

11 November 2015

AAI Limited prices A\$225 million of wholesale, floating rate subordinated notes

Suncorp Group Limited (**SUN**) advised that its wholly-owned subsidiary, AAI Limited (**AAI**), has successfully priced an issue of A\$225 million (aggregate principal amount) floating rate subordinated notes (**Subordinated Notes**) in an offering to institutional and other wholesale market investors.

AAI operates the Suncorp Group's Australian General Insurance businesses and the Subordinated Notes qualify as Tier 2 Capital under the Australian Prudential Regulation Authority (**APRA**) capital adequacy framework for general insurers. The Subordinated Notes are anticipated to be issued on or about 18 November 2015, and include the following terms:

- an optional redemption date of 18 November 2020 and a maturity date of 18 November 2040;
- quarterly, cumulative, deferrable interest payments at a floating rate equal to the three month bank bill swap rate (BBSW) plus a margin of 3.30% per annum;
- AAI has the option to redeem the Subordinated Notes on the optional redemption date and for certain tax and regulatory events (in each case subject to APRA's prior written approval);
- holders have the option to convert their Subordinated Notes into ordinary shares in SUN (**Ordinary Shares**) on each interest payment date on or following 18 November 2022, subject to certain conditions;
- if APRA determines that a non-viability event has occurred in relation to AAI or Suncorp Insurance Holdings Limited, all (or in certain circumstances, some) of the Subordinated Notes will be immediately converted into ordinary shares in SUN (or, if conversion cannot be effected for any reason within 5 business days, written off); and
- conversion will be based on a volume-weighted average price (**VWAP**) of Ordinary Shares over a certain period prior to the relevant date for conversion, less a discount of 1%, subject to minimum conversion price equal to 50% (in the case of conversion at the option of the holders) or 20% (in the case of conversion due to a non-viability event) of the VWAP over a period prior to the issue date (subject to adjustments for certain corporate actions of SUN after the issue date).

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

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

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

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