

Shareholder
pack
2012



Suncorp Group Limited
ABN 66 145 290 124

**Notice of
2012 Annual General Meeting
and Explanatory Memorandum**

One Company
Many Brands



Chairman's letter



Dear Shareholder

I am pleased to invite you to the Suncorp Group Limited 2012 Annual General Meeting to be held in the Great Hall, Brisbane Convention & Exhibition Centre, corner of Merivale and Glenelg Streets, South Brisbane on **Thursday 25 October 2012 at 2.30pm** (Brisbane time), with shareholder registration beginning at 1.30pm.

The meeting will also be webcast live on www.suncorpgroup.com.au.

Enclosed is the Notice of Meeting and Explanatory Memorandum explaining the formal business of the meeting and the shareholder voting form for use by ordinary shareholders. If you plan to attend, please bring this voting form with you as it contains a barcode to make your registration easier, as well as details of how to vote. Shareholders may also use this form to vote online or appoint a proxy if they are unable to attend (please see the Notice of Meeting and shareholder voting form for more details).

Also enclosed is the Suncorp Group Shareholder Review for the financial year ended 30 June 2012, and if you elected to receive one, your copy of the Company's 2011/12 Annual Report. These reports are available to all shareholders on request, and are available online at www.suncorpgroup.com.au.

At the Annual General Meeting Patrick Snowball, the Managing Director and Group CEO, and I will address shareholders and comment on the Suncorp Group's performance in the 2011/12 financial year. If you have specific questions for the Board's consideration, please email these to investor.relations@suncorp.com.au (or post to GPO Box 1453, Brisbane, Qld 4001).

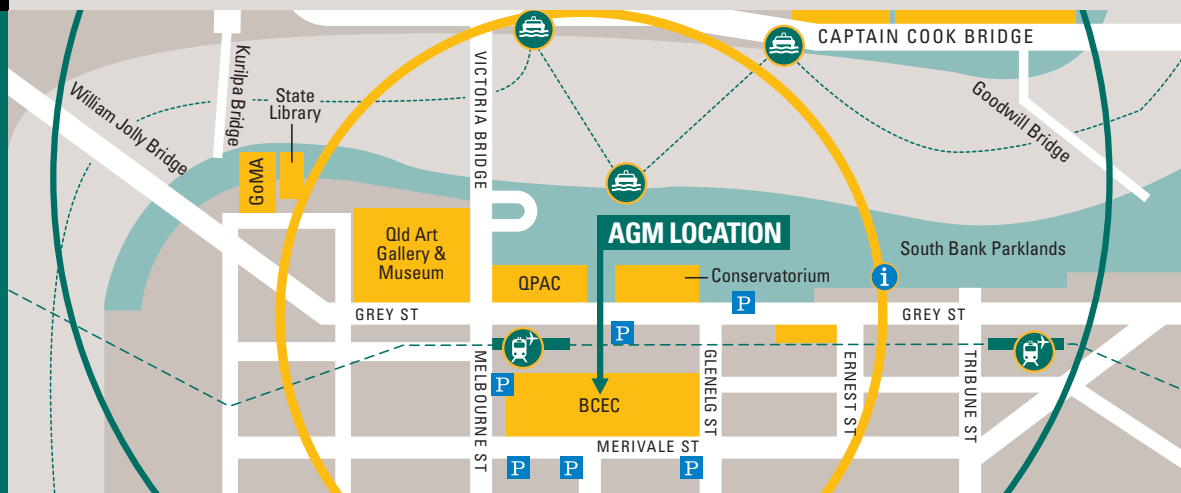
At the conclusion of the Annual General Meeting, I invite you to join the Board and our Senior Leadership Team for afternoon tea.

Yours faithfully

Dr Ziggy Switkowski

Chairman
21 September 2012

IF YOU ARE ATTENDING THIS MEETING PLEASE BRING THIS NOTICE AND ENCLOSED SHAREHOLDER VOTING FORM WITH YOU.



Suncorp Group Limited
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Level 18
36 Wickham Terrace
Brisbane Qld 4000
ABN 66 145 290 124
Ph 07 3362 1222
www.suncorpgroup.com.au

Notice of 2012 Annual General Meeting

Thursday 25 October 2012

THE ANNUAL GENERAL MEETING OF SUNCORP GROUP LIMITED ('THE COMPANY') WILL BE HELD AT 2.30PM (BRISBANE TIME) ON THURSDAY 25 OCTOBER 2012 IN THE GREAT HALL, BRISBANE CONVENTION & EXHIBITION CENTRE, CORNER OF MERIVALE AND GLENELG STREETS, SOUTH BRISBANE.

Business

FINANCIAL AND OTHER REPORTS

To receive and consider the Financial Report, Directors' Report and Auditor's Report for the Company and its controlled entities for the year ended 30 June 2012.

Note: There is no requirement for shareholders to approve these reports.

RESOLUTION 1 – REMUNERATION REPORT

To adopt the Remuneration Report for the year ended 30 June 2012.

Voting restrictions: No votes may be cast on this resolution by, or on behalf of, a director (other than the Chairman) or other member of the key management personnel (**KMP**) of the Company whose details are set out in the Remuneration Report, or their closely related parties, as a proxy for a person who is entitled to vote on this resolution unless the shareholder voting form directs how the proxy is to vote on the resolution.

The Chairman of the Meeting (**Chairman**), as a proxy for a person who is entitled to vote on this resolution, may vote on the resolution, whether or not the shareholder voting form directs how the proxy is to vote, provided the shareholder voting form expressly authorises the Chairman to exercise the proxy.

Note: This resolution is advisory only and does not bind the Company or directors.

RESOLUTION 2 – GRANT OF PERFORMANCE RIGHTS TO THE COMPANY'S MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER

To consider and, if thought fit, pass the following resolution as an **ordinary** resolution:

That approval is given to the grant of 446,752 performance rights under the Suncorp Executive Performance Share Plan to the Managing Director and Group Chief Executive Officer, Mr Patrick Snowball, in the manner set out in the Explanatory Memorandum.

Voting restrictions: No votes may be cast on this resolution by:

- Mr Patrick Snowball and any of his associates as a shareholder of the Company;
- Mr Patrick Snowball and any of his associates as a proxy for a person who is entitled to vote on this resolution, unless the shareholder voting form directs how the proxy is to vote on the resolution;
- directors of the Company;
- proxy holders for any of the persons listed above; or
- a director (other than the Chairman) or other member of the KMP of the Company or their closely related parties as a proxy for a person who is entitled to vote on this resolution, unless the shareholder voting form directs how the proxy is to vote on the resolution.

The Chairman, as a proxy for a person who is entitled to vote on this resolution, may vote on this resolution, whether or not the shareholder voting form directs how the proxy is to vote, provided the shareholder voting form expressly authorises the Chairman to exercise the proxy.

Note: No directors, other than Mr Snowball, are eligible to participate in the EPSP.

RESOLUTION 3 – RE-ELECTION AND ELECTION OF DIRECTORS

To consider and, if thought fit, pass the following resolutions as separate **ordinary** resolutions:

- (a) That Dr Z Switkowski, being a director who retires in accordance with the Company's Constitution, be re-elected as a director of the Company.
- (b) That Mr E Kulk, being a director who retires in accordance with the Company's Constitution, be re-elected as a director of the Company.
- (c) That Mr M Cameron, who was appointed by the Board as a director on 16 April 2012, be elected as a director of the Company in accordance with the Company's Constitution.
- (d) That Dr D McTaggart, who was appointed by the Board as a director on 16 April 2012, be elected as a director of the Company in accordance with the Company's Constitution.
- (e) That Ms A Exel, who was appointed by the Board as a director on 27 June 2012, be elected as a director of the Company in accordance with the Company's Constitution.

RESOLUTION 4 – MODIFICATION OF CONSTITUTION

To consider and, if thought fit, pass the following resolution as a **special** resolution:

That the Constitution of the Company be modified in the manner set out in the Explanatory Memorandum.

By Order of the Board



A C Lenahan

Group General Counsel and Company Secretary
21 September 2012

Notice of 2012 Annual General Meeting

Thursday 25 October 2012 (continued)

Entitlement to attend and vote

Shareholders will be eligible to vote at the meeting if they are registered holders of ordinary shares in the Company as at 7.00pm Sydney time on Tuesday, 23 October 2012. Voting shareholders should read the voting instructions on the enclosed shareholder voting form.

Voting shareholders can vote in one of three ways:

- by attending the meeting and voting, either in person (or by attorney), or in the case of corporate shareholders, by corporate representative;
- by lodging a direct vote; or
- by appointing a proxy to attend the meeting and vote on their behalf.

Direct voting and voting by proxy

If voting shareholders wish to vote directly or appoint a proxy to vote on their behalf at the meeting, they can do so by:

- (a) completing a shareholder voting form online at www.linkmarketservices.com.au. To do this you will need your Security Holder Reference (SRN) or your Holder Identification Number (HIN), which is shown on the enclosed shareholder voting form; or
- (b) completing the shareholder voting form that accompanies this Notice of Meeting and returning it either:
 - by mail to Suncorp Group Limited, c/- the Company's share registry, Link Market Services Limited (**Link**), using the reply paid envelope provided;
 - by email to Link at suncorp@linkmarketservices.com.au;
 - by fax to Link on (02) 9287 0309; or
 - by hand delivery to Link, Level 12, 680 George Street, Sydney, NSW 2000 or Level 15, 324 Queen Street, Brisbane, Qld 4000.

Only those shareholder voting forms received by Link by 2.30pm Brisbane time on Tuesday 23 October 2012 (being 48 hours before the commencement of the meeting) will be considered valid. For further instructions on voting, please refer to the shareholder voting form.

If the shareholder voting form is signed by the shareholder's attorney, the original or an original certified copy of the authority under which the attorney was appointed, must accompany the shareholder voting form.

The person appointed as proxy does not need to be a member of the Company, and a shareholder can appoint an individual or a body corporate as a proxy.

A body corporate appointed as a proxy must also lodge a *Certificate of Appointment of a Corporate Representative*. A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder who has lodged a direct vote or appointed a proxy to vote on their behalf attends the meeting, the direct vote or proxy appointment is cancelled or suspended in accordance with the provisions of the *Corporations Act 2001*.

UNDIRECTED PROXIES

- Any undirected proxy given to a director (other than the Chairman) or other member of the KMP of the Company or their closely related parties, for **Resolutions 1 and 2 will not** be voted on unless shareholders specify how the proxy should vote by ticking 'For', or 'Against' opposite that resolution on the shareholder voting form;
- any undirected proxy given to the Chairman on **Resolutions 1 and 2** by a shareholder entitled to vote on those resolutions **will be voted in favour** of those resolutions provided the shareholder voting form expressly authorises the Chairman to exercise the proxy; and
- any undirected proxy given to the Chairman **on any other resolution** will be voted in favour of the resolution.

AN EXPLANATORY MEMORANDUM ACCOMPANIES AND FORMS PART OF THIS NOTICE OF MEETING. SHAREHOLDERS SHOULD READ THESE DOCUMENTS IN FULL. THIS MEETING WILL ALSO BE WEBCAST LIVE ON: WWW.SUNCORPGROUP.COM.AU.

Explanatory Memorandum

THIS EXPLANATORY MEMORANDUM ACCOMPANIES THE NOTICE OF MEETING FOR THE COMPANY'S ANNUAL GENERAL MEETING TO BE HELD ON THURSDAY 25 OCTOBER 2012 AT 2.30PM (BRISBANE TIME). INFORMATION RELEVANT TO THE BUSINESS TO BE CONSIDERED AT THE ANNUAL GENERAL MEETING IS PROVIDED IN THIS EXPLANATORY MEMORANDUM AND SHAREHOLDERS SHOULD READ THIS DOCUMENT IN FULL.

Business

FINANCIAL AND OTHER REPORTS

This item provides shareholders with an opportunity to ask questions concerning the Company's Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2012, and the Company's performance generally. There is no requirement for shareholders to approve these reports.

The Auditor will be present to answer questions from shareholders relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

The Auditor will also respond to any written questions provided these are submitted to the Company no later than five business days prior to the meeting.

RESOLUTION 1 – REMUNERATION REPORT

The Remuneration Report, as contained in the Company's 2011/12 Annual Report, has been submitted to shareholders for consideration and adoption and shareholders will be given an opportunity at the meeting to ask questions about, or comment on, the Remuneration Report.

For those shareholders who did not elect to receive a printed copy, the Annual Report is published on the Suncorp Group website at www.suncorpgroup.com.au or a copy can be posted (free of charge) by contacting Link on 1300 882 012 (+61 2 8280 7450 from outside Australia).

The Remuneration Report provides information on the following issues:

- the principles adopted by the Board for determining the nature and amount of remuneration of directors and Senior Executives (as defined in the Remuneration Report);
- the relationship between the remuneration principles and the Company's performance;
- the performance conditions that apply to the different components of the remuneration structure, why those performance conditions were chosen and how performance is measured against them;
- the basis of comparison used for assessing the Company's performance relative to other companies; and
- remuneration details for directors and Senior Executives.

The Board believes the Company's remuneration policy, structures and frameworks, as outlined in the Remuneration Report, are appropriate relative to the size of the Company, its business objectives and current and emerging market practices.

Shareholders should note that the vote will be advisory only and does not bind the Company or directors.

However the Board will consider the outcome of the vote and comments made by shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

Under the *Corporations Act 2001*, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director and Group Chief Executive Officer) must be re-elected.

VOTING RESTRICTIONS:

No votes may be cast on this resolution by, or on behalf of, a director (other than the Chairman) or other member of the KMP of the Company, or their closely related parties, as a proxy for a person who is entitled to vote on this resolution unless the shareholder voting form directs how the proxy is to vote on the resolution.

The Chairman, as a proxy for a person who is entitled to vote on this resolution, may vote on the resolution, whether or not the shareholder voting form directs how the proxy is to vote, provided the shareholder voting form expressly authorises the Chairman to exercise the proxy.

RESOLUTION 2 – GRANT OF PERFORMANCE RIGHTS TO THE MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER

The Board is seeking the approval of shareholders to the grant of 446,752 performance rights under the Suncorp Executive Performance Share Plan (**EPSP**) to the Managing Director and Group Chief Executive Officer (**Group CEO**), Mr Patrick Snowball.

Under the EPSP, a performance right entitles a participant to one fully paid ordinary share in the Company (or under limited circumstances, a cash payment in lieu of an allocation of ordinary shares) at no cost, and arises at a set future point in time, provided specific performance hurdles are met (**performance right**). If a performance right vests and shares are allocated, a payment equal to the dividends earned on those allocated shares during the performance period is paid (less applicable taxes that have been paid by the EPSP trustee with respect to the dividends).

While there is no requirement to seek shareholder approval in relation to the grant of these performance rights, the Board is seeking shareholder approval of this grant in recognition of the increasing importance of shareholder engagement on key remuneration issues, such as the remuneration of the Group CEO.

FACE VALUE OF PERFORMANCE RIGHTS

On 24 August 2011, the Company entered into an amending deed to the original employment contract with Mr Snowball which provided for an award of performance rights with a face value of \$4,000,000 (**Group CEO's performance rights**) as Mr Snowball's long-term incentive (**LTI**) remuneration for the 2013 financial year. The purpose of LTI remuneration is to focus Senior Executives on the Company's long-term business strategy, align their interests with those of shareholders and support the creation of long-term shareholder value.

The face value of the Group CEO's performance rights was determined with the input of independent advisers, and takes into account the appropriate level of total remuneration based on a number of factors, including the extent to which the total remuneration is market competitive. The proposed award of the Group CEO's performance rights has been endorsed by the Board on the recommendation of the Remuneration Committee.

Subject to shareholder approval, the Group CEO's performance rights will be granted to Mr Snowball as soon as practicable following the Annual General Meeting. The grant of performance rights under the EPSP will, subject to the terms and conditions described below, allow Mr Snowball to acquire ordinary shares in the Company. Any shares acquired under the EPSP are acquired on market.

Explanatory Memorandum

(continued)

TERMS AND CONDITIONS

NUMBER OF PERFORMANCE RIGHTS

The number of performance rights that Mr Snowball will receive is calculated by dividing the face value of the Group CEO's performance rights by the value of a performance right. The value of a performance right for the purpose of this grant is \$8.9535, representing the volume weighted average price of the Company's ordinary shares on the Australian Securities Exchange over the five trading days up to 1 September 2012 as provided for in Mr Snowball's contract. Therefore the resulting number of performance rights, rounded down to the nearest whole number, to be granted to Mr Snowball will be 446,752 and represents the maximum number of shares that would be allocated if all vesting conditions are met.

PERFORMANCE PERIOD

The performance period will begin on 1 October 2012 and will end on 30 September 2015. This aligns with all other EPSP offers made to Senior Executives for the 2013 financial year.

PERFORMANCE MEASURES

The Board has determined that the performance rights to be granted to Mr Snowball (if approval is received) will be subject to the performance measures outlined below. These performance measures will be assessed over the performance period.

Performance is measured by ranking the Company's total shareholder return (TSR) against its peer comparator group (**Comparator Group**). The Comparator Group comprises the 50 largest companies ranked by market capitalisation listed on the Australian Securities Exchange (S&P/ASX 100 Index) at the beginning of the performance period, excluding listed property trusts and mining companies. The Remuneration Committee believes the Comparator Group is appropriate in the absence of a suitable peer group of direct comparators.

TSR measures the percentage change in the Company's share price, together with the value of dividends received during the performance period (assuming that all of those dividends are re-invested into new shares) and capital returns. TSR will vary over time but reflects the market perception of the Company's overall performance relative to the Comparator Group.

The relative TSR performance measure is chosen on the basis that it:

- offers a relative measure of changes in shareholder value by comparing the Company's return to shareholders against the returns of companies of similar size and investment profile;
- provides alignment between shareholder returns and reward outcomes for Senior Executives over the long term; and
- minimises the impact market cycles may have when measuring shareholder returns.

The ranking of the Company's TSR at the end of the performance period determines the extent to which performance rights vest, in accordance with the LTI vesting schedule represented in the table below:

RELATIVE TSR PERFORMANCE OUTCOME	PERCENTAGE OF PERFORMANCE RIGHTS THAT WILL VEST
Below the 50th percentile (below median performance)	0%
At the 50th percentile (median performance)	50%
Between the 50th and 75th percentiles	50% plus 2% for each full 1% increase in the Company's ranking against the Comparator Group
At or above the 75th percentile	100%

There will be no retesting of performance at the end of the performance period for the grant made under this resolution. Where performance conditions are not met, the performance rights will lapse.

TREATMENT OF THE GROUP CEO'S PERFORMANCE RIGHTS ON CESSATION OF EMPLOYMENT

Unvested performance rights will lapse if Mr Snowball's employment is terminated for cause. If Mr Snowball's employment is terminated for any other reason prior to 31 August 2014, all unvested performance rights will be forfeited. If Mr Snowball's employment is terminated for any other reason after 31 August 2014, a pro-rata number of performance rights (calculated based on the number of months Mr Snowball did not work during the performance period as a proportion of the number of months making up the performance period) will be forfeited and the balance will continue beyond cessation of employment and will vest or lapse depending on whether the performance conditions are achieved, subject to the Board's discretion to determine otherwise.

TRADING OF SHARES ONCE VESTED

Shares allocated upon the vesting of performance rights under the EPSP are subject to the Suncorp Group Securities Trading Policy.

HEDGING PROHIBITION

Executives and employees who receive equity or equity-linked deferred remuneration are prohibited from hedging their economic exposures before the equity or equity-linked remuneration is fully vested. In the event of a breach, the individual's entitlement to performance rights or securities is forfeited with immediate effect.

OTHER INFORMATION

In relation to the EPSP:

- Mr Snowball is the only director entitled to participate in the EPSP;
- there is no loan scheme in relation to the performance rights;
- 900,000 performance rights were granted to Mr Snowball on 1 October 2009 following his commencement of employment with the Suncorp Group, representing his full LTI entitlement for the 2010, 2011 and 2012 financial years; and
- the 900,000 performance rights vest in three equal tranches of 300,000 ordinary shares per tranche subject to the performance measures outlined above, tested over a three to five-year period, with the potential vesting dates being 30 September 2012, 30 September 2013 and 30 September 2014.

VOTING RESTRICTIONS:

No votes may be cast on Resolution 2 by:

- Mr Patrick Snowball and any of his associates as a shareholder of the Company;
- Mr Patrick Snowball and any of his associates as a proxy for a person who is entitled to vote on this resolution, unless the shareholder voting form directs how the proxy is to vote on the resolution;
- directors of the Company;
- proxy holders for any of the persons listed above;
- a director (other than the Chairman) or other member of the KMP of the Company or their closely related parties as a proxy for a person who is entitled to vote on this resolution, unless the shareholder voting form directs how the proxy is to vote on the resolution; or
- the Chairman, as a proxy for a person who is entitled to vote on this resolution, unless the shareholder voting form expressly authorises the Chairman to exercise the proxy, whether or not the shareholder voting form directs how the proxy is to vote on the resolution.

BOARD RECOMMENDATION

The Board, other than Mr Snowball, recommends that shareholders vote in favour of the resolution to grant 446,752 performance rights under the EPSP to the Group CEO.

RESOLUTION 3 – RE-ELECTION AND ELECTION OF DIRECTORS

In accordance with the Company's Constitution, at every Annual General Meeting, one third of the directors must retire from office and are eligible for re-election. Dr Zygmunt Switkowski and Mr Ewoud Kulk will retire by rotation at the Annual General Meeting and, being eligible, have offered themselves for re-election.

In accordance with the Company's Constitution, Mr Michael Cameron and Dr Douglas McTaggart (appointed directors of the Company by the Board in April 2012) and Ms Audette Exel (appointed a director of the Company by the Board in June 2012) are subject to election by shareholders as directors of the Company. **Directors' profiles are overleaf.**

BOARD RECOMMENDATION

The Board recommends that shareholders vote in favour of the re-election of all directors offering themselves for re-election, and the election of the new directors appointed by the Board during the year.



DR Z SWITKOWSKI

Dr Switkowski has been Chairman of the Company since October 2011. He has been a director since December 2010 and a director of Suncorp-

Metway Limited since September 2005. He is an ex-officio member of the Audit, Risk and Remuneration Committees.

Dr Switkowski is a director of Tabcorp Holdings Limited, Oil Search Limited and Lynas Corporation Ltd, Chancellor of RMIT University and Chairman of Opera Australia. He is a former Chief Executive Officer of Telstra Corporation Limited, Optus Communications Ltd and former Chairman and Managing Director of Kodak Australasia Pty Ltd.

Dr Switkowski is 64 years of age, holds a Bachelor of Science (Honours) and a Doctorate of Philosophy (PhD). He is a Fellow of both the Australian Academy of Technological Sciences and Engineering and the Australian Institute of Company Directors.



MR E KULK

Mr Kulk has been a director of the Company since December 2010 and a director of Suncorp-Metway Limited since March 2007. He is

Chairman of the Risk Committee and a member of the Remuneration Committee.

Mr Kulk is Chairman of AA Insurance Limited (NZ), a director of the Westmead Millennium Institute, a member of the NSW Council of the Australian Institute of Company Directors and a past president of the Insurance Council of Australia. He has over 25 years' experience in the insurance industry.

Mr Kulk was a director of Promina Group Limited at the date of merger with the Suncorp Group. He was Managing Director of the Australian General Insurance Group (1994–1998) and was Group Director Asia Pacific for Royal & Sun Alliance Insurance Group plc from March 1998 until his retirement in September 2003.

Mr Kulk is 66 years of age, holds a Bachelor of Economics and is a Fellow of the Institute of Company Directors.



MR M CAMERON

Mr Cameron has been a director of the Company since April 2012.

Mr Cameron is the Chief Executive Officer and Managing Director of

The GPT Group and has over 30 years' experience in finance and business.

His past experience includes roles at Barclays Bank and 10 years with Lend Lease where he held a number of senior positions including Group Chief Accountant and Chief Financial Officer of MLC Limited. Following the acquisition of MLC by the National Australia Bank, Mr Cameron was appointed Chief Financial Officer and then Chief Operating Officer of the NAB Wealth Management Division.

Mr Cameron joined the Commonwealth Bank of Australia in 2002 and was appointed to the role of Group Chief Financial Officer in early 2003. In 2006 he was appointed to the position of Group Executive of the Retail Bank Division. Mr Cameron was Chief Financial Officer at St. George Bank Limited from mid-2007 until the sale to Westpac in December 2008.

Mr Cameron is 52 years of age and is a Fellow of each of the Australian Institute of Chartered Accountants, CPA Australia and the Australian Institute of Company Directors.



DR D MCTAGGART

Dr McTaggart has been a director of the Company since April 2012. He is a member of the Audit Committee.

Dr McTaggart is currently a director of Telesso Technologies Limited, United Group Limited, a Councillor on the National Competition Council and a member of the COAG Reform Council. In March 2012 he was appointed to the Queensland Government Independent Commission of Audit and Chairman of the Public Service Commission. He has also served in other advisory roles to government as well as holding representative positions on, including chairing, various industry representative bodies.

Dr McTaggart was Chief Executive of QIC Limited for 14 years until his retirement in June 2012. Prior to joining QIC he was the Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career including the roles of Professor of Economics and Associate Dean at Bond University.

Dr McTaggart is 59 years of age. He holds a Bachelor of Economics (Honours), a Master of Arts and a Doctorate of Philosophy (PhD).



MS A EXEL

Ms Exel has been a director of the Company since June 2012.

Ms Exel is a founder of the ISIS Group and Chief Executive Officer of its Australian company, ISIS (Asia

Pacific) Pty Limited. She is also Vice Chairman of the Board of The Steamship Mutual Underwriting Association Trustees (Bermuda) Limited.

Before establishing the ISIS Group, Ms Exel was Managing Director of Bermuda Commercial Bank (1993–96), Chairman of the Bermuda Stock Exchange (1995–96) and was on the Board of Bermuda's central financial services regulator (1999–2005).

Prior to joining Bermuda Commercial Bank, Ms Exel practised as a lawyer specialising in international finance. She began her career with Allen, Allen and Hemsley in Sydney, Australia before joining the English firm of Linklaters & Paines in their Hong Kong office.

Ms Exel is 49 years of age and holds a Bachelor of Arts and a Bachelor of Law (Honours). She is called to the Bars of New South Wales, Australia; England and Wales, and Bermuda.

RESOLUTION 4 – MODIFICATION OF CONSTITUTION

WHY DOES THE CONSTITUTION REQUIRE AMENDMENT?

It is proposed to amend the Company's Constitution (**Constitution**) to ensure the Company can maintain an appropriate level of flexibility in the management of its regulatory capital structure, given current, proposed and possible future changes to the prudential standards governing the regulatory capital requirements of the Company and all other financial institutions subject to regulation by the Australian Prudential Regulation Authority (**APRA**). Details of the current proposed changes to APRA's prudential standards governing regulatory capital (**Regulatory Guidelines**) can be found at Schedule A at the end of this Explanatory Memorandum.

APRA regulates companies operating in the Australian financial services industry, including the Company, and has established prudential standards for all general insurers, banks and life insurance companies. The prudential standards include detailed guidelines and restrictions on the types of capital instruments that are permitted to form the capital base of those entities regulated by APRA (**Regulated Entities**).

The types of capital deemed eligible for inclusion in the capital base of Regulated Entities are referred to as regulatory capital. APRA classifies regulatory capital into two tiers for its supervisory purposes — referred to as Tier 1 Capital and Tier 2 Capital. Tier 1 Capital is generally considered a higher quality capital than Tier 2 Capital.

APRA's proposed Regulatory Guidelines require that, in order to qualify as Additional Tier 1 Capital, preference shares issued by Regulated Entities must include a provision that permits those shares to be written-off in certain circumstances (**Write-Off Provision**).

Under Section 254A(2) of the *Corporations Act*, a company's constitution must set out the rights of preference shares relating to (among other things) repayment of capital, otherwise the rights attaching to the preference shares must be approved by a special resolution.

The Constitution does not presently permit preference shares issued by the Company to include a Write-Off Provision. Instead, the Constitution (at rule 4.3(c) (iv)), requires that on a winding-up of the Company or a redemption of preference shares, preference shareholders have priority over other classes of shares to payment of any amount paid up on their preference shares. However in the event of a write-off the right of preference shareholders to a return of capital in a winding up would be reduced to an amount that is less than the amount paid up on their preference shares.

This means that the Constitution currently restricts the Company's ability to include a full Write-Off Provision in the terms of issue of its preference shares.

Accordingly it is proposed that the Constitution be amended to address this issue by giving the Board express power to determine the rights of preference shareholders on a winding up of the Company in the terms of issue of the relevant preference shares.

Explanatory Memorandum

(continued)

The Company is therefore seeking the approval of its shareholders by special resolution to amend the Constitution so that a Write-Off Provision may be included in the terms of any preference shares it may issue in the future. If shareholder approval to amend the Constitution is not obtained at the Annual General Meeting (or any subsequent meeting of shareholders), then any preference shares that may be issued by the Company for the purposes of regulatory capital would likely not achieve an optimal regulatory capital outcome for the Company.

The proposed amendments to the Constitution will not alter the terms of the **Suncorp-Metway Limited** preference shares currently on issue.

PROPOSED AMENDMENTS TO THE CONSTITUTION

The proposed amendments to the Constitution are provided below in both summary form and in full.

SUMMARY OF PROPOSED AMENDMENTS

- (a) to replace sub-rule 4.3(c) in order to permit future issues of preference shares to contain a Write-Off Provision (as discussed above) and also to update that sub-rule generally so as to expressly provide:
- that the rights of preference shareholders to payments of a dividend and to a return of capital may be in priority to, equal with or junior to such payments on any other class of securities as determined by the Board in the relevant terms of issue;
 - for the Board to determine voting rights attaching to preference shares in the relevant terms of issue; and
 - for redemption and conversion of preference shares on any conditions determined by the Board in the relevant terms of issue;
- (b) to insert new sub-rule 4.3(e). This new rule gives the Board an express power to determine that the terms of any future preference shares issued by the Company may confer on holders any rights or restrictions which the Board considers necessary or desirable in order to satisfy any applicable prudential standards, requirements or guidance (whether in force at the time of issue or likely to come into force at some time after that). This will allow the Company to adapt to any further changes in APRA's prudential standards (if required) when issuing any preference shares in the future.

DETAILS OF PROPOSED AMENDMENTS

It is proposed that the Constitution be modified by:

- (a) deleting existing sub-rule 4.3(c) and replacing it with the following new sub-rule 4.3(c):

"(c) Each preference Share issued by the Company:

- confers on the Holder a right to receive a preferential dividend at the rate, on the basis and on the terms as to redemption (if redeemable) determined by the Board under the terms of issue and which may be cumulative if, and to the extent, the Board determines under the terms of issue;*
- may participate with each ordinary Share in profits if, and to the extent, determined by the Board under the terms of issue;*

(iii) confers on its Holder the right to the preferential dividend in priority to, equally with or junior to the payment of any dividend on any other class of Securities as determined by the Board under the terms of issue;

(iv) confers on its Holder the right in a winding up and on redemption (if redeemable) to payment in priority to, equally with or junior to any other class of Securities as determined by the Board under the terms of issue, of:

(A) the amount of any dividend accrued but unpaid on the preference Share at the date of winding up or the date of redemption (if redeemable); and

(B) any amount paid up on the preference Share or any other amount stated in, or calculated under, the terms of issue as may be determined by the Board;

(v) does not confer on its Holder any right to participate in the profits or property of the Company except as set out in this rule;

(vi) to the extent determined by the Board under the terms of issue, may confer a right to a bonus issue or capitalisation of profits in favour of holders of those preference Shares only;

(vii) may be redeemed or converted into other Securities on such conditions as may be determined by the Board under the terms of issue; and

(viii) does not entitle its Holder to vote at any general meeting except in the following circumstances:

(A) on any resolution to reduce the share capital of the Company;

(B) on any resolution that may affect the rights attached to the preference Share;

(C) on any resolution to wind up the Company;

(D) on any resolution for the disposal of the whole of the property, business and undertaking of the Company;

(E) on any resolution to approve the terms of a buy-back agreement;

(F) on any resolution during a period in which a dividend or part of a dividend on the preference Share is in arrears;

(G) on any resolution during the winding up of the Company; or

(H) such other circumstances as may be determined by the Board under the terms of issue."

- (b) inserting the following new sub-rule (e) at the end of rule 4.3:

"(e) Notwithstanding anything to the contrary in this Constitution, the Board may determine that the terms of issue of any preference Shares to be issued by the Company contain such terms and conditions (including as to the matters described in (c) above) as it considers necessary or desirable for those preference Shares to be eligible for inclusion as regulatory capital under any applicable prudential standards, requirements or guidance (whether in force at the time of issue or likely to come into force at a time after that)."

A copy of the Company's existing Constitution and a version of the Constitution with the proposed modifications marked up are available on the Company's website at: www.suncorpgroup.com.au or copies can be obtained from Link on **1300 882 012**. A copy of the proposed Constitution will also be available at the meeting.

BOARD RECOMMENDATION

The Board recommends that shareholders vote in favour of the modification of the Constitution as it provides the Company with the flexibility required to comply with prudential capital requirements and manage its regulatory capital going forward.

SCHEDULE A – CHANGES TO APRA'S PRUDENTIAL STANDARDS

In December 2010, the Basel Committee on Banking Supervision announced a revised global regulatory capital framework, known as Basel III, which will, among other things, increase the required quality and quantity of capital held by banks and introduce new minimum standards for the management of liquidity risk.

APRA has announced that it supports the Basel III framework and, from 1 January 2013, APRA is implementing a package of amendments to its prudential guidelines to apply the Basel III framework to Australian insurance and banking groups. These amendments include stricter eligibility criteria for capital instruments. It is expected that those requirements as they relate to the Company will include the requirements in the draft GPS 112 released by APRA on 31 May 2012 (**Proposed GPS 112**).

Under Proposed GPS 112, in order to qualify as Additional Tier 1 capital an instrument must contain, among other things, a principal loss absorption mechanism under which, on the occurrence of a Non-Viability Event (described below) the relevant instrument will:

- convert into ordinary shares in the capital of the Company which must be listed at the time the instrument is issued; or
- be written off.

A Non-Viability Event means APRA has provided a written determination to the Company that the conversion or write-off of Relevant Tier 1 Capital Instruments in accordance with their terms or by operation of law is necessary because:

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