, subject to paragraph (e) below, the Issue Date VWAP in effect immediately following such variation will be deemed to be an amount bearing the same proportion to the VWAP of the Approved Acquirer's ordinary shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which the event referred to in paragraph (a) or (b) occurred (the **calculation date**) as the Issue Date VWAP in effect immediately before such variation bore to the VWAP (each calculated, to avoid doubt, in respect of ordinary shares in SGL) during the 20 Business Days on which trading in ordinary shares in SGL took place immediately preceding (but not including) the calculation date); and
 - (3) the Subordinated Note will be converted into ordinary shares in the capital of the Issuer or written off in the manner separately agreed between the Issuer, the Level 2 Parent, SGL and the Approved Acquirer on or about the date of such variation (or as may be subsequently varied with APRA's prior written approval); and
- (e) make such other amendments as in the Issuer's reasonable opinion are necessary and appropriate to effect the substitution of the Approved Acquirer as the issuer of the ordinary shares on Conversion in the manner contemplated by these Conditions, including, where the terms upon which the Approved Acquirer acquires the Issuer are such that the number of ordinary shares in the capital of the Approved Acquirer on issue immediately after the substitution differs from the number of Ordinary Shares on issue immediately before the substitution (not involving any cash payment or other distribution to or by the holders of any such shares), an adjustment to any relevant VWAP or Issue Date VWAP consistent with the principles of adjustment set out in the Schedule.

Without limiting paragraph (d):

- (a) each Holder makes the acknowledgments set out in Condition 7.10 and gives the consents in Condition 9.1 in relation to the Approved Acquirer and ordinary shares in the Approved Acquirer; and
- (f) this Condition 9.5 may apply any number of times such that, where, following the substitution of an Approved Acquirer for SGL as the issuer of Ordinary Shares on Conversion in accordance with this Condition 9.5, the events contemplated by paragraphs 9.5(a) to 9.5(c) occur in relation to such Approved Acquirer, the Issuer and such Approved Acquirer may, without the authority, approval or assent of the Holders, effect a further substitution in accordance with this Condition 9.5.

The Issuer or the Approved Acquirer must notify the Holders of the particulars of any substitution in accordance with this Condition 9.5 as soon as practicable after the substitution.

10 Events of Default

10.1 Events of Default

An **Event of Default** occurs if:

- (a) **(Payment Default)** either:
- (1) the Issuer does not pay any principal amount due in respect of the Subordinated Notes within 10 days of its due date; or
 - (2) the Issuer does not pay any interest or other amount due in respect of the Subordinated Notes within 30 days of its due date,
- (a **Payment Default**), provided that to the extent that a payment is not required to be made because of the Solvency Condition, the amount is not due and payable and a Payment Default cannot occur; or
- (b) **(Winding Up Default)** either:
- (1) a court order is made by a court of competent jurisdiction in Australia for the winding up of the Issuer and that order is not successfully appealed or permanently stayed within 60 days of the making of that order; or
 - (2) an effective resolution for the winding up of the Issuer is passed by the shareholders of the Issuer entitled to vote on such resolution,

in each case, other than for the purposes of a consolidation, amalgamation, merger or reconstruction which has been approved by the shareholders of the Issuer or by a court of competent jurisdiction under which the surviving entity has assumed or will assume expressly or by law all obligations of the Issuer in respect of the Subordinated Notes (a **Winding Up Default**).

10.2 Consequences of an Event of Default

- (a) **(Payment Default)** Subject to Condition 10.4, if a Payment Default occurs, then a Holder may, subject to Condition 10.2(b), institute proceedings:
- (1) in a court of competent jurisdiction against the Issuer to recover any principal, interest, or other amount in respect of the Subordinated Notes not paid by the Issuer as specified in Condition 10.1(a), subject to the Issuer being able to pay that principal, interest or other amount and remaining Solvent after making that payment;
 - (2) in a court of competent jurisdiction against the Issuer to obtain an order for specific performance of any other obligation in respect of the Subordinated Notes; and/or
 - (3) for a Winding Up of the Issuer.
- (b) **(No acceleration)** Upon the occurrence of a Payment Default, Holders will have no right to accelerate the Issuer's payment obligations under the Subordinated Notes or to take any other action which has the same economic effect as an acceleration.
- (c) **(Winding Up Default)** If a Winding Up Default occurs in relation to the Issuer, a Holder may, in addition to taking any of the actions specified in Condition 10.2(a), by notice to the Issuer and the Registrar declare that such Subordinated Notes are immediately due and payable at their Outstanding Principal Amount together with accrued interest and any other amounts accrued under the Subordinated Notes and, subject to Condition 4.3 may prove in the Winding Up for an amount equal to such amount.
- (d) **(No other remedies)** No Holder may take any other action or exercise any other remedy as a consequence of an Event of Default except as specified in this Condition 10.2.

10.3 Amounts unpaid remain debts

Any amount not paid due to Condition 10.2(a)(1) accumulates and remains a debt owing to the Holder by the Issuer until it is paid.

10.4 Rectification

A Holder's right to take any of the actions contemplated in Condition 10.2 terminates if the situation giving cause to it has been cured before such right is exercised.

10.5 Notification

If an Event of Default occurs, the Issuer must promptly after becoming aware of it notify the Registrar of the occurrence of the Event of Default (specifying details of it) and procure that the Registrar promptly notifies the relevant Holders of the occurrence of the Event of Default in accordance with Condition 17.

11 Payments

11.1 Record Date

Payments to Holders will be made according to the particulars recorded in the Register at 5.00pm (Sydney time) on the relevant Record Date.

11.2 Joint holders

When a Subordinated Note is held jointly, payment will be made to the holders in their joint names unless requested otherwise.

11.3 Method of payments

Payments in respect of each Subordinated Note will be made:

- (a) if the Subordinated Notes are in the Austraclear System, by crediting on the relevant Payment Date the amount then due to the account of the Holder in accordance with the Austraclear Regulations; or
- (b) if the Subordinated Notes are not in the Austraclear System, by crediting on the Payment Date the amount then due to an account in Australia previously notified by the Holder in respect of that Subordinated Note to the Issuer and the Registrar. If the Holder has not notified the Issuer and the Registrar of such an account by close of business on the relevant Record Date or upon application by the Holder to the Issuer and the Registrar no later than close of business on the relevant Record Date, payments in respect of the relevant Subordinated Note will be made by cheque, mailed on the relevant Interest Payment Date, in the case of payments of interest, or on the due date for redemption or repayment, in the case of payments of principal, at the Holder's risk to the Holder (or to the first named of joint registered holder) of such Subordinated Note at the address appearing in the Register as at the Record Date. Cheques to be despatched to the nominated address of a Holder will in such cases be deemed to have been received by the Holder on the relevant Payment Date and no further amount will be payable by the Issuer in respect of the relevant Subordinated Note as a result of payment not being received by the Holder on the due date.

11.4 Business Days

All payments must be made in accordance with the Business Day Convention, provided that nothing in this clause applies to any payment referred to in paragraph 1(b)(1) of Schedule 1 which must occur on the Trigger Event Date as provided in paragraph 1(b)(1) of Schedule 1.

11.5 Payment subject to fiscal laws

Payments (whether in respect of principal, redemption amounts, interest or otherwise) in respect of the Subordinated Notes are subject in all cases to applicable provisions of fiscal and other laws, regulations and directives.

11.6 Taxation: Additional Amounts

All payments (whether in respect of principal redemption amount, interest or otherwise) in respect of the Subordinated Notes will be made without set-off or counterclaim and free and clear of, and without deduction of or withholding on account of any Taxes now or hereafter imposed, levied, collected, withheld or assessed in the Commonwealth of Australia or any political subdivision therein or thereof unless such withholding or deduction is required by law. In that event the Issuer will pay such additional amounts (**Additional Amounts**) as may be necessary in order that the net amount received by the Holders after such withholding or deduction equals the respective amounts which would otherwise have been receivable in respect of the Subordinated Notes in the absence of such withholding or deduction, except that no Additional Amounts are payable in relation to any payments in respect of any Subordinated Note:

- (a) to, or to a third party on behalf of, a Holder who is liable to such Taxes in respect of such Subordinated Note by reason of his having some connection with the Commonwealth of Australia or any political subdivision therein or thereof other than the mere holding of such Subordinated Note or receipt of payment (whether in respect of principal, redemption amount, interest or otherwise) in respect thereof;
- (b) to, or to a third party on behalf of, a Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar cause for exemption to any tax authority in the place where payment under the Subordinated Note is made;
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that a Holder would have been entitled to Additional Amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Business Day;
- (d) which are subject to such Taxes as a result of the Holder being party to or participating in a scheme to avoid Taxes, being a scheme to which Suncorp was neither a party to nor participating in;
- (e) to, or to a third party on behalf of, a Holder who is liable to the Taxes in respect of the Subordinated Note by reason of the Holder being an associate of the Issuer within the meaning of section 128F(9) of the Tax Act; or
- (f) to, or to a third party on behalf of a Holder, if that person has not supplied an appropriate tax file number an Australian Business Number or exemption details.

11.7 Currency indemnity

The Issuer waives any right it has in any jurisdiction to pay an amount other than in the currency in which it is due. However, if an Holder receives an amount in a currency other than that in which it is due:

- (a) it may convert the amount received into the due currency (even though it may be necessary to convert through a third currency to do so) on the day and at such rates (including spot rate, same day value rate or value tomorrow rate) as it reasonably considers appropriate taking into account any costs of conversion; and

- (b) the Issuer satisfies its obligation to pay in the due currency only to the extent of the amount of the due currency obtained from the conversion.

11.8 FATCA

The Issuer or SGL (as the case may be) may withhold or make deductions from payments or from the issue of Ordinary Shares to a Holder or to a nominee in accordance with Condition 7.9 where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of the Subordinated Notes may be subject to FATCA, and may deal with such payment, and any such Ordinary Shares in accordance with FATCA (which may include, without limitation, where any withholding or deduction in respect of Ordinary Shares is required, issuing such shares to a nominee, agent or broker selected by SGL on terms that such Ordinary Shares will be sold (and without any duty to the Holder in respect of the terms of such sale) and the proceeds of such sale being remitted to any applicable revenue or other authority). If any withholding or deduction arises under or in connection with FATCA, the Issuer will not be required to pay any Additional Amounts or other further amounts or issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of the Subordinated Notes for or in respect of any such withholding or deduction. A dealing with such payment and any Ordinary Shares in accordance with FATCA satisfies the Issuer's obligations to that Holder to the extent of the amount of that payment or issue of Ordinary Shares.

12 Further issues

The Issuer may from time to time, without the consent of any Holder, issue further Subordinated Notes having the same terms and conditions as the Subordinated Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or their denomination) so as to form part of the Subordinated Notes.

Nothing in these Conditions limits the Issuer, the Level 2 Parent, SGL, or any of their Related Bodies Corporate issuing other notes or securities on whatever terms they think fit.

13 Time limit for claims

A claim against the Issuer for a payment under a Subordinated Note is void unless such claim is made within 10 years (in the case of principal and redemption amount) and 5 years (in the case of interest and other amounts) from the Relevant Date of payment.

14 Meetings of Holders

Meetings of Holders may be convened in accordance with the Meetings Provisions. Any such meeting may consider, and make decisions binding on all Holders in respect of, any matters affecting the interests of Holders, including, without limitation, the variation of the terms of the Subordinated Notes by the Issuer and the granting of approvals, consents and waivers, and the declaration of an Event of Default.

15 Variations

15.1 To cure ambiguities

Subject to Condition 15.3, these Conditions and the Subordinated Note Deed Poll may be varied by the Issuer, without the consent of any Holder if, in the reasonable opinion of the Issuer, the variation:

- (a) is necessary or advisable to comply with any law;
- (b) is necessary to correct an obvious error, or otherwise of a formal, technical or administrative nature only;
- (c) is made to cure any ambiguity or correct or supplement any defective or inconsistent provision;
- (d) is in connection with the substitution of an Approved Acquirer as issuer of the Ordinary Shares under and in accordance with (and as defined in) Condition 9.5; or
- (e) is not materially prejudicial to the interests of the Holders as a whole.

15.2 Approval by Holders

Subject to Condition 15.3, these Conditions and Subordinated Note Deed Poll may otherwise be varied by the Issuer with the approval of the Holders by Extraordinary Resolution.

No variation to these Conditions other than as specified in Condition 15.1 and Condition 15.2 has effect in relation to the Holders who hold Subordinated Notes at the date of any variation deed, unless they otherwise agree in writing. A variation will take effect in relation to all subsequent Holders.

15.3 Restriction on variation of Conditions

The Issuer must not vary the Conditions unless it has obtained the prior written approval of APRA if the variation in any way affects the eligibility of the Subordinated Notes as Tier 2 Capital of the Issuer.

15.4 Other documents

The issuer may vary or terminate any Agency Agreement or other deed or agreement entered into in connection with any Subordinated Note without the consent of Holders provided that so long as any Subordinated Notes are Outstanding there is a Registrar appointed in respect of such Subordinated Notes.

15.5 Meaning of “vary”

In this Condition 15, “vary” includes amend, novate, assign, modify, add to, cancel or alter and “variation” has a corresponding meaning.

16 Agents

16.1 Role of the Agents

In acting under its Agency Agreement in connection with the Subordinated Notes, each Agent acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the Holders save insofar as any funds received by an Agent are required in accordance with its Agency Agreement, pending their application in accordance with that Agency Agreement, to be held by it in a segregated account on trust for the persons entitled thereto.

16.2 Change of Agent

The Issuer reserves the right at any time to terminate the appointment of any Agent in accordance with its Agency Agreement or otherwise and to appoint a successor or additional Agent, provided, however, that the Issuer must at all times maintain the appointment of a Registrar with its specified office in Australia and must at all times maintain the appointment of a Calculation Agent. Notice of any such termination of appointment will be given to the Holders in accordance with Condition 17.

17 Notices

17.1 To the Issuer, the Registrar and the Agent

A notice or other communication in connection with a Subordinated Note to the Issuer, the Registrar or another Agent must be in writing and may be given by prepaid post or delivery to the address of the addressee or by facsimile to the facsimile number of the addressee specified:

- (a) in the Information Memorandum; or
- (b) as otherwise agreed between those parties from time to time and notified to the Holders.

17.2 To Holders

A notice or other communication in connection with a Subordinated Note to the Holders must be in writing and may be given by:

- (a) an advertisement published in The Australian Financial Review or any other newspaper or newspapers circulating in Australia generally; or
- (b) prepaid post (airmail if posted to or from a place outside Australia) or delivery or by facsimile to the address of facsimile address, as the case may be, of each Holder or any relevant Holder as shown in the Register at the close of business three Business Days prior to the dispatch of the relevant notice or communication.

17.3 Effective on receipt

Unless a later time is specified in it, a notice, approval, consent or other communication takes effect from the time it is received, except that if it is received after 5.00pm in the place of receipt or on a non-business day in that place, it is to be taken to be received at 9.00am on the next succeeding Business Day in that place.

17.4 Proof of receipt

Subject to Condition 17.3, proof of posting of a letter or of dispatch of a facsimile or of publication of a notice is proof of receipt:

- (a) in the case of a letter, on the third (seventh, if outside Australia) day after posting; and
- (b) in the case of a facsimile, on receipt by the sender of a successful transmission report; and
- (c) in the case of publication, on the date of such publication.

18 Governing law and jurisdiction

18.1 Governing law

The Subordinated Notes are governed by the law in force in the State of New South Wales.

18.2 Jurisdiction

The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts of appeal from them.

Schedule 1

Schedule to the Conditions

1 Conversion

If the Issuer must Convert a Subordinated Note in accordance with the Conditions, then, subject to this Schedule 1, the following provisions apply:

- (a) SGL will allot and issue on the Trigger Event Date or Holder Conversion Date (as the case may be) a number of Ordinary Shares in respect of the Nominal Amount of that Subordinated Note equal to the Conversion Number, where the Conversion Number (but subject to the Conversion Number being no more than the Maximum Conversion Number) is a number calculated according to the following formula:

$$\text{Conversion Number} = \frac{\text{Nominal Amount}}{99\% \times \text{VWAP}}$$

where:

"Nominal Amount" means:

- (1) in the case of Conversion required after the occurrence of a Non-Viability Trigger Event, the Outstanding Principal Amount of the Subordinated Note required to be Converted in accordance with Condition 7; and
- (2) in the case of a Holder Conversion, the Outstanding Principal Amount of the Subordinated Note elected by a Holder for Conversion together with accrued interest (if any) (including any Arrears of Interest and Additional Interest Amounts in respect of that Subordinated Note).

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

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

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

- (b) on the Trigger Event Date or a Holder Conversion Date (as the case may be):
- (1) the Notes (including the rights of each Holder (including to payment of interest) in relation to the Nominal Amount of each Subordinated Note or portion thereof that is being Converted) will be immediately and irrevocably transferred for an amount payable by SGL equal to the Nominal Amount of that Subordinated Note (or portion thereof) that is being Converted and SGL will apply that Nominal Amount (or portion thereof) by way of payment for subscription for the Ordinary Shares to be allotted and issued under paragraph (a) of this Schedule 1. Each Holder is taken to have irrevocably directed that any amount payable under paragraph 1(b)(1) of this Schedule 1 is to be applied as provided for in paragraph 1(b)(1) of this Schedule 1 and no Holder has any right to payment in any other way;
 - (2) in the case of a Trigger Event Date, all rights to the payment of interest in respect of the Subordinated Note or the relevant portion thereof (including any Arrears of Interest and any Additional Interest) are immediately and irrevocably terminated; and

- (3) in the case of a Holder Conversion Date, interest scheduled to be paid on this date together with any Arrears of Interest and Additional Interest shall be paid to or as directed SGL in the manner separately agreed between them;
- (c) any calculation under paragraph (a) of this Schedule 1 shall, unless the context requires otherwise, be rounded to four decimal places provided that if the total number of additional Ordinary Shares to be allotted to a Holder in respect of the aggregate Nominal Amount of the Subordinated Notes it holds which are being Converted includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and
- (d) the rights attaching to Ordinary Shares issued as a result of Conversion do not take effect until 6.00pm (Sydney, Australia time) on the Trigger Event Date or a Holder Conversion Date (as the case may be) (unless another time is required for Conversion on that date in the case of a Conversion required by Condition 7). At that time all other rights conferred or restrictions imposed on that Subordinated Note under the Conditions will no longer have effect to the extent of the Nominal Amount of that Subordinated Note being Converted (except for the right to receive the Ordinary Shares as set forth in paragraph 1 of this Schedule 1 and Condition 7 or 8 (as the case may be) and except for rights relating to interest which is payable but has not been paid on or before the Trigger Event Date which will continue to the extent provided in paragraph 1 of this Schedule 1).

2 Adjustments to VWAP

For the purposes of calculating VWAP in the Conditions:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on the ASX as cum dividend or cum any other distribution or entitlement and the relevant Nominal Amount of Subordinated Notes will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (**Cum Value**) equal to:
 - (1) (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;
 - (2) (in the case of any other entitlement that is not a dividend or other distribution under paragraph 2(a)(1) of this Schedule 1 which is traded on the ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on the ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
 - (3) (in the case of any other entitlement which is not traded on the ASX during the VWAP Period), the value of the entitlement as reasonably determined by the directors of the Issuer; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on the ASX as ex dividend or ex any other distribution or entitlement, and the relevant Nominal Amount of Subordinated Notes will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, 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.

3 Adjustments to VWAP for divisions and similar transactions

- (a) Where during the relevant VWAP Period there is a change in the number of the Ordinary Shares on issue as a result of a division, consolidation or reclassification of SGL's share capital (not involving any cash payment or other distribution to or by holders of Ordinary Shares) (a **Reorganisation**), in calculating the VWAP for that VWAP Period the daily VWAP applicable on each day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reorganisation basis shall be adjusted by the following formula:

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

where:

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

and

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

- (b) Any adjustment made by SGL in accordance with paragraph 3(a) of this Schedule 1 will, absent manifest error, be effective and binding on the Holders under these terms and these terms will be construed accordingly. Any such adjustment must be promptly notified to all Holders.

4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, corresponding adjustments to VWAP will be made in accordance with paragraphs 2 and 3 of this Schedule 1 during the 20 Business Day period over which VWAP is calculated for the purposes of determining the Issue Date VWAP. On and from the Issue Date adjustments to the Issue Date VWAP:

- (a) may be made in accordance with paragraphs 5 to 7 of this Schedule 1 (inclusive); and
(b) if so made, will cause an adjustment to the Maximum Conversion Number.

5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to paragraph 5(b) of this Schedule 1 below, if, at any time after the Issue Date, SGL makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_0 \quad \times \quad \frac{RD}{RD + RN}$$

where:

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

V₀ means the Issue Date VWAP applying immediately prior to the application of this formula;

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

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

- (b) Paragraph 5(a) of this Schedule 1 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 paragraph 5(a) of this Schedule 1, an issue will be regarded as a pro rata issue notwithstanding that SGL does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing SGL is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this paragraph 5 of this Schedule 1 for any offer of Ordinary Shares not covered by paragraph 5(a) of this Schedule 1, including a rights issue or other essentially pro rata issue.

6 Adjustment to Issue Date VWAP for divisions and similar transactions

- (a) If, at any time after the Issue Date, a Reorganisation occurs, SGL 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 SGL in accordance with paragraph 6(a) of this Schedule 1 will, absent manifest error, be effective and binding on Holders under these terms and these terms will be construed accordingly.
- (c) Each Holder acknowledges that SGL 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 requiring any consent or concurrence of any Holders.

7 No adjustment to Issue Date VWAP in certain circumstances

- (a) Despite the provisions of paragraphs 5 and 6 of this Schedule 1, 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.
- (b) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by paragraphs 5(a) and 6(a) of this Schedule 1 shall not in any way restrict SGL from issuing Ordinary Shares at any time on such terms as it sees fit nor require any consent or concurrence of any Holders.

8 Announcement of adjustment to Issue Date VWAP

SGL will notify Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this Schedule 1 within 10 Business Days of SGL determining the adjustment and the adjustment set out in the announcement will be final and binding.

9 Ordinary Shares

Each Ordinary Share issued or arising upon Conversion of a Subordinated Note (or portion thereof):

- (a) is issued fully paid in consideration of the application of the relevant Nominal Amount (or portion thereof) in accordance with paragraph 1(b)(1) of Schedule 1 and, where Condition 7.6 or Condition 8.5 applies, in consideration of the operation of the relevant clause in respect of the Subordinated Note (or portion thereof); and
- (b) ranks pari passu with all other fully paid Ordinary Shares.

10 Listing Ordinary Shares issued on Conversion

SGL, at its cost:

- (a) must use reasonable endeavours to list the Ordinary Shares issued upon Conversion of the Subordinated Notes on the ASX; and
- (b) in the case of Conversion on account of a Non-Viability Trigger Event must use reasonable endeavours to, and in the case of a Holder Conversion must, procure that the Ordinary Shares issued upon Conversion are able to be freely traded after their issue date on the ASX in compliance with all requirements of the Corporations Act, all other applicable laws of Australia and the ASX Listing Rules without requirement for further disclosure or other action by any Holder or persons to whom its shares are issued (except in case of applicable law other than Chapter 6D of the Corporations Act, to the extent that a restriction on trading is attributable to the particular circumstances of the Holder and is not otherwise within the control of either the Issuer or SGL).

7 Information about the Ordinary Shares

Subject to Write-Off under Condition 7.7 or issue to nominee under Condition 7.9, 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 7 briefly summarises the key rights attaching to the Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of holders of Ordinary Shares. Investors who wish to inspect the Constitution may do so at the registered office of SGL during normal office hours or may obtain a copy as provided under Section 2.9.

The key rights attaching to Ordinary Shares are as follows:

- (a) the right to vote at general meetings of SGL 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;
- (b) 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, which include, as at the Preparation Date, SGL's CPS2 and CPS3);
- (c) the right to receive information required to be distributed under the Corporations Act and the ASX Listing Rules; and
- (d) the right to participate in a surplus of assets on a winding-up of SGL 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, which include, as at the Preparation Date, SGL's CPS2 and CPS3).

In this Section 7:

- (a) **CPS2** means the \$560,000,000 convertible preference shares issued on or about 6 November 2012 by SGL pursuant to a prospectus dated 3 October 2012; and
- (b) **CPS3** means the \$400,000,000 convertible preference shares issued on or about 8 May 2014 by SGL pursuant to a prospectus dated 8 April 2014.

8 Selling and Distribution Restrictions

The distribution and use of this Information Memorandum, and the offer or sale of Subordinated Notes, may be restricted by law in certain jurisdictions. None of the Issuer, SIHL or SGL, and none of the Arranger, the Managers or the Agents, represent that this document may be lawfully distributed, or that any Subordinated Notes may be lawfully offered, in compliance with the laws of any jurisdiction. In particular, no action has been taken by any of those parties which would permit a public offering of any Subordinated Notes or distribution of this Information Memorandum in any jurisdiction where action for such purpose is required.

No Subordinated Notes may be offered or sold, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons acquiring any Subordinated Notes or into whose possession this Information Memorandum comes must inform themselves about, and observe, any such restrictions.

Each Manager has agreed not to offer any Subordinated Notes for subscription or purchase, or issue invitations to subscribe for or buy any Subordinated Notes, or sell or deliver any Subordinated Notes in any jurisdiction or distribute this Information Memorandum or any other offering materials in any jurisdiction, except in a manner and in such circumstance as will result in compliance with all applicable laws. In addition, each Manager has agreed to observe the specific selling restrictions set out below.

8.1 Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Subordinated Notes has been or will be lodged with the ASIC. Each Manager has represented and agreed, that it:

- (a) has not (directly or indirectly) made or invited, and will not make or invite, an offer of the Subordinated Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any Information Memorandum or any other offering material or advertisement relating to any Subordinated Notes in Australia,

unless:

- (c) the aggregate consideration payable by each offeree or invitee is at least \$500,000 (or its equivalent in an alternate currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act;
- (d) the offer or invitation does not constitute an offer to a 'retail client' as defined for the purposes of section 761G of the Corporations Act;
- (e) such action complies with any other applicable laws, regulations or directives in Australia; and
- (f) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

8.2 European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Directive 2003/71/EC (the **Prospectus Directive**) (each, a **Relevant Member State**), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Subordinated Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Subordinated Notes which are the subject of the offering contemplated by this Information Memorandum to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Subordinated Notes referred to in (a) to (c) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Subordinated Notes to the public" in relation to any Subordinated Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Subordinated Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Subordinated Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and also includes any relevant implementing measure in the Relevant Member State.

8.3 Hong Kong

WARNING. This Information Memorandum has not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to the offer of the Subordinated Notes. If investors are in any doubt about any of the contents of this document, such investors should obtain independent professional advice.

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Subordinated Notes other than:
 - (1) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong and any rules made under that Ordinance; or
 - (2) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the Laws of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purpose of issue and will not issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Subordinated Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other

than with respect to the Subordinated Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance or to the extent that the advertisement, invitation or document relates to an offer falling within paragraph (b)(ii) of the definition of "prospectus" in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

8.4 Japan

The Subordinated Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Manager has represented and agreed that it will not offer or sell any Subordinated Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No.228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except in compliance with the FIEA and any other applicable laws and regulations of Japan.

8.5 Republic of Korea

The Subordinated Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act (the **FSCMA**). Each Manager has represented and agreed that (i) it has not offered, sold or delivered, directly or indirectly, Subordinated Notes in Korea or to any Korean resident (as such term is defined in the Foreign Exchange Transaction Law) and (ii) will not offer, sell or deliver Subordinated Notes after the date of issuance of the Subordinated Notes in Korea or to any Korean resident (as such term is defined in the Foreign Exchange Transaction Law) except as otherwise permitted under applicable Korean laws and regulations.

8.6 Malaysia

The Subordinated Notes may only be issued, offered or an invitation to subscribe for or purchase the Subordinated Notes may only be made to the persons as specified in Schedule 6 (or Section 229(1)(b)) of the Capital Markets and Services Act 2007 (the **CMSA**) and Schedule 7 (or Section 230(1)(b)) of the CMSA read together with Schedule 8 (or Section 257(3)) of the CMSA at issuance and Schedule 6 (or Section 229(1)(b)) of the CMSA read together with Schedule 8 (or Section 257(3) of the CMSA) thereafter.

8.7 New Zealand

The Subordinated Notes are not, and will not be, offered for sale or subscription to, and may not be acquired by, any person that: (a) would mean that the offer would be an "offer of securities to the public" for the purposes of section 3(1) of the Securities Act 1978; (b) are not "wholesale investors" for the purposes of clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013. This document is not a registered prospectus or investment statement for the purposes of the Securities Act 1978, or a product disclosure statement for the purposes of the Financial Markets Conduct Act 2013. No person may directly or indirectly subscribe for, offer, sell, transfer or deliver any Subordinated Notes or publish, deliver or distribute this or any other information memorandum, information, advertisement or other offering material relating to the Subordinated Notes in breach of the Securities Act 1978 or the Financial Markets Conduct Act 2013 or any other applicable law, regulation or directive of New Zealand. In particular, no person may directly or indirectly sell, transfer, deliver or offer for sale Subordinated Notes to any person that: (a) would mean that that offer would be an "offer of securities to the public" for the purposes of section 3(1) of the Securities Act 1978; or (b) is not a "wholesale investor" for the purposes of clause 3(2) of Schedule 1 of the Financial Markets Conduct Act 2013.

Each Manager has represented that no Manager may offer, sell or deliver Subordinated Notes or distribute any advertisements or offering material relating to the Subordinated Notes, in breach of the Securities Act 1978 or the Financial Markets Conduct Act 2013 or any other applicable law, regulation or directive of New Zealand.

8.8 Singapore

This Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Subordinated Notes offered will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**). Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of any Subordinated Notes may not be circulated or distributed, nor may any Subordinated Notes be, offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (a) to an institutional investor under Section 274 of the SFA;
- (b) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A) and in accordance with the conditions specified in Section 275, of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Subordinated Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the securities (as defined under Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired any Subordinated Notes pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor under Section 274 of the SFA or to a relevant person defined under Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

8.9 Switzerland

This Information Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Subordinated Notes described herein. The Subordinated Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Information Memorandum nor any other offering or marketing material relating to the

Subordinated Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations *or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland*, and neither this Information Memorandum nor any other offering or marketing material relating to the Subordinated Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Information Memorandum nor any other offering or marketing material relating to the offering, nor the Issuer nor the Subordinated Notes have been or will be filed with or approved by any Swiss regulatory authority. The Subordinated Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA (**FINMA**), and investors in the Subordinated Notes will not benefit from protection or supervision by such authority.

8.10 Taiwan

The offering of the Subordinated Notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration, approval or filing with the Financial Supervisory Commission or any other government agency of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Subordinated Notes in Taiwan.

8.11 United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Subordinated Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (g) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Subordinated Notes in, from or otherwise involving the United Kingdom.

8.12 United States

The Subordinated Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the **Securities Act**) or the securities laws of any State of the United States. Accordingly, the Subordinated Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or in transactions exempt from, or not subject to, the registration requirements of the Securities Act.

Each Manager has represented, warranted and agreed that it has not offered and sold the Subordinated Notes, and will not offer and sell the Subordinated Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the date of completion of the distribution of all Subordinated Notes, as determined and certified by the relevant Manager within the United States or to, or for the account or benefit of, U.S. persons. Each Manager has further represented, warranted and agreed that, at or prior to confirmation of sale of Subordinated Notes, it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Subordinated Notes from it during the distribution compliance period a confirmation or notice substantially to the following effect:

'The Subordinated Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the date of completion of the distribution of all Subordinated Notes, as determined and certified by the relevant , except in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S.'

Each Manager has further represented, warranted and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Subordinated Notes, and it, its affiliates and any persons acting on its behalf or their behalf have complied and will comply with the offering restrictions requirement of Regulation S.

Until 40 days after the completion of the distribution of all Subordinated Notes, an offer or sale of Subordinated Notes within the United States by any Manager or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the Securities Act.

Terms used under this heading have the meanings given to them by Regulation S.

9 Australian taxation summary

The following is a summary of the Australian tax consequences of an investment in the Subordinated Notes, based on the *Income Tax Assessment Act 1936* (Cth) and *Income Tax Assessment Act 1997* (Cth) (collectively, the **Tax Act**), and any relevant regulations, rulings or judicial interpretations and administrative policies and practices, as at the date of this Information Memorandum. It is general in nature and should be treated with appropriate caution.

This summary is not exhaustive and, in particular, it does not deal with the position of certain classes of investors in Subordinated Notes (including dealers in securities, custodians or other third parties who hold Subordinated Notes on behalf of any absolute beneficial holders of Subordinated Notes). It does not consider the possible tax implications for investors under the tax laws of jurisdictions other than Australia.

The summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Purchasers of Subordinated Notes should consult their own tax advisers for specific advice regarding the consequences, in their particular circumstances, under Australian tax laws, and the laws of any other taxing jurisdiction, of the ownership of or any dealing in any Subordinated Notes. Any such dealing would need to comply with the selling restrictions and securities law generally.

References to holders in this Section 9 of this Information Memorandum are to investors in Subordinated Notes that hold their Subordinated Notes through the Austraclear System (refer Section 3 "Clearing System" of this Information Memorandum for more information regarding Austraclear).

9.1 Interest withholding tax

(a) Payments of Interest

A payment of interest in respect of a Subordinated Note to either a non-resident of Australia for Australian tax purposes that does not acquire their Subordinated Notes in the course of carrying on a business at or through a permanent establishment in Australia, or an Australian tax resident who acquires the Subordinated Notes in the course of carrying on business at or through a permanent establishment outside Australia (each an **Offshore Holder**), will be subject to Australian interest withholding tax (**IWT**) at the rate of 10% of the gross amount of the payment, unless an exemption applies, including the exemption in section 128F of the Tax Act or relief from Australian IWT is available under a tax treaty.

(b) Section 128F Exemption

An exemption from IWT is available in respect of interest paid on the Subordinated Notes if the requirements of section 128F of the Tax Act are satisfied.

The Issuer proposes to issue the Subordinated Notes in a manner which meets the requirements of the 'public offer test' in section 128F of the Tax Act. In this regard, the Managers have undertaken to offer the Subordinated Notes in a manner that will satisfy the public offer test.

In summary, the issue of the Subordinated Notes should satisfy the 'public offer test' if it results from them being offered for issue:

- (1) to 10 or more persons carrying on a business of providing finance, or investing or dealing in securities, in the course of operating in financial markets who are not "associates" (as defined in section 128F(9) of the Tax Act) of each other;
- (2) to 100 or more qualifying potential investors;
- (3) as a result of being accepted for listing on a stock exchange;
- (4) as a result of negotiations being initiated via electronic or other market sources used by financial markets for dealing in instruments similar to the Subordinated Notes; or

- (5) to a dealer, manager or underwriter who, under an agreement with the Issuer, offers the Subordinated Notes for sale within 30 days in one of the preceding methods.

The public offer test will not be satisfied if, at the time of issue, the Issuer knew or had reasonable grounds to suspect that the Subordinated Notes, or an interest in the Subordinated Notes, was being, or would later be, acquired either directly or indirectly by an Offshore Associate of the Issuer other than one acting in the capacity of a dealer, manager or underwriter in relation to the placement of the Subordinated Notes or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act.

For these purposes, an Offshore Associate means an associate (as defined in section 128F(9) of the Tax Act) of the Issuer that is either a non-resident of Australia that does not acquire the Subordinated Notes in carrying on a business at or through a permanent establishment in Australia or, alternatively, a resident of Australia that acquires the Subordinated Notes in carrying on a business at or through a permanent establishment outside of Australia.

In addition to the prohibition against issuing the notes to certain Offshore Associates, the section 128F exemption will not be available in respect of interest paid to a person if, at the time when the amount is paid, the Issuer knows, or has reasonable grounds to suspect, that the person is an Offshore Associate other than an Offshore Associate that receives the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme.

(c) **Exemption Available Under Certain Double Tax Treaties**

If the exemption in section 128F of the Tax Act does not apply, an Offshore Holder who is a non-resident of Australia may be eligible for relief from Australian IWT under a tax treaty between Australia and the Offshore Holder's country of residence depending on the nature of the Offshore Holder and the provisions of the relevant tax treaty (for instance if the Offshore Holder is a financial institution in the United Kingdom, US, France, Japan, New Zealand or certain other countries). Prospective purchasers of Subordinated Notes should consult their tax advisers regarding their entitlement to benefits under a tax treaty.

(d) **Payment of Additional Amounts**

If the Issuer is compelled by law to withhold or deduct an amount in respect of any Taxes (including Australian withholding taxes), then subject to certain exclusions set out in Condition 11.6, the Issuer must pay to the Holder such additional amount (**Additional Amount**) as may be necessary in order that the net amount received by the Holder after such withholding or deduction equals the respective amount which would otherwise have been receivable in the absence of such withholding or deduction.

In such circumstances, and subject to Condition 6.2, the Issuer may have an option to redeem all of the Subordinated Notes.

9.2 **Income tax matters**

(a) **Interest Income**

Assuming that the requirements in section 128F of the Tax Act are satisfied in respect of a Subordinated Note (see Section 9.1 above), amounts of interest derived by a holder who is a non-resident of Australia and who does not hold the Subordinated Note in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax.

An Australian resident, or a non-resident who holds a Subordinated Note in the course of carrying on business at or through a permanent establishment in Australia (each an Australian holder), will generally be assessable for Australian tax purposes on the interest income in respect of the Subordinated Note. Whether the assessable income will be recognised on a cash receipts or accruals basis will depend upon the tax status of the particular Australian holder, the Conditions

and whether the rules on the 'Taxation of Financial Arrangements' in Division 230 of the Tax Act (TOFA rules – see below) apply to the Australian holder.

Special rules apply to the taxation of an Australian resident holder who holds a Subordinated Note in the course of carrying on business at or through a permanent establishment outside Australia. The application of those special rules varies depending on the country in which that permanent establishment is located. Prospective purchasers of Subordinated Notes with those circumstances should contact their tax advisers for specific advice relating to their particular circumstances.

(b) Profits or Gains on Disposal or Redemption of Subordinated Notes

A non-resident holder

Any profit or gain made on a disposal or a redemption of a Subordinated Note by a non-resident who does not hold the Subordinated Note in carrying on business at or through a permanent establishment in Australia will not be subject to Australian income tax, if such profit or gain does not have an Australian source and is not deemed to be income that consists of interest or that is in the nature of interest.

Whether a profit or gain on a disposal or redemption of a Subordinated Note has an Australian source is a question of fact that must be determined on the basis of the circumstances existing at the time of the disposal or redemption. In general, the profit or gain should not have an Australian source if the Subordinated Note is:

- (1) acquired and held by the non-resident holder outside Australia; and
- (2) held (at all times) in carrying on a business or activities conducted exclusively outside Australia; and
- (3) disposed of to another non-resident, either directly or through a non-resident agent, where all negotiations are conducted outside Australia and all transaction documents are concluded outside Australia.

However, this is not an exhaustive list of the factors that can determine source, nor would the absence of one of these elements, of itself, mean that there is an Australian source. The determination of source will depend on a weighing up of all the relevant circumstances.

If the profit or gain on the disposal or redemption of the Subordinated Note has an Australian source, the non-resident holder may be eligible for relief from Australian tax on such profit or gain, under a tax treaty between Australia and the non-resident holder's country of residence, provided the profit or gain is not deemed to be interest or in the nature of interest (in which case Australian IWT potentially applies – refer to the discussion in Section 9.1 above). Prospective purchasers of Subordinated Notes should consult their tax advisers regarding their entitlement to benefits under a tax treaty.

An Australian holder

Any gain or loss made by an Australian holder on the disposal or redemption of a Subordinated Note will generally be assessable or deductible (as the case may be) for Australian tax purposes. The precise rules which give effect to the recognition and timing of any such gain or loss will vary depending on the status of the Australian holder and whether the TOFA rules apply to the Australian holder (see below).

If a Subordinated Note is acquired by an Australian holder at a discount or premium to its face value, the discount or premium may be recognised as a gain or loss to the Australian holder for Australian tax purposes before the disposal or redemption of the Subordinated Note occurs. The timing and method by which the discount or premium is recognised as a gain or loss will vary depending on the tax status of the Australian holder and whether the TOFA rules apply (see below).

(c) Taxation of Financial Arrangements (TOFA) Rules

Division 230 of the Tax Act (the **TOFA rules**) contains a set of rules for the taxation of Subordinated Notes if a holder is subject to the TOFA rules.

Certain taxpayers are generally excluded from the TOFA rules, unless they elect otherwise. The excluded taxpayers include:

- (1) individuals;
- (2) superannuation funds and managed investment schemes with assets worth less than \$100 million;
- (3) certain financial entities with aggregated turnover of less than \$20 million; or
- (4) other entities that have: (i) aggregated turnover of less than \$100 million; and (ii) assets of less than \$300 million; and (iii) financial assets of less than \$100 million.

Broadly, the TOFA rules:

- (1) set out the methods under which gains and losses from financial arrangements, such as the Subordinated Notes, will be brought to account for Australian tax purposes;
- (2) recognise gains and losses from financial arrangements on a realisation basis only if the gains and losses are not sufficiently certain. Otherwise, gains and losses will be recognised for Australian tax purposes on a compounding accruals basis, unless one of the elective methods applies; and
- (3) effectively remove the capital/revenue distinction for most financial arrangements by treating gains and losses on revenue account, except where specific rules apply.

The TOFA rules do not alter the rules relating to the imposition of Australian IWT. In particular, they do not affect the IWT exemption available under section 128F of the Tax Act (discussed in Section 9.1 above).

(d) Conversion of Subordinated Notes

A non-resident holder

A non-resident who does not hold their Subordinated Notes in carrying on business at or through a permanent establishment in Australia will generally not make a taxable gain or loss if their Subordinated Notes are Converted into Ordinary Shares. This is because any gain or loss should be disregarded under:

- (1) section 26BB and section 70B of the Tax Act that deals with the taxation of “traditional securities” (which should include Subordinated Notes); and
- (2) section 130-60 of the Tax Act that provides a type of roll-over from Australian capital gains tax (**CGT**).

An Australian holder

For an Australian holder that is not subject to the TOFA rules (refer above), any gain or loss arising on Conversion of their Subordinated Notes should generally be disregarded for the purposes of section 26BB and section 70B as well as the CGT rules, as described above.

The default position for a holder subject to the TOFA rules is that the Conversion of their Subordinated Notes should not give rise to a balancing adjustment event. The consequence of this is that no gain or loss should arise for income tax purposes on Conversion. However, holders who are subject to the TOFA rules should take their own independent tax advice as the actual treatment for any individual holder will depend on their own particular circumstances (including, what elections (if any) they have made under the TOFA rules).

(e) Taxation Treatment of Ordinary Shares

Australian CGT rules

Ordinary Shares acquired by a holder as a consequence of Conversion should be treated as having a cost base and a reduced cost base for CGT purposes equal to the cost base of the holder's Subordinated Notes at the time of Conversion. For CGT purposes, the acquisition date of

Ordinary Shares should be the time of Conversion. This would be relevant in the case of any subsequent disposal of Ordinary Shares.

Any capital gain or capital loss made by a non-resident holder from a disposal of their Ordinary Shares is likely to be disregarded on the basis that Ordinary Shares are not likely to be “taxable Australian property” at the time of the disposal.

Non-resident holders should seek their own taxation advice in relation to the operation of the Australian CGT rules in the event their Subordinated Notes are Converted into Ordinary Shares.

Dividend withholding tax

Australian dividend withholding tax (**DWT**) potentially applies to dividends paid in respect of Ordinary Shares by SGL to either:

- (1) a non-resident holder that does not acquire and hold their Ordinary Shares in the course of carrying on a business at or through a permanent establishment in Australia, or
- (2) an Australian resident who acquires and holds their Ordinary Shares in the course of carrying on business at or through a permanent establishment outside Australia.

Australian DWT is imposed at a general rate of 30%. However, this rate may be reduced in various circumstances, including under:

- (3) Australia’s domestic law (for example, because the applicable dividend is partially or fully “franked”); and
- (4) a tax treaty between Australia and a holder’s country of residence.

A holder should consider the application of DWT in the event their Subordinated Notes are Converted into Ordinary Shares. SGL does not “gross up” dividend payments on Ordinary Shares on account of the imposition of DWT.

Holders subject to the TOFA rules

The TOFA rules should generally not apply to Ordinary Shares, unless a holder that is subject to the TOFA rules has made one or more of the specific TOFA elections.

9.3 Other Australian tax matters

(a) Stamp Duty

No ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue of any Subordinated Notes or the transfer of any Subordinated Notes.

(b) Goods and Services Tax

Neither the issue, acquisition or disposal of Subordinated Notes, nor the receipt or payment of interest or principal, will give rise to a liability for goods and services tax (**GST**) in Australia, on the basis that the supply of Subordinated Notes will comprise either an input taxed financial supply or (in the case of an offshore purchaser) a GST-free supply.

(c) ABN/TFN Withholding

Section 12-140 of Schedule 1 to the *Taxation Administration Act 1953* (**Taxation Administration Act**) imposes a type of withholding tax at the rate of 49% (until the end of the 2016-17 income year when, under current law, the rate is to be reduced to 47%) on the payment of interest on certain registered securities issued by an Australian issuer, unless the payee has quoted an Australian tax file number (**TFN**) (in certain circumstances), an Australian Business Number (**ABN**) or proof of some other exception (as appropriate).

Assuming that the requirements of section 128F of the Tax Act are satisfied in respect of a Subordinated Note, then the withholding requirements of section 12-140 of Schedule 1 to the Taxation Administration Act should not apply to payments made to a holder who is a non-resident and who does not hold the Subordinated Note in carrying on business at or through a permanent

establishment in Australia. Payments to other classes of holders may be subject to withholding where the holder does not quote a TFN or ABN or provide proof of an appropriate exemption (as applicable).

(d) Death Duties

No Subordinated Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death.

(e) Supply Withholding Tax

Payments in respect of the Subordinated Notes can be made free and clear of any “supply withholding tax” imposed under section 12-190 of Schedule 1 to the Taxation Administration Act.

This is on the basis that the payments are either for supplies that are input taxed (where the Subordinated Notes were issued to Australian resident holders or non-resident holders who carry on an enterprise in Australia) or are for supplies made by non-resident holders that do not carry on an enterprise in Australia.

(f) Direction by the Commissioner

The Commissioner may give a direction under section 255 of the Tax Act or section 260-5 of Schedule 1 to the Taxation Administration Act or any similar provision requiring the relevant Issuer to deduct from any payment to any other party (including a holder of Subordinated Notes) any amount in respect of tax payable by that other party.

However, the Commissioner does not habitually exercise this power and should only be expected to do so in certain limited circumstances, including where that other party has an outstanding liability related to its taxation affairs.

(g) Intergovernmental Agreement regarding FATCA

SGL and the Issuer have certain reporting and due diligence obligations under the Intergovernmental Agreement entered into on 28 April 2014 between the Australian and United States Governments in relation to FATCA. Further information regarding these obligations is set out in Section 3 of this Information Memorandum.

10 Attachment 1 – SIHL Group Consolidated Financial Information

The following selected financial information is extracted from SIHL's unaudited consolidated management accounts for the financial year ended 30 June 2015. These management accounts and the following information, including the profit and loss statement, the general insurance ratios, and the statement of assets and liabilities, are unaudited and have not been reviewed by the Group's auditor, and accordingly are subject to risks associated with unaudited financial information. Investors should note that unaudited financial information included in this Information Memorandum does not purport to be in compliance with the requirements of published guidelines for the preparation and presentation of financial information. Accordingly investors are cautioned not to place undue reliance on the unaudited financial information contained in this Information Memorandum. In the context of ASIC's Regulatory Guide 230, the SIHL Financial Information contains information that is 'non-IFRS financial information' such as the Insurance Trading Ratio (ITR). The calculation of this metric is outlined in this attachment and is shown as it is used internally to determine operating performance within the general insurance business.

Audited financial statements for the corresponding periods for the Issuer and Vero NZ and their respective controlled entities, which represent the principal parts of SIHL's business, and for SGL and its controlled entities, are available on SGL's website at <http://www.suncorpgroup.com.au> and should be reviewed in conjunction with the following information.

SIHL Group Consolidated Profit and Loss – Full year ended 30 June 2015

	FULL YEAR ENDED		JUN-15
	JUN-15	JUN-14	vs JUN-14
	\$M	\$M	%
Gross written premium	8,872	8,870	-
Gross unearned premium movement	3	(84)	n/a
Gross earned premium	8,875	8,786	1.0
Outwards reinsurance expense	(1,010)	(1,060)	(4.7)
Net earned premium	7,865	7,726	1.8
Net incurred claims			
Claims expense	(7,581)	(6,595)	15.0
Reinsurance and other recoveries revenue	1,994	1,355	47.2
Net incurred claims	(5,587)	(5,240)	6.6
Total operating expenses			
Acquisition expenses	(1,127)	(1,063)	6.0
Other underwriting expenses	(656)	(713)	(8.0)
	(1,783)	(1,776)	0.4
Underwriting result	495	710	(30.3)
Investment income - insurance funds	399	485	(17.7)
Insurance trading result	894	1,195	(25.2)
Managed schemes net contribution	23	20	15.0

Joint venture and other income	6	5	20.0
General Insurance operational earnings	923	1,220	(24.3)
Investment income - shareholder funds	163	246	(33.7)
General Insurance profit before tax and capital funding	1,086	1,466	(25.9)
Capital funding	(26)	(32)	(18.8)
Other expenses	(69)	(78)	(11.5)
General Insurance profit before tax	991	1,356	(26.9)
Income tax	(292)	(410)	(28.8)
General Insurance profit after tax before non-controlling interests	699	946	(26.1)
Non-controlling interests	(7)	(7)	-
Profit after tax	692	939	(26.3)

General Insurance ratios

	FULL YEAR ENDED	
	JUN-15 %	JUN-14 %
Acquisition expenses ratio	14.3	13.8
Other underwriting expenses ratio	8.3	9.2
Total operating expenses ratio	22.6	23.0
Loss ratio	71.0	67.8
Combined operating ratio	93.6	90.8
Insurance trading ratio	11.4	15.5

SIHL Group Consolidated Statement of assets and liabilities as at 30 June 2015

	JUN-15 \$M	JUN-14 \$M	JUN-15 vs JUN-14 %
Assets			
Cash and cash equivalents	419	281	49.1
Investment securities	12,273	12,963	(5.3)
Derivatives	24	23	4.3
Loans, advances and other receivables	2,785	2,749	1.3
Reinsurance and other recoveries	2,282	2,399	(4.9)
Deferred insurance assets	1,540	1,455	5.8
Investments in associates and joint ventures	60	57	5.3
Due from Group entities	164	20	720
Property, plant and equipment	33	33	-
Other assets	128	115	11.3
Goodwill and intangible assets	5,051	5,091	(0.8)
Total assets	24,759	25,186	(1.7)
Liabilities			
Payables and other liabilities	1,148	1,168	(1.7)
Derivatives	154	149	3.4
Due to Group entities	345	412	(16.3)
Deferred tax liabilities	68	81	(16.0)
Employee benefit obligations	101	108	(6.5)
Unearned premium liabilities	4,697	4,659	0.8
Outstanding claims liabilities	9,735	9,514	2.3
Subordinated notes	572	727	(21.3)
Total liabilities	16,820	16,818	-
Net assets	7,939	8,368	(5.1)

Reconciliation of Net assets to Common Equity Tier 1 Capital

Net assets	7,939	8,368
Insurance liabilities in excess of liability valuation	658	710
Reserves excluded from regulatory capital	(8)	(4)
Additional Tier 1 capital	(510)	(510)
Goodwill allocated to GI Business	(4,450)	(4,435)
Other Intangibles (including software assets)	(555)	(600)
Other Tier 1 Deductions	(5)	(5)
Common Equity Tier 1 Capital	3,069	3,524

Defined terms

Term	Definition
Acquisition expense ratio	Acquisition expenses expressed as a percentage of net earned premium.
Combined operating ratio	The percentage of net earned premium that is used to meet the costs of all claims incurred plus pay the costs of acquiring (including commission), writing and servicing the Australian and New Zealand general insurance businesses.
Fire service levies (FSL)	The expense relating to the amount levied on policyholders by insurance companies as part of premiums payable on policies with a fire risk component, which is established to cover the corresponding fire brigade charge which the Group will eventually have to pay.
Insurance Trading Ratio (ITR)	The insurance trading result expressed as a percentage of net earned premium.
Insurance Trading Result	Underwriting result plus investment income on Insurance Funds.
Loss ratio	Net claims incurred expressed as a percentage of net earned premium. Net claims incurred consist of claims paid during the period increased (or decreased) by the increase (decrease) in outstanding claims liabilities.
Other underwriting expenses ratio	Other underwriting expenses expressed as a percentage of net earned premium.
Total operating expense ratio	Total operating expenses (acquisition and other underwriting expenses) expressed as a percentage of net earned premium.

Directory

ISSUER

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Attention: Company Secretary