

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.

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 QBE Insurance Group Limited (ABN 28 008 485 014) (the “Issuer”), Australia and New Zealand Banking Group Limited (ABN 11 005 357 522), Commonwealth Bank of Australia (ABN 48 123 123 124), The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (ABN 65 117 925 970), J.P. Morgan Australia Limited (ABN 52 002 888 011) and Royal Bank of Canada (ABN 86 076 940 880) 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 each of Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch, J.P. Morgan Australia Limited and Royal Bank of Canada 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 underwriters or any affiliate of the underwriters 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, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch, J.P. Morgan Australia Limited and Royal Bank of Canada, the Registrar, the Calculation Agent, 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.



QBE Insurance Group Limited

(ABN 28 008 485 014)

(incorporated with limited liability in the Commonwealth of Australia)

as Issuer of A\$200,000,000 Subordinated Notes – Issue Price 100%

The A\$200,000,000 unsecured, subordinated notes (the “**Subordinated Notes**”) are expected to be issued on 29 September 2015 (the “**Issue Date**”) by QBE Insurance Group Limited (the “**Issuer**”). Cumulative deferrable interest (“**Interest**”) will accrue on the Subordinated Notes from (and including) the Issue Date at a rate equal to the sum of (i) the Bank Bill Rate (as defined in the terms and conditions of the Subordinated Notes (the “**Conditions**”)) applicable to the relevant Interest Period and (ii) a margin of 4.00% per annum and will be payable, subject to the Conditions, quarterly in arrear on 29 March, 29 June, 29 September and 29 December of each year, commencing on 29 December 2015 (each, an “**Interest Payment Date**”).

The payment of interest may be deferred at the option of the Issuer and all payment obligations will be deferred if the Solvency Condition would not be satisfied at the time of the relevant payment or immediately after making such payment.

The Subordinated Notes will mature on 29 September 2040, however they may, with the prior written approval of the Australian Prudential Regulation Authority (“**APRA**”) be redeemed earlier at the option of the Issuer in full (but not in part only) on 29 September 2020 and each subsequent Interest Payment Date until and excluding the Interest Payment Date falling on or before 29 September 2021, or following the occurrence of a Regulatory Event or a Tax Event (see Condition 5). If a Non-Viability Trigger Event occurs prior to the redemption of the Subordinated Notes in full, they will immediately be Converted in whole (or in some cases in part) into ordinary shares in the capital of the Issuer (“**Ordinary Shares**”) or, in certain circumstances where, for any reason, Conversion has not occurred within a certain time, Written-Off in whole (or in some cases in part), whereupon all obligations (or, where applicable, the applicable Nominal Amounts) in respect of those Subordinated Notes will terminate (see Condition 6).

The Subordinated Notes are expected to be assigned on issue a rating of “**BBB**” by Fitch Australia Pty Limited (“**Fitch**”) and “**BBB-**” by Standard & Poor’s (Australia) Pty Ltd (“**Standard & Poor’s**”). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency. Credit ratings are for distribution only to a person (a) who is not a “retail client” within the meaning of section 761G of the Corporations Act 2001 of Australia (the “**Corporations Act**”) and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive the Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.

An investment in the Subordinated Notes is subject to risk, including the risk that investors may lose some or all of their investment if a Non-Viability Trigger Event occurs or otherwise. See the section entitled *Risk Factors* below for a discussion of certain risk factors that should be considered by prospective investors.

Neither the Subordinated Notes nor the Ordinary Shares have been or will be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the U.S. Unless they are so registered, the Subordinated Notes may be offered only in transactions that are exempt from, or not subject to registration under, the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Subordinated Notes may only be offered outside the U.S. to non-U.S. persons in reliance on Regulation S under the Securities Act. Prospective investors should read the section entitled *Subscription and Sale* for information on restrictions that apply to the purchase and sale of the Subordinated Notes.

Subordinated Notes are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any of the Issuer’s subsidiaries or by any other person.

The Subordinated Notes will be constituted by a deed poll dated on or about the date of this Information Memorandum made by the Issuer and will be issued in registered form in denominations of A\$10,000 per Subordinated Note. The Subordinated Notes will be lodged in the Austraclear System.

Joint Lead Managers

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

Commonwealth Bank of Australia
(ABN 48 123 123 124)

**The Hongkong and Shanghai Banking Corporation
Limited, Sydney Branch**
(ABN 65 117 925 970)

J.P. Morgan Australia Limited
(ABN 52 002 888 011)

Royal Bank of Canada
(ABN 86 076 940 880)

The date of this Information Memorandum is 22 September 2015

IMPORTANT NOTICE

No offer

This Information Memorandum is not, and should not be construed as, an offer or invitation to any person to subscribe for or purchase or otherwise deal in any Subordinated Notes.

Responsibility for information

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

No independent verification

None of Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch, J.P. Morgan Australia Limited and Royal Bank of Canada (together, the “**Joint Lead Managers**”) and neither the Registrar nor the Calculation Agent, nor any other party named or referred to in this Information Memorandum (other than the Issuer) or any of their respective affiliates or any external adviser to the Issuer or any of the foregoing (each, an “**Other Party**”) has independently verified the information contained or incorporated in this Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Other Party as to the accuracy or completeness of the information contained or incorporated in this Information Memorandum. No Other Party accepts any liability in relation to the information contained or incorporated by reference in this Information Memorandum.

Currency of information

The information contained in this Information Memorandum is prepared as of its Preparation Date. Neither the delivery of this Information Memorandum nor any offer, issue or sale made in connection with this Information Memorandum at any time implies that the information contained in it is correct at any time subsequent to the Preparation Date or that any other information supplied in connection with the issue of the securities described herein is correct as of any time subsequent to the Preparation Date or that there has been no change (adverse or otherwise) in the financial condition, affairs or creditworthiness of the Issuer, any of its subsidiaries (the Issuer and its subsidiaries together being referred to herein as the “**Group**”) or any other party named in this Information Memorandum at any time subsequent to the Preparation Date.

In this Information Memorandum, “**Preparation Date**” means:

- in relation to this Information Memorandum, the date included on its face or, if the Information Memorandum has been amended or supplemented, the date indicated on the face of that amendment or supplement;
- in relation to the financial reports incorporated by reference in this Information Memorandum, the date up to or as at the date on which such reports relate; and
- in relation to any other item of information which is to be read in conjunction with this Information Memorandum, the date indicated on its face as being its date of release or effectiveness.

It should not be assumed that the information contained in this Information Memorandum is necessarily accurate or complete in the context of any offer to subscribe for or an invitation to subscribe for or buy any of the Subordinated Notes at any time after the date of this Information Memorandum, even if this Information Memorandum is circulated in conjunction with the offer or invitation.

Neither the Issuer nor any Other Party is obliged or has undertaken to review the financial condition or affairs of the Issuer or any other member of the Group during the life of the Subordinated Notes or to advise any investor in the Subordinated Notes of any information coming to their attention.

If an amendment or other circumstance occurs between the date of this Information Memorandum and the Issue Date which would make any statement in this Information Memorandum misleading or deceptive in any material respect, the Issuer will prepare a supplement to this Information Memorandum or a new Information Memorandum to replace this Information Memorandum.

Authorised material

No person is or has been authorised by the Issuer to give any information or to make any representation which is not expressly contained in or consistent with this Information Memorandum and any information or representation not contained in this Information Memorandum must not be relied upon as having been authorised by or on behalf of the Issuer.

Intending purchasers to make independent investment decision

This Information Memorandum contains only summary information concerning the Issuer and the Subordinated Notes. The information contained in this Information Memorandum is not intended to provide the basis of any credit or other evaluation in respect of the Issuer or any Subordinated Notes and should not be considered or relied upon as a recommendation or a statement of opinion, or a report of either of those things, by any of the Issuer, the Joint Lead Managers, or their respective related bodies corporate, that any recipient of this Information Memorandum should subscribe for, purchase or otherwise deal in any Subordinated Notes or any rights in respect of any Subordinated Notes. Furthermore, this Information Memorandum contains only general information and does not take into account the objectives, financial situation or needs of any potential investor.

Each investor contemplating subscribing for, purchasing or otherwise dealing in any Subordinated Notes or any rights in respect of any Subordinated Notes should:

- (a) make and rely upon (and shall be taken to have made and relied upon) its own independent investigation of the Conditions and the rights and obligations attaching to the Subordinated Notes and Ordinary Shares and of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer;
- (b) determine for itself the relevance of the information contained in this Information Memorandum;
- (c) assess its own situation and consult other appropriate advisers in respect of any other matters upon which it requires advice; and
- (d) base its investment decision solely upon its own independent assessment and such investigation and consultation with advisers and such other investigations as it considers appropriate or necessary.

No advice is given in respect of the legal or taxation treatment of investors or purchasers or any other matter in connection with an investment in any Subordinated Notes or rights in respect of them and each investor is advised to consult its own professional adviser.

Any person contemplating the subscription or purchase of the Subordinated Notes should have regard to the risk factors described under the section entitled *Risk Factors* below. However, this Information Memorandum does not describe all of the risks of an investment in the Subordinated Notes.

The Subordinated Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Subordinated Notes to retail investors. By purchasing, or making or accepting an offer to purchase, any Subordinated Notes from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each Joint Lead Manager that it has 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 Subordinated Notes (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 Subordinated Notes by investors in any relevant jurisdiction. Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Subordinated Notes from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Disclosure of interests

In addition to the arrangements and interests described in this Information Memorandum, each of the Joint Lead Managers discloses that it and its respective affiliates and their respective directors and employees (each a "**Relevant Entity**") may from time to time:

- (a) be a Holder or have a pecuniary or other interest in the Subordinated Notes;
- (b) receive fees, brokerage and commissions or other benefits, and may act as principal, in any dealings in the Subordinated Notes; and
- (c) be involved in a broad range of transactions including, without limitation, dealing in financial products, credit, derivative and liquidity transactions, investment management, corporate and corporate advisory and research in various capacities in respect of the Subordinated Notes, the Issuer or any other member of the Group, both on its own account and for the account of other persons.

Prospective investors should be aware that:

- (i) each Relevant Entity in the course of its business (including in respect of interests described above) may act independently of any other Relevant Entity, any Other Party and any Holder;

- (ii) to the maximum extent permitted by applicable law, the duties of each Relevant Entity in respect of the Subordinated Notes are limited to the relevant contractual obligations set out in the Subscription Agreement and, in particular, no advisory or fiduciary duty is owed by any Relevant Entity to any person;
- (iii) a Relevant Entity may have or come into possession of information not contained in this Information Memorandum that may be relevant to any decision by a potential investor to acquire the Subordinated Notes and which may or may not be publicly available to potential investors (“**Relevant Information**”);
- (iv) to the maximum extent permitted by applicable law, no Relevant Entity is under any obligation to disclose any Relevant Information to any other Relevant Entity, to the Issuer, to any Holder or to any potential investor and this Information Memorandum and any subsequent conduct by a Relevant Entity should not be construed as implying that the Relevant Entity is not in possession of such Relevant Information; and
- (v) each Relevant Entity may have various potential and actual conflicts of interest arising in the ordinary course of its business, including in respect of the interests described above. For example, a Relevant Entity’s dealings with respect to a Subordinated Note or a member of the Group, or the exercise of a Relevant Entity’s rights under the Subscription Agreement may affect the value of a Subordinated Note. These interests may conflict with the interests of a Holder and a Holder may suffer loss as a result. To the maximum extent permitted by applicable law, a Relevant Entity is not restricted from entering into, performing or enforcing its rights in respect of the Subscription Agreement or the interests described above and may otherwise continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of a Holder, and the Relevant Entities may in so doing act without notice to, and without regard to, the interests of any such person.

References to credit ratings

There are references in this Information Memorandum to credit ratings. A credit rating is not a recommendation to buy, sell or hold securities and does not comment on the adequacy of market price or the suitability of any security for a particular investor. A credit rating may be subject to revision, suspension, withdrawal or placed on ratings watch at any time by the relevant rating agency. Each rating should be evaluated independently of any other rating.

No rating agency has been involved in the preparation of this Information Memorandum.

Not guaranteed or insured

A Subordinated Note is not guaranteed or insured by any Government Agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any member of the Group, any Other Party or by any other person.

Not policy liabilities

A Subordinated Note is not a policy liability of any member of the Group.

Risk factors

An investment in the Subordinated Notes is subject to certain risks, including the possible deferral of payments and of the loss of all or part of the principal amount invested in the Subordinated Notes and Interest relating thereto (see the section entitled *Risk Factors* below).

Forward Looking Statements

This Information Memorandum contains 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, in the section entitled *Description of the Issuer* in this Information Memorandum, in relation to future events, the Group’s prospects, its expected financial condition, its business strategies, the future developments of the Group’s operations and industry and the future development of the general domestic, regional and global economy.

These statements are based on 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 the Group’s 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 or those of any of its directors are made as at the date of this Information Memorandum. Any such intentions may change in light of future developments.

Each of the Issuer, the Joint Lead Managers, the Registrar, the Calculation Agent and the Other Parties 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 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 or any of its directors.

Definitions

Unless the context otherwise requires, all terms used in this Information Memorandum and not separately defined will have the meanings given to them in the Conditions. All terms separately defined in this Information Memorandum are indexed in the Index of Defined Terms appearing at the end of this Information Memorandum.

Unless otherwise stated, all references in this Information Memorandum to “**Australian Dollars**” or “**A\$**” are to the lawful currency of Australia, references to “**US Dollars**”, “**US\$**” are to the lawful currency of the United States of America and references to “**£**”, “**pounds sterling**” or “**Sterling**” are to the lawful currency of the United Kingdom.

Documents Incorporated by Reference

This Information Memorandum is to be read in conjunction with all of the documents that are incorporated by reference (see the section entitled *Documents Incorporated by Reference* below).

References to websites

Any references to website addresses provided in this Information Memorandum are for reference only and the content of any such internet sites is not incorporated by reference into and does not form part of this Information Memorandum (unless expressly provided in this Information Memorandum).

Transaction Documents

The Conditions, the Deed Poll, and the Registrar and Paying Agent Services Agreement and the rights and liabilities of holders of the Ordinary Shares are contained in the relevant documents described in the section entitled *General Information* below (the “**Available Documents**”). The Available Documents should be reviewed by any intending purchaser. If there is any inconsistency between this Information Memorandum and the Available Documents, the Available Documents should be regarded as containing the definitive information. A copy of the Available Documents may be viewed by intending purchasers at the offices of the Issuer referred to in the section entitled *Directory* at the back of this Information Memorandum.

Offering restrictions

Neither this Information Memorandum nor any other disclosure document (as defined in the Corporations Act) in relation to the Subordinated Notes has been, or will be, lodged with the Australian Securities and Investments Commission (“**ASIC**”) or any other government agency. The Information Memorandum is not a prospectus or other disclosure document for the purposes of the Corporations Act. No action has been taken which would permit an offering of Subordinated Notes in circumstances that would require disclosure under Parts 6D.2 or 7.9 of the Corporations Act.

The distribution of this Information Memorandum and the offer or sale of Subordinated Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor any Other Party represents that this document may be lawfully distributed, or that any Subordinated Notes or Ordinary Shares may be lawfully offered, in compliance with any application, registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or any Other Party which would permit a public offering of any Subordinated Notes or Ordinary Shares or distribution of this Information Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Subordinated Notes or Ordinary Shares 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 into whose possession this Information Memorandum or any Subordinated Notes or Ordinary Shares come must inform themselves about, and observe any such restrictions.

Neither the Issuer nor any Other Party makes any representation to any investor in the Subordinated Notes regarding the legality of its investment under any applicable laws. Any investor in the Subordinated Notes should be able to bear the economic risk of an investment in the Subordinated Notes for an indefinite period of time.

For a description of certain restrictions on offers, sales and deliveries of the Subordinated Notes and on the distribution of the Information Memorandum and other offering material relating to the Subordinated Notes see the section entitled *Subscription and Sale* below.

U.S. INFORMATION

THE SUBORDINATED NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. 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 (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) UNLESS THE SUBORDINATED NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR OFFERED AND SOLD IN COMPLIANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

THE SUBORDINATED NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS INFORMATION MEMORANDUM OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS INFORMATION MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

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SUMMARY

This summary must be read as an introduction to this Information Memorandum and any decision to invest in the Subordinated Notes should be based on a consideration of this Information Memorandum as a whole, including the documents incorporated by reference herein. The following overview is qualified in its entirety by the remainder of this Information Memorandum and the documents incorporated by reference.

Key parties

| | |
|---------------------------------------|---|
| Issuer | QBE Insurance Group Limited (ABN 28 008 485 014), a limited liability company established under the laws of the Commonwealth of Australia. See the section entitled <i>Description of the Issuer</i> below. |
| Registrar | Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any successor registrar appointed from time to time in accordance with the terms of the Registrar and Paying Agent Services Agreement. |
| Calculation Agent | Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any successor appointed from time to time as calculation agent in accordance with the terms of the Registrar and Paying Agent Services Agreement. |
| Key dates and periods | |
| Issue Date | The date on which the Subordinated Notes are issued, which is expected to be 29 September 2015. |
| Interest Payment Dates | Quarterly in arrear on 29 March, 29 June, 29 September and 29 December of each year, commencing on 29 December 2015 |
| Interest Period | From (and including) an Interest Payment Date to (but excluding) the following Interest Payment Date provided that the first Interest Period commences on (and includes) the Issue Date. |
| Optional Redemption Dates | 29 September 2020 and each subsequent Interest Payment Date until and excluding the Interest Payment Date falling on 29 September 2021. |
| Optional Interest Payment Date | An Interest Payment Date where no interest payments, dividends or other distributions have been made on Equal Ranking Instruments or Junior Ranking Instruments (other than an Equal Ranking Instrument in the case where the terms of that instrument do not enable the Issuer to defer, pass on or eliminate the relevant payment on such Equal Ranking Instrument) during the Financial Year in which such Interest Payment Date falls and no dividend has been made on any Ordinary Shares during the Financial Year in which such Interest Payment Date falls. |
| Financial Year | Any year beginning on 1 January and ending on 31 December. |
| Non-Viability Conversion Date | The date on which a Non-Viability Trigger Event occurs. |
| Maturity Date | 29 September 2040. |

Key events

| | |
|------------------------------------|---|
| Non-Viability Trigger Event | <p>A Non-Viability Trigger Event occurs when APRA provides a written determination to the Issuer that the conversion or write-off of Relevant Capital Instruments in accordance with their terms or by operation of law is necessary because:</p> <ul style="list-style-type: none">(a) without the conversion or write-off, APRA considers that the Issuer would become non-viable; or(b) without a public sector injection of capital into, or equivalent capital support with respect to, the Issuer, APRA considers that the Issuer would become non-viable. |
|------------------------------------|---|

Regulatory Event

A Regulatory Event occurs upon the introduction of, or an amendment or clarification to or change in, or a change in the interpretation of a law or regulation of Australia or any state or territory thereof, or a rule, regulation, prudential standard, directive, order or requirement of APRA, after the Issue Date (“**Regulatory Change**”) (or the announcement of a prospective Regulatory Change which the Issuer expects will take effect within no more than 12 months), which has or (in the case of an announced Regulatory Change) will have the effect that the Issuer is not (or will not be) entitled to treat all of the Subordinated Notes as Tier 2 Capital, or its then equivalent, of the Level 2 Insurance Group, provided that on the Issue Date the Issuer did not expect that the matters giving rise to the Regulatory Event would occur.

Tax Event

A Tax Event occurs on the receipt by the Issuer of an opinion of competent tax counsel to the effect that, as a result of the introduction of, or amendment or clarification to, or change in, or change in the interpretation of (or announcement of a prospective introduction of, amendment or clarification to or change in) a law or regulation by any legislative body, court, government agency or regulatory authority in Australia after the Issue Date, there is more than an insubstantial risk that:

- (a) the Issuer would be required to pay any Additional Amounts;
- (b) interest payments on the Subordinated Notes are not or may not be allowed as a deduction for the purposes of Australian income tax; or
- (c) the Issuer would be exposed to more than a *de minimis* increase in its costs in relation to the Subordinated Notes as a result of any taxes, duties or other governmental charges or civil liabilities,

provided that on the Issue Date the Issuer did not expect that the matters giving rise to the Tax Event would occur.

Event of Default

An Event of Default occurs if:

- (a) either:
 - the Issuer does not pay the Redemption Price in respect of the Subordinated Notes when such payment becomes due and payable, and, provided that if such failure is caused by technical or administrative error only, such failure continues for a period of three days after the applicable due date; or
 - the Issuer does not pay any interest (including any Deferred Interest or any Additional Interest) or other amount when such payment becomes due and payable and such failure continues for a period of 30 days after the applicable due date,(a “**Payment Default**”); or
- (b) either:
 - the making of an order by a court (including a court with appellate jurisdiction) with competent jurisdiction in Australia which is not appealed or stayed within 21 days of the entry of that order; or
 - the valid adoption by the shareholders of the Issuer of an effective resolution,

for the winding-up by a court of competent jurisdiction under applicable law (which, in the case of Australia, includes the Corporations Act) of the Issuer in each case other than in connection with a scheme of amalgamation or reconstruction not involving the bankruptcy or insolvency of the Issuer (a “**Winding-Up Default**”).

To the extent that a payment is not required to be made by operation of any Payment Deferral Provision, the amount is not due and payable and a Payment Default cannot occur.

Summary of key conditions of the Subordinated Notes

| | |
|------------------------------------|--|
| Form of Subordinated Notes | Direct, unsecured and subordinated debt obligations of the Issuer, issued in registered form by entry in the Register. 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. |
| Ranking in a Winding-Up | <p>The Subordinated Notes will rank for payment in a Winding-Up of the Issuer:</p> <ul style="list-style-type: none">(a) ahead of the obligations of the Issuer in respect of Junior Ranking Instruments;(b) equally among themselves and with the obligations of the Issuer in respect of Equal Ranking Instruments; and(c) behind the obligations of the Issuer in respect of Senior Ranking Debt. <p>See Condition 2.1.</p> <p>However, Holders should be aware that if the Issuer is in a Winding-Up, it is likely that a Non-Viability Trigger Event will have occurred, following which it is likely that the Holder's Subordinated Notes will have been Converted to Ordinary Shares or Written-Off as described in the sections entitled <i>Risk Factors—Conversion</i> and <i>Risk Factors—Write-Off</i>.</p> |
| Interest Rate | The sum of (i) the Bank Bill Rate applicable to the relevant Interest Period and (ii) a margin of 4.00% per annum. |
| Day Count Fraction | The actual number of days in the relevant period divided by 365. |
| Gross Up | <p>If any withholding or deduction is required by a law of the Commonwealth of Australia or any authority of the Commonwealth of Australia having power to tax, the Issuer must pay an additional amount in respect of the Subordinated Notes ("Additional Amount") to the Holders so that the Holders receive the same amount in respect of that payment as if no such deduction had been made from the payment, subject to certain exceptions.</p> <p>See Condition 10.3.</p> |
| Payment of Interest | In arrear on each Interest Payment Date subject to the Payment Deferral Provisions described immediately below. |
| Payment Deferral Provisions | <p>The Issuer may elect to defer payment of all or part only of any interest amount on any Optional Interest Payment Date to any future date specified by the Issuer (not being later than the Maturity Date). Any such deferred payment of interest is referred to as "Deferred Interest". If Subordinated Notes are Converted or Written-Off following the occurrence of a Non-Viability Trigger Event, Holders will lose any entitlement to Deferred Interest in respect of such Subordinated Notes.</p> <p>In addition, if on the date on which a payment under the Subordinated Notes falls due for payment, the Solvency Condition is not met or will not be met if such payment is made, the due date for payment of such amount shall be postponed until the first Business Day on which the Solvency Condition can be met in respect of such payment.</p> <p>The "Solvency Condition" means</p> <ul style="list-style-type: none">(a) the obligation of the Issuer to make any payment in respect of the Subordinated Notes will be conditional on the Issuer being Solvent at the time of payment; and |

- (b) no payments in respect of the Subordinated Notes will be made unless the Issuer will be Solvent immediately after making the payment.

“**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.

Interest that has been deferred will continue to accrue interest.

See Condition 4.

Non-payment of interest in accordance with Condition 4 is not an event of default.

Payment of Deferred Interest

Deferred Interest 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. All Deferred Interest (together with any Additional Interest) on a Subordinated Note will, subject to the Solvency Condition being satisfied, automatically become immediately due and payable in whole upon the earliest of the following dates:

- (a) the date on which any interest payment or payment in respect of interest is made on any Junior Ranking Instruments or Equal Ranking Instruments (excluding any such payment on an Equal Ranking Instrument in a case where the terms of that instrument do not enable the Issuer to defer, pass on or eliminate the relevant payment on such Equal Ranking Instruments) or on which a dividend or other distribution on any class of the Issuer’s share capital is paid or becomes payable;
- (b) the date specified by the Issuer to which it has elected to defer payment;
- (c) (without double counting) the date on which the Subordinated Notes are redeemed in accordance with the Conditions;
- (d) the date on which a Winding-Up Default occurs; or
- (e) the date fixed for:
 - any redemption of Subordinated Notes; or
 - any purchase of Subordinated Notes by or on behalf of the Issuer, pursuant to Condition 5.

See Condition 4.1(c).

Redemption

The Redemption Price in respect of a Subordinated Note will become due for payment on the earlier of:

- (a) the Maturity Date;
- (b) at the option of the Issuer (with the prior written approval of APRA):
 - an Optional Redemption Date; or
 - following the occurrence of a Tax Event or Regulatory Event; and
- (c) at the option of the Holder of that Subordinated Note following the occurrence of a Winding-Up Default, a declaration that the Subordinated Notes have become due for payment.

The Issuer may (with the prior written approval of APRA) elect to redeem all (but not some only) of the Subordinated Notes on an Optional Redemption Date or following the occurrence of a Tax Event or Regulatory Event.

No Holder has a right to require the redemption of any Subordinated Notes earlier than

the Maturity Date.

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

See Condition 5.

Redemption Price

In respect of a Subordinated Note being redeemed, the "**Redemption Price**" will be an amount equal to the sum of the Face Value of that Subordinated Note together with any Deferred Interest, any Additional Interest, any Additional Amounts and any accrued but unpaid Interest to the date of redemption determined in accordance with Condition 3, provided always that any amounts of Interest payable on the Redemption Date which are separately paid in full on that date shall be excluded from the Redemption Price.

Conversion

If a Non-Viability Trigger Event occurs, the Issuer must immediately and irrevocably convert:

- (a) all Relevant Capital Instruments (including the Subordinated Notes); or
- (b) an amount of the Relevant Capital Instruments (which may include an amount of Subordinated Notes) that is less than all Relevant Capital Instruments if APRA is satisfied that conversion or write-off of less than all Relevant Capital Instruments will be sufficient to ensure that the Issuer does not become non-viable.

In the case of (b) above (i.e., if the Issuer is required to convert an amount of Relevant Capital Instruments which is less than all Relevant Capital Instruments), the Issuer must first procure the conversion or write-off of all Relevant Tier 1 Capital Instruments before Conversion of the Subordinated Notes. If conversion or write-off of Relevant Tier 1 Capital Instruments is not sufficient to satisfy APRA that the Issuer would not become non-viable, the Issuer must Convert Subordinated Notes and procure the conversion or write-off of other Relevant Tier 2 Capital Instruments in an aggregate Face Value and nominal amount which, when added to the aggregate nominal amount of Relevant Tier 1 Capital Instruments converted or written-off, will satisfy APRA that the Issuer would not become non-viable.

Where the aggregate principal amount of Subordinated Notes to be Converted is less than the aggregate principal amount of the Subordinated Notes outstanding, the Issuer may, subject to certain conditions, elect to Convert some, but not all, Subordinated Notes in full or some or all Subordinated Notes in part.

Each Subordinated Note (or part thereof) to be Converted will convert into a number of Ordinary Shares calculated in accordance with a formula which provides for a calculation based on the Face Value (or portion thereof) of the Subordinated Note to be Converted divided by a discounted volume weighted average price of the Issuer's Ordinary Shares during the period of five Trading Days immediately preceding (but not including) the relevant Non-Viability Conversion Date (subject to a maximum number calculated by dividing the Face Value (or part thereof) by an amount equal to 20% of the volume weighted average price of the Issuer's Ordinary Shares during the period of five Trading Days immediately preceding (but not including) the Issue Date, as may be adjusted in limited circumstances under the Conditions).

All obligations of the Issuer in respect of accrued but unpaid Interest on a Subordinated Note (or part thereof) Converted on a Non-Viability Conversion Date shall terminate on that Non-Viability Conversion Date in proportion to the principal amount of that Subordinated Note which is Converted on that date.

See Conditions 6 and 7.

Issue of Ordinary Shares to Nominee

Ordinary Shares issued on account of a Conversion of the Subordinated Notes of a Holder will be issued to a nominee of the Issuer (rather than to the Holder) if, subject to certain conditions:

- (a) the Holder has notified the Issuer that it does not wish to receive such Ordinary Shares;
- (b) the Holder of the relevant Subordinated Notes is a person which the Issuer

believes in good faith may not be a resident of Australia;

- (c) the Issuer has not received information from the relevant Holder required by the Issuer to allow the issue of Ordinary Shares to such Holder; or
- (d) a FATCA Withholding is required to be made in respect of the Ordinary Shares issued on the Conversion.

Such nominee will sell those Ordinary Shares and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the relevant Holder unless, in the case of paragraph (c) above, the nominee receives (within 30 days) the information from the relevant Holder required to allow the transfer of those shares to such Holder.

See Condition 7.12.

Write-Off

Where, for any reason (including, without limitation, where the Issuer is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of the Issuer) or any other reason from Converting the Subordinated Notes), a Conversion in respect of a Subordinated Note required by the Conditions has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date, then the rights of the relevant Holder (including without limitation to the payment of Interest and the Redemption Price) in relation to the Nominal Amount of that Subordinated Note required to be Converted are immediately and irrevocably written-off and terminated with effect on and from the Non-Viability Conversion Date.

See Condition 6.3.

Variation and waiver

This Issuer may vary the provisions of the Deed Poll or the Conditions only if the Holders (by Special Resolution) have approved that variation and, to the extent that such variation may affect the eligibility of the Subordinated Notes as Tier 2 Capital, APRA has given its prior written approval to that variation. However the approval of the Holders shall not be required if, in the opinion of the Issuer, the variation:

- (a) is necessary to comply with any applicable law;
- (b) is necessary to correct a manifest error, or is otherwise of a formal, minor, technical or administrative nature;
- (c) is:
 - made to (i) alter the terms of any Subordinated Notes to align them with any Equal Ranking Instruments issued after the Issue Date; or (ii) alter the definition of “Equal Ranking Instrument” on account of the issue of capital instruments of the Group; and
 - not materially prejudicial to the interests of the Holders as a whole; or
- (d) is not materially prejudicial to the interests of the Holders as a whole.

See Condition 14.

Voting and resolutions

The Deed Poll contains provisions for convening meetings of the Holders to consider and resolve in respect of any matters affecting their interests and provisions for Holders to resolve in writing.

A resolution is passed if approved by no less than 50% (in the case of an Ordinary Resolution) or 75% (in the case of a Special Resolution) of votes cast (on a poll) or persons voting (on a show of hands) at the relevant meeting (or, in the case of a written resolution, respectively, 50% and 75% of the aggregate Face Value of all Subordinated Notes outstanding).

The quorum for meetings of Holders regarding Ordinary Resolutions is one or more persons representing 10% (in the case of an unadjourned meeting) or one or more persons representing any amount (in the case of a meeting previously adjourned because of lack of quorum) of the aggregate Face Value of Subordinated Notes

outstanding.

The quorum for meetings of Holders regarding Special Resolutions is:

- (a) in the case of a Special Quorum Resolution, any one or more persons representing 66 2/3% (in the case of an unadjourned meeting) or 33 1/3% (in the case of a meeting previously adjourned because of lack of quorum); and.
- (b) in the case of any other Special Resolution, any one or more persons representing 50% (in the case of an unadjourned meeting) or 25% (in the case of a meeting previously adjourned because of lack of quorum),

in each case of the aggregate Face Value of all Subordinated Notes outstanding.

Subordinated Notes beneficially held in the name of the Issuer or any of its Related Bodies Corporate must be disregarded, shall not (unless and until ceasing to be so held) carry an entitlement to vote, form quorums or execute a written resolution.

No set-off or offsetting rights

A Holder may not exercise any right of set-off and has no offsetting rights against the Issuer.

See Condition 9.8.

Rating

It is expected that the Subordinated Notes, when issued, will be assigned a rating of “BBB” by Fitch and “BBB-” by Standard & Poor’s.

Credit ratings are for distribution only to a person (a) who is not a “retail client” within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive the Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.

See the sections entitled *Risk Factors—Credit ratings may change* and *Risk Factors—Credit ratings may not reflect all risks* below.

No Listing

The Subordinated Notes will not be listed or quoted on any securities exchange.

Clearing and settlement

Subordinated Notes may be transacted through the Austraclear System. Subordinated Notes which are held in the Austraclear System will be registered in the name of Austraclear Limited. Payments through the Austraclear System may only be made in Australian Dollars.

Transactions relating to interests in the Subordinated Notes may also be carried out through the settlement system operated by Euroclear Bank S.A./N.V. (“**Euroclear**”) or the settlement system operated by Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Interests in the Subordinated Notes traded in the Austraclear System may be held for the benefit of Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in Subordinated Notes in Euroclear would be held in the Austraclear System by a nominee of Euroclear (currently HSBC Custody Nominees (Australia) Limited) while entitlements in respect of holdings of interests in Subordinated Notes in Clearstream, Luxembourg would be held in the Austraclear System by a nominee of J.P. Morgan Chase Bank, N.A. as custodian for Clearstream, Luxembourg.

The rights of a holder of interests in a Subordinated Note held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the rules and regulations of the Austraclear System. In addition, any transfer of interests in a Subordinated Note, which is held through Euroclear or

Clearstream, Luxembourg will, to the extent such transfer will be recorded on the Austraclear System, be subject to the Corporations Act and the requirements for minimum consideration as set out in the Conditions.

The Issuer will not be responsible for the operation of the clearing arrangements, which is a matter for the clearing institutions, their nominees, their participants and the investors.

Where Subordinated Notes are held in Austraclear, for the purposes of determining the person entitled to be issued Ordinary Shares, or, where Ordinary Shares are issued to a nominee in accordance with Condition 7.12, the person entitled to the net proceeds of sale of such shares, the Issuer will treat the relevant Austraclear Participant as the holder of the Subordinated Notes. Any investor who is not an Austraclear Participant will have to maintain arrangements with an Austraclear Participant in order to hold an interest in Subordinated Notes or to receive any Ordinary Shares issued on Conversion. The Issuer has no responsibility for these arrangements or for the performance by any Austraclear Participant of its obligations.

ISIN

AU3FN0029039

Common Code

129819553

Governing law

The laws of the State of New South Wales, Australia.

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 relating to the Issuer, the Group and its businesses, could have a material adverse effect on the Issuer's business, operations, financial condition or prospects, which, in turn, could have a material adverse effect on the amount which investors will receive in respect of the Subordinated Notes. In addition, each of the risks highlighted below, being risks relating to the Subordinated Notes, could adversely affect the trading price of the Subordinated Notes or the rights of investors under the Subordinated Notes and, as a result, investors could lose some or all of their investment.

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

RISKS RELATING TO THE ISSUER AND THE GROUP

Risks relating to the nature of the business of the Group

The Group is at risk from the severity and frequency of catastrophes or other events that may lead to an increased frequency or severity of claims.

General insurers and reinsurers are subject to claims arising out of catastrophes and other events that may result in an increased frequency or severity of claims and have a significant impact on their results of operations and financial condition. Catastrophes can be caused by various natural events including cyclones, hurricanes, earthquakes, wind, hail, droughts, floods, tsunamis, fires, volcanic eruptions and explosions. Catastrophes can also be man-made such as terrorism, war and other hostilities. The frequency and severity of such events and the losses associated with them are inherently unpredictable and may materially impact the Group's results of operations. The Group has experienced, and can expect in the future to experience, claims from catastrophes that may have a material adverse impact on its results of operations and financial condition.

For the six months ended 30 June 2015, the Group's net claims on an accident year basis from large individual risk and catastrophe claims totaled US\$552 million compared with US\$690 million for the six months ended 30 June 2014. For the six months ended 30 June 2015, there were 42 large individual risk and catastrophe claims impacting the Group, including Cyclone Pam, Australian storms and hailstorms, North American wind and hail storms, Cyclone Marcia and Chilean floods. For the full year 2014, the Group's net claims on an accident year basis from large individual risk and catastrophe claims totaled US\$1,611 million compared with US\$1,462 million for the full year 2013. In 2014, there were 105 large individual risk and catastrophe claims impacting the Group, including UK floods, North American winter storms and tornadoes, European hailstorms, Cyclone Ita and Victorian bushfires. In 2013, there were 61 large individual risk and catastrophe claims impacting the Group, including Cyclone Oswald, Argentina and European floods, German hailstorm, Hurricane Manuel and Typhoon Haiyan as well as crop claims following the severe U.S. drought. The extent of claims from a catastrophe caused by a peril is a function of two factors, namely, the total amount of insured exposure in the area affected by the event and the severity of the event. Many catastrophes are localised to small geographic areas. However, natural disasters have the potential to produce significant damage over large areas. In addition, catastrophes can occur in heavily populated or industrialised areas, which can lead to increased claims. As the world becomes more heavily populated and industrialised areas increase, there may be increases in the value and geographic concentration of insured property in such areas, which could increase the severity of claims from future catastrophes. Although catastrophes can give rise to claims in a variety of general insurance and reinsurance lines, marine and property insurance and reinsurance have in the past generated the vast majority of the Group's catastrophe-related claims.

The Group monitors its aggregate exposures and the amount of reinsurance protection it buys depends upon the estimates of probable maximum loss. These estimates may prove to be incorrect and the Group's aggregate claims may exceed its estimates. In addition, the Group takes into account the projected implications of climate change on the frequency, severity and potential locations of natural catastrophes and on its business in general. Over the past several years, changing weather patterns and climatic change may have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposures. The international geographic distribution of the Group's business subjects it to catastrophe exposure from natural events occurring in a number of areas throughout the world. The claims experience of catastrophe insurers and reinsurers has historically been characterised as low frequency but high severity in nature. One of the more significant risks is the potential under-estimation of the impact on the Group of catastrophic events related to changes in weather patterns and the insurance industry in general. There is also the operational risk of increased claims costs due to the impact of climate change scenarios.

While the Group has historically managed its exposure to catastrophes through, among other things, the purchase of catastrophe reinsurance, retrocessional coverage and whole account reinsurance, there can be no assurance that such coverage will continue to be available to it at acceptable rates and levels, that its existing coverage will prove adequate or that counterparties to these arrangements

will perform their obligations thereunder. For example, in 2012, property catastrophe reinsurance rates in Australia and Asia Pacific increased significantly following the unprecedented level of catastrophe loss activity in the region in 2010 and 2012.

Acquisitions and dispositions may adversely affect the Group's business

Historically, acquisitions have played a significant role in the growth of some of the Group's businesses, and the Group may continue to pursue growth through acquisitions in the future. The Group may not, however, be able to identify suitable acquisition candidates or to finance or complete such transactions on acceptable terms. Additionally, the integration of acquired businesses may result in significant challenges, and the Group may be unable to accomplish such integration smoothly or successfully.

Acquisitions are subject to many risks, including the following:

- acquisitions may cause a disruption to the Group's ongoing businesses, distract the Group's management and other resources and make it difficult to maintain the Group's standards, internal controls and procedures;
- the Issuer's current ratings by S&P, Moody's, A.M. Best or Fitch may be jeopardised;
- the Group may not be able to successfully integrate services, products and personnel into its operations, especially if it acquires large businesses;
- the Group may experience difficulties in realising projected efficiencies, synergies and cost savings;
- the Group may not be successful in acquiring all entities that it seeks to acquire;
- the Group may be required to dispose of or cancel certain product lines that it has acquired;
- the Group may be required to incur debt or issue equity securities to pay for acquisitions, for which financing may not be available or may only be available on unacceptable terms;
- the Group's acquisitions may not achieve anticipated revenues, earnings or cash flow;
- the Group's acquisitions may not result in any return on its investment and/or it may lose its entire investment;
- the Group may assume unforeseen liabilities and exposures; and
- the Group may overpay for acquisitions and need to impair goodwill or intangible assets.

The Group has also recently disposed of several assets.

In February 2015, the Issuer announced the sale of the Argentine workers' compensation business to La Caja Aseguradora de Riesgos de Trabajo ART SA, a company wholly owned by the Werthein Group, with settlement occurring on 10 August 2015. Total proceeds, after settlement of a pre-disposal dividend, are around US\$55 million. Profit on the sale before tax is approximately US\$21 million. After tax, costs of disposal and reclassification of applicable amounts from the Foreign Currency Translation Reserve, the loss on sale is approximately US\$73 million.

On 16 July 2015, the Issuer announced the sale by QBE North American Operations of its Mortgage & Lender Services business to National General Holdings Corp. The transaction comprises the sale of the agency business for cash consideration of US\$45 million and 100% reinsurance of estimated net technical liabilities, net of deferred insurance costs, for a premium of around US\$300 million. Pending regulatory approval, the transaction is expected to close on 30 September 2015.

On 1 April 2015, the Issuer completed the sale to Steadfast Group Limited of the Australian agency businesses of CHU Underwriting Agencies Pty Limited, Corporate Underwriting Agencies Pty Limited and Underwriting Agencies of Australia Pty Ltd for an up-front cash consideration of US\$220 million. On 2 February 2015, the Issuer completed the sale of some of its North American agency businesses to Alliant Insurance Services. The sale of Community Association Underwriters, Deep South and SIU gave rise to an up-front cash consideration of US\$230 million and an additional performance based earn out of up to US\$83 million. Each of the dispositions included the giving of representations, warranties and undertakings to the purchasers which may give rise to liabilities in the future.

There can be no assurance that any future disposition or acquisition will provide the Group with the benefits that it anticipates when entering into the transaction. The Group's failure to adequately address these acquisition and disposition risks could materially adversely affect its liquidity, results of operations, ratings and financial condition.

Accounting estimates and judgements

When preparing its financial statements QBE is required to make judgements and estimates in the determination of the carrying values of assets and liabilities. There is a risk that these judgements and estimates may be incorrect or that over time the valuations of the assets and liabilities develop differently to the judgements or estimates.

Intangible assets

QBE monitors goodwill and identifiable intangible assets for indicators of impairment at each balance date.

As at 30 June 2015, QBE reviewed all material intangibles for indicators of impairment, consistent with the Group's policy and the requirements of the relevant standard.

Noting the limited headroom (being the excess of recoverable value over carrying value) in respect of the year end 2014 valuation of goodwill in North American Operations, a detailed impairment test was completed at 30 June 2015 for this asset. Although the latest impairment testing indicated that the headroom at the balance date increased to US\$266 million compared with US\$158 million at 31 December 2014, the valuation continues to be highly sensitive to a range of assumptions, in particular, to increases in the forecast combined operating ratio used in the terminal value calculation and changes in discount rate and long-term investment return assumptions.

As at 31 December 2014, following management's review of expected future cash flows, a US\$55 million impairment charge was recognized in relation to intangibles in North American Operations and Emerging Markets.

Recoverability of deferred tax assets (DTA)

At 30 June 2015, a deferred tax asset of US\$573 million was recognised in the North American Operations' balance sheet. Uncertainty exists in relation to the recoverability of this DTA, which is subject to there being sufficient future taxable profits over the period of time in which the losses can be utilised. QBE has made a judgement that North American Operations will generate sufficient taxable profits in future, based on future business plans. Losses expire over the next 19 years, with the majority expiring between 2030 and 2034. The uncertainty around recognition of the DTAs will be resolved in future years assuming that taxable profits are generated. Valuation of the DTA is sensitive to changes in the forecast combined operating ratio, premium growth and investment yields, as these assumptions are the key determinants of future taxable income.

The Group's financial results are affected by changes in exchange rates

The Group's financial statements are presented in US Dollars. As such, a stronger US Dollar against the major currencies will have a negative impact on the Group's reported revenue and profit and conversely a weaker US Dollar will increase the Group's reported revenue and profit. For the six months ended 30 June 2015, approximately 47% of the Group's gross written premium was in US Dollars, 22% of gross written premium was in Australian Dollars and 12% of gross written premium was in pounds sterling. For the year ended 31 December 2014, approximately 44% of the Group's gross written premium was in US Dollars, 27% of gross written premium was in Australian Dollars and 10% of gross written premium was in pounds sterling. Although the Group's policy is to carefully manage its exposure to foreign currencies through matching of assets and liabilities in local currencies, it is still exposed to exchange rate risk in its financial reporting. Insofar as the Group is unable to hedge exposure to non-US currencies, its reported profit or foreign currency translation reserve would be affected.

Income and expense items of the consolidated Group's foreign operations with a non-US Dollar presentation currency are translated to the Group's US Dollar presentation currency using the cumulative average rate of exchange for that period. On this basis, the US Dollar appreciated 8% against Sterling, 14% against the Australian Dollar and 18% against the Euro in the six months ended 30 June 2015 compared with the six months ended 30 June 2014. The US Dollar appreciated 5% against Sterling, while depreciating 6% against the Australian Dollar and 0.8% against the Euro in the year ended 31 December 2014 compared with the year ended 31 December 2013. Balance sheet items of the Group and its foreign operations that have a non-US Dollar functional currency are translated at the period end rate of exchange. On this basis, the US Dollar at 30 June 2015 appreciated 6% against the Australian Dollar and 9% against the Euro while depreciating 1% against Sterling compared with the closing exchange rates at 31 December 2014 and the US Dollar at 31 December 2014 depreciated 8% against the Australian Dollar, 6% against Sterling and 12% against the Euro compared with the closing exchange rates at 31 December 2013.

The Group's financial results are affected by changes in commodity prices

U.S. crop insurance comprises a significant portion of the Group's North American Operations. One feature of crop insurance is that premium rates are impacted by fluctuations in crop prices. More than 80% of crop policies have revenue coverage for any material change in crop prices from planting to harvest and premiums are locked in prior to planting based on average futures trading prices. As a result, the Group's gross written premium for crop business will increase year on year as a result of rising crop prices and decrease when crop prices fall all other things being equal. In addition, the crop insurance business is subsidised significantly by the U.S. Government paying farm insurance subsidies to the agricultural industry. While recent plans to reduce the amount of crop subsidies have not gained support in Congress to date, the Group's crop insurance business could be adversely affected if the U.S. Government were to reduce crop subsidies in the future.

The Group's performance is affected by the cyclical nature of the insurance and reinsurance industries

The Group's performance is affected by changes in economic conditions, both globally and in the particular countries in which it conducts its business. Premium and claim trends in the general insurance and reinsurance markets are cyclical in nature. Furthermore,

the timing and application of these cycles differ among the Group's geographic and product markets. The global pricing landscape has become increasingly competitive. Premium rates are under pressure globally but especially so in Europe, Australia and New Zealand and increasingly in Asia Pacific. Premium rates in North America were flat while Latin American rate increases are consistent with above average inflation. Indicative of the more competitive global pricing environment, the Group's premium rate reductions averaged 1.6% for the six months ended 30 June 2015 compared with increases of 0.7% for the six months ended 30 June 2014. Unpredictable developments also affect the industry's profitability, including changes in competitive conditions and pricing pressures, unforeseen developments in loss trends, market acceptance of new coverages, changes in operating expenses, fluctuations in inflation and interest rates and other changes in investment markets that affect market prices of investments and income from such investments. Fluctuations in the availability of capital also have a significant influence on the cyclical nature of general insurance and reinsurance markets. These cycles influence the demand for and pricing of the Group's products and services and, therefore, affect its financial position, profits and dividends. Accordingly, the Group's results of operations may be adversely impacted if actual experience differs from management's estimates.

Differences between the Group's actual claims experience and underwriting and reserving assumptions may require it to increase its outstanding claims provisions

The Group's earnings depend significantly upon the extent to which its actual claims experience is consistent with the assumptions it uses in setting the prices for its products, the pricing and capital models and forecasting techniques it uses to analyse and estimate loss trends and the provisions it establishes for its obligations to pay claims. Establishing provisions is an imprecise science, dependent upon the accuracy of the assessment of the underlying risks and subject to both internal and external variables. Due to the high degree of uncertainty associated with the determination of claims provisions, the Group cannot determine precisely the amounts that it will ultimately pay to settle these claims. Such amounts may vary from the estimated amounts, particularly when those payments may not occur until well into the future, as with the Group's long-tail classes of insurance business, when its claims provisions increase to the extent risk-free discount rates decrease, or when claims are paid, on average, more quickly than it originally assumed. In addition, modelled results may differ materially from the Group's actual experience. The Group evaluates its provisions periodically, factoring in any changes in the assumptions used to establish the provisions, as well as its claims experience. If the provisions the Group originally establishes prove inadequate, it would have to increase its provisions, which could have a material adverse effect on its businesses, financial condition and results of operations.

For the six months ended 30 June 2015, net claims incurred for the period included favourable prior year net undiscounted central estimate development of US\$69 million compared with a charge of US\$131 million for the six months ended 30 June 2014. Excluding the Argentine workers' compensation business, which was sold on 10 August 2015, there was favourable prior period development of US\$79 million, compared with a charge of US\$16 million for the six months ended 30 June 2014. During the current period, European Operations and Australia & New Zealand Operations recorded positive claims development, which was partially offset by modest negative development in North America and a reduction in the estimated recovery from our Group aggregate risk treaty which mainly impacted Equator Re.

Net claims incurred for 2014 included prior year net undiscounted central estimate development of US\$1 million compared with US\$552 million in 2013. During 2014, the Italian and Spanish medical malpractice claims reserves were successfully reinsured, thereby reducing the volatility in the net claims central estimate.

The Group also holds risk margins to mitigate the potential uncertainty inherent in the net discounted central estimate of outstanding claims. Net claims incurred for the six months ended 30 June 2015 included a risk margin release of US\$14 million compared with a US\$56 million release in the prior period. The probability of adequacy of net outstanding claims liabilities increased to 89.0% from 88.7% at 31 December 2014. Net claims incurred for 2014 included a release of US\$184 million compared with a charge of US\$266 million in 2013. The probability of adequacy at 31 December 2014 was 88.7% compared with 90.7% a year earlier, reflecting the reduced uncertainty in the Group's net discounted central estimate.

There can be no assurance that the ultimate claims cost will not materially exceed the Group's provisions and will not have a material adverse effect on its businesses, financial condition and results of operations.

The Group operates in a highly competitive industry

There is substantial competition among general insurance and reinsurance companies in Australia, the United Kingdom, the U.S. and the other jurisdictions in which the Group does business. The Group competes with general insurers and reinsurers many of whom have greater financial and marketing resources and greater name recognition than the Group has.

The Group is dependent on its ability to reinsure risks

A general insurance company will usually attempt to limit its risks in particular lines of business or from specific events by using outward reinsurance arrangements. The Group enters into a significant number of reinsurance contracts to limit its risk. Under these arrangements, other reinsurers assume a portion of the claims and related expenses in connection with insurance policies the Group

writes. The availability, amount and cost of reinsurance depend on prevailing market conditions, in terms of price and available capacity, which may vary significantly.

The Group has stringent controls with respect to the external reinsurers with which it does business, but there are risks associated with the determination of the appropriate levels of reinsurance protection, matching of reinsurance to underlying policies, the cost of such reinsurance and the financial security of such reinsurers.

The Issuer's wholly-owned subsidiary, Equator Re, a Bermuda corporation, provides both excess of loss and proportional reinsurance protections for the Issuer's operating subsidiaries globally. Equator Re also participates on a number of the Group's excess of loss reinsurance protections placed with external reinsurers. Since 2007, Equator Re has significantly increased its participation on excess of loss protections for the Issuer's insurance subsidiaries which would otherwise have been placed in the external markets.

While the Group significantly enhanced its reinsurance structures in 2015 including the purchase of crop quota share to reduce hail exposure and, most notably, a new aggregate treaty for Group large risk and catastrophe claims, there can be no assurance regarding the adequacy of its current reinsurance or retrocessional coverage or the future availability of coverage at adequate rates and levels for its external reinsurance arrangements. In the event that adequate reinsurance capacity at acceptable rates becomes unavailable, the Group would attempt to reduce its exposures to within available reinsurance capacity or acceptable levels of insurance risk; however, the Group may not be successful and it may remain exposed to certain risks unless and until this reduction could be completed.

Ceding of risk to the Group's reinsurers does not relieve it of its primary liability to its insured. Accordingly, the Group is subject to credit risk with respect to its reinsurers. Although the Group initially places its reinsurance with reinsurers that it believes to be financially stable, this may change adversely by the time recoveries are due, which could be many years later. A reinsurer's failure to make payment under the terms of a significant reinsurance contract would have a material adverse effect on the Group's businesses, financial condition and results of operations. In addition, after making large claims on the Group's reinsurers, it may have to pay substantial reinstatement premiums to continue reinsurance cover.

There are risks associated with the Group's inward reinsurance business

In addition to purchasing reinsurance coverage, the Group (primarily through its European and North American Operations and Lloyd's syndicates) provides reinsurance coverage for third-party insurance company cedants. Due to various factors, including reliance on ceding company information concerning the underlying risks, reporting delays and the cyclical nature of reinsurance rates, the Group's inward reinsurance business may be more volatile and present greater risks than its primary insurance business, especially for cover given in respect of catastrophes.

Changes in government policy, regulation or legislation in the countries in which the Group operates may affect its profitability

The Group is subject to extensive regulation and supervision in the jurisdictions in which it does business. This includes, by way of example, matters relating to licensing and examination, rate setting, trade practices, policy reforms, limitations on the nature and amount of certain investments, underwriting and claims practices, mandated participation in shared markets and guarantee funds, adequacy of the Group's claims provisions, capital and surplus requirements, insurer solvency, transactions between affiliates, the amount of dividends that may be paid and underwriting standards. Such regulation and supervision is primarily for the benefit and protection of policyholders and not for the benefit of investors or shareholders. In some cases, regulation in one country may affect business operations in another country. As the amount and complexity of these regulations increase, so will the cost of compliance and the risk of non-compliance. If the Group does not meet regulatory or other requirements, it may suffer penalties including fines, suspension or cancellation of its insurance licenses which could adversely affect its ability to do business. In addition, significant regulatory action against the Group could have material adverse financial effects, cause significant reputational harm or harm its business prospects.

The Group is experiencing and the Issuer expects the Group to continue to experience a number of changes in regulation in certain markets in which the Group does business, including in the Australian, United Kingdom and United States markets. Regulatory changes are currently occurring across the financial, regulatory and supervisory landscape. Of particular focus are changes to capital requirements, reinsurance requirements, corporate governance, risk management and the admissibility of assets. As a result, the Group's executive management is, and the Issuer expects the Group will continue to be, increasingly required to spend significantly more time on compliance matters. Therefore, the Issuer expects the cost of regulatory compliance and supervision in many of the Group's markets to increase.

In Europe, the implementation of the Solvency II directive has been delayed by several years. Following a decision of the Council of the European Union in December 2013, Solvency II (as amended by the Omnibus II Directive) was required to be transposed into national law in the Member States by 31 March 2015 and implemented by firms by 1 January 2016. Eight Member States had transposed the directive as at 31 March 2015, with the majority of Member States expected to be ready to implement the directive by 1 January 2016 (fifteen member states expect to complete the process during the second half of 2015 with six unable to indicate a firm transposition date). Certain areas of Solvency II, such as risk management and governance arrangements are being introduced in advance of 1 January 2016. Solvency II is one of the major regulatory developments facing the market in Europe. Its risk-based solvency framework is designed to link business strategies, risk management and governance to an insurer's required capital. It also

includes group supervision as a key concept. The directive provides a framework with further detail set out in secondary instruments. In March 2015, the European Commission adopted the first set of Solvency II implementing regulations laying down implementing standards with regard to the supervisory approval procedures for a range of technical matters. It is anticipated that in the third quarter of 2015, publication of the second set of Solvency II Guidelines will take place followed by the “comply or explain” exercise in individual member states. The remainder of the secondary instruments are still subject to negotiation and are expected to be agreed before 1 January 2016. Transitional arrangements are currently expected in relation to aspects of the directive. At this stage, uncertainty regarding the final outcome of Solvency II remains (although recent developments have provided clarity on the overall timetable for implementation), and it is difficult to accurately predict how the regulations resulting from such initiatives and proposals will ultimately affect the insurance industry generally or our results of operations, financial condition and liquidity.

Although there is still some residual uncertainty around the Solvency II regime, it will allow insurers and reinsurers in the European market to make use of internal economic capital models when calculating their capital requirements, provided the prior approval of the relevant regulator has been obtained. In accordance with the internal model approval process being run in parallel in a number of Member States, the European operation of the Issuer is seeking the approval of the Prudential Regulation Authority of the United Kingdom to enable it to make use of an internal capital model. If this is not approved, it is likely that the overall regulatory capital requirements of the Issuer’s European operations would increase.

The implementation of Solvency II may lead to increases in the Issuer’s capital requirements for its European operations. In addition, following the implementation of Solvency II, regulators may continue to issue guidance and other interpretations of applicable requirements, which could require further adjustments by the Issuer in the future.

A failure by the Issuer to implement the measures required by Solvency II in its European operations in a timely manner could also lead to regulatory action and have a material adverse effect on the Issuer’s business, results of operations and financial condition.

In Australia, APRA completed a process of refinement to the general insurance prudential framework in 2008 which reflected APRA’s intention to treat, in principle, any general insurance group as one economic entity. New prudential standards relating to capital for “Level 1” individual insurers and “Level 2” insurance groups commenced on 1 January 2013. These standards introduce a common framework for required capital and eligible capital across general insurers and life insurers. APRA’s intention is to make its capital requirements more risk-sensitive and to improve the alignment of its capital standards across the industries it regulates.

APRA has extended the current prudential supervision framework to Level 3 conglomerate groups to protect individual entities from contagion risks associated with conglomerate group membership. The Group is not currently regulated on a Level 3 basis. A change in the composition of the Group or in APRA’s approach to regulation of conglomerate groups may result in increased costs to the Group.

In September 2012, the Australian Federal Government proposed a major strengthening of APRA’s crisis management powers and other amendments to the Insurance Act and other legislation, including broadening APRA’s powers to enable a judicial manager to be appointed in respect of a non-operating holding company (“**NOHC**”) and its subsidiaries, or alternatively, a statutory manager to be appointed in respect of an insurer, a NOHC, and subsidiaries of the NOHC or insurer and enhancing and strengthening APRA’s direction-making powers over NOHCs and related entities, including in a receivership or liquidation situation. Submissions on the consultation paper closed on 14 December 2012. The Financial System Inquiry (“**FSI**”) final report released in December 2014 supported progressing the proposed reforms subject to further consultation. The Federal Government has not yet provided any indication of the time frame within which any reforms would be implemented following the consultation.

The Australian Federal Government’s FSI released its final report in December 2014. The FSI was charged with examining how Australia’s financial system could be positioned to best meet the country’s evolving needs and support its economic growth. Whilst the final report made 44 recommendations in respect of the Australian financial system, the FSI did not see a compelling case for further changing stability settings in the insurance sector. The Australian Federal Government also completed a Review of Competition Policy to ensure an effective competition framework that promotes a strong and innovative business sector and better outcomes for consumers across the Australian economy. The final report was released on 31 March 2015. The report made numerous recommendations, the most significant of which was a shift from a “purpose” test to a test of purpose, effect or likely effect of substantial lessening of competition. The implementation of any recommendations from these reviews will ultimately be a decision for the Federal Government and its agencies.

The United States has experienced the most sweeping change to financial regulation in over 70 years, which will impact all federally regulated financial agencies and almost every aspect of the financial services industry. New laws have been enacted to promote financial stability, improve accountability and transparency and curtail the use of governmental bailouts for entities “too big to fail”. One of the new initiatives, the Dodd-Frank Act, was signed into law by President Obama on 21 July 2010. The Dodd-Frank Act represents a comprehensive overhaul of the financial services industry within the United States and establishes a Federal Insurance Office (“**FIO**”) under the U.S. Treasury Department to monitor all aspects of the insurance industry and of lines of business other than certain health insurance, certain long-term care insurance and crop insurance. The director of the FIO will have the ability to recommend that an insurance company or an insurance holding company deemed “too big to fail” or that is “systemically significant” be subject to heightened prudential standards. The Dodd-Frank Act also provides for the pre-emption of state laws in certain instances involving the regulation of reinsurance and other limited insurance matters and established the federal Bureau of Consumer Financial

Protection (the “CFPB”) which will require the CFPB and other federal agencies to implement many new rules. In addition, the U.S. National Association of Insurance Commissioners, as part of its solvency modernisation initiative is promulgating changes that will expand the authority and focus of state insurance regulators to encompass U.S. insurance holding company systems at the group level. The changes introduce the concept of enterprise risk for U.S. insurers and also impose extensive informational requirements on insurance groups. Under the changes, U.S. state regulators will be granted explicit authority to examine not only local insurers, but also their affiliates in order to assess contagion risk. The Dodd-Frank Act also generally requires all agreements or arrangements that fall within the ‘swap’ or ‘security-based swap’ definitions in the Dodd-Frank Act to be traded on an exchange or regulated swap execution facility and to be centrally cleared through regulated central clearinghouses, unless an exemption is available, which exemptions include an exemption for transactions not accepted for trading or central clearing. The requirement to exchange trade and centrally clear swap and security-based swap transactions, as well as the CFTC and SEC rules implementing the provisions of the Dodd-Frank Act, may adversely affect the Group’s ability to engage in various derivatives transactions of the type the Group have found useful due to the added costs of such transactions.

In addition, the Group may be adversely affected by changes in government policy or legislation applying to companies in the insurance industry. These include possible changes in regulations covering pricing and benefit payments for certain statutory classes of business (e.g., the removal of the ability to use gender in pricing of insurance in the EU, CTP and workers’ compensation in Australia and employers’ liability in the United Kingdom), the deregulation and nationalisation of certain classes of business, the regulation of selling practices, the regulations covering policy terms and the imposition of new taxes and assessments or increases in existing taxes and assessments. Regulatory changes may affect the Group’s existing and future businesses by, for example, causing customers to cancel or not renew existing policies or requiring it to change its range of products or to provide certain products (such as terrorism or flood cover where it is not already required) and services, redesign its technology or other systems, retrain its staff, pay increased tax or incur other costs. It is not possible to determine what changes in government policy or legislation will be adopted in any jurisdiction and, if so, what form they will take or in what jurisdictions they may occur. Insurance laws or regulations that are adopted or amended may be more restrictive than the Group’s current requirements, may result in higher costs or limit its growth or otherwise adversely affect its operations.

A downgrade in ratings may negatively impact business and borrowing in the capital markets

The Group’s insurer financial strength ratings are important factors in establishing and maintaining the Group’s competitive position.

A majority of the Issuer’s significant insurance and reinsurance subsidiaries have been assigned an “A+” Financial Strength Rating by each of S&P and Fitch. These ratings were affirmed on 27 May 2015 and 29 July 2015 respectively.

The Issuer’s main insurance and reinsurance subsidiaries in the United States and in Europe have been assigned an “A (Excellent)” Financial Strength Rating by A.M. Best. This rating was affirmed on 15 January 2015.

The Issuer has been assigned an “A-” (Issuer Credit), “Baa2” (Issuer Debt), “A-” (Issuer Default) and “bbb” (Issuer Credit) rating by each of S&P, Moody’s, Fitch and A.M. Best, respectively.

In April 2013, Moody’s downgraded the Issuer and senior unsecured debt ratings of the Issuer to “Baa1” from “A3”, with a negative outlook and in December 2013 following the issue of a profits downgrade by the Group revised those ratings to “Baa2” from “Baa1”. According to Moody’s, the latter downgrade reflected the Group’s weakened profitability, internal capital generation and debt service coverage measures. The rating action also reflected the likelihood of lower prospective profitability from the Group’s North American Operations, and still elevated financial and operational leverage considered on both a nominal and tangible basis, with slower deleveraging at the parent than anticipated. In August 2014, following announcement of the Group’s half year results and capital initiatives, Moody’s commented that the capital plan is credit positive.

After the Issuer’s substantial strengthening of its capital base during 2014, A.M. Best, S&P and Fitch revised their rating outlooks on the Issuer from negative to stable on 15 January 2015, 27 May 2015 and 29 July 2015 respectively. Further, on 24 August 2015, Moody’s placed the Issuer’s ratings on review for a possible upgrade.

The rating agencies regularly review the Issuer’s rating and the ratings of its main insurance and reinsurance subsidiaries. Rating agencies may change their methodology or requirements for determining ratings, or they may become more conservative in assigning ratings. Rating agencies or regulators may also increase capital requirements for the Issuer and its subsidiaries.

In May 2013, S&P revised the issuer credit rating for the Issuer, a non-operating holding company, to “A-” due to an amendment to the rating criteria used by it in assigning ratings in the insurance industry. It changed the number of notches it deducts for non-operating insurance holding companies for non-U.S. groups from one notch below their core operating subsidiaries to two notches below their core operating subsidiaries. The Issuer, as a non-operating insurance holding company, had its credit rating (which was one notch below its core operating subsidiaries), reduced to “A-”, two notches below its core operating subsidiaries. The Group’s ratings could also be negatively affected by other amendments to the rating agencies’ criteria.

Future downgrades in the ratings of any of the Issuer’s insurance or reinsurance subsidiaries (or the potential for such a downgrade) could, among other things, materially increase the number of policy cancellations and non-renewals, adversely affect relationships

with the distributors of the Group's products and services, including new sales of its products, and negatively impact the level of its premiums and adversely affect the its ability to obtain reinsurance at reasonable prices or at all.

If one or more of the Group's debt ratings were downgraded, the Group could also incur higher borrowing costs, and the Group's ability to access the capital markets could be impacted. In addition, a further downgrade by Moody's could result in the renegotiation, and possible termination, of some of the Group's short term finance facilities. This could adversely affect the Group's businesses, financial condition, results of operations and its cost of capital.

The Group's extensive international operations subject it to various risks

The Group operates in 38 countries around the world and continually assesses opportunities to expand its operations. Even though the Issuer typically has management and shareholder control of its non-Australian affiliates, the Group is subject to the attendant risks of doing business in many foreign countries such as:

- political instability;
- difficulties in enforcing the Group's rights;
- changes in foreign regulation or their interpretation or enforcement;
- unstable economic conditions;
- foreign taxes;
- adverse currency fluctuations; and
- lack of experience in new markets.

Failure to retain the Group's senior management team and execute its succession plan could harm its business and operations

The Group does not have key person insurance on any personnel. If the Issuer were to lose the services of John Neal, who is the Group chief executive officer, or other executive officers, such losses could have a material adverse effect on the Group's business.

The Group's financial success and development are also dependent upon its ability to hire additional personnel as necessary to meet its management, underwriting, investment, administration and other needs. Although the Issuer believes that, to date, the Group has been successful in attracting and obtaining the highly qualified professionals it requires, there can be no assurance that it will continue to be successful in this regard.

The Group relies on its insurance agents and brokers

The Group primarily distributes its products through third party-owned insurance agents and brokers. Even though it is not reliant on any individual distribution outlet, the failure, inability or unwillingness of third party-owned insurance agents and brokers to successfully market its insurance products could have a material adverse effect on its businesses, financial condition and results of operations. Third party-owned brokers and insurance agents are not obligated to promote the Group's insurance products and third party-owned agents and brokers may sell competitors' insurance products. As a result, the Group's business depends to a significant extent on its relationships with agents and brokers, the marketing efforts of those agents and brokers and its ability to offer insurance products and services that meet the requirements of the clients and customers of those agents and brokers.

Significant legal proceedings, litigation and regulatory actions may adversely affect the Group's business, financial condition and results of operations

From time to time, the Group may be subject to a variety of legal and regulatory actions relating to its current and past business operations, including, but not limited to:

- actions by regulatory authorities that may challenge the Group's ability to increase or maintain its premium rates, require it to reduce premium rates, impose fines or penalties and/or result in other fees;
- disputes regarding its lender-placed insurance products, including those relating to rates, agent compensation, consumer disclosure, continuous coverage requirements, loan tracking services and other services that it provides to mortgage servicers;
- disputes over coverage or claims adjudication;
- disputes over its treatment of claims;
- disputes with tax and insurance authorities regarding its tax liabilities;
- disputes relating to customers' claims that the customer was not aware of the full cost or existence of the insurance or limitations on insurance coverage;

- industry-wide investigations regarding business practices including, but not limited to, the use and the marketing of certain types of insurance policies or certificates of insurance; and
- class actions in respect of its operations or its continuous disclosure obligations to its investors.

On 9 September 2015, Money Max Int Pty Ltd as trustee for the Goldie Superannuation Fund commenced a representative proceeding against the Issuer in the Federal Court in Melbourne. The proceeding has been brought by the representative applicant on its own behalf and on behalf of other persons who at some time during the period 20 August 2013 to 6 December 2013 acquired an interest in ordinary fully-paid shares in the Issuer. The proceeding asserts that the Issuer failed to comply with its continuous disclosure obligations and engaged in false and misleading conduct in the lead up to the revised profit guidance released to the market by QBE on 9 December 2013. The Issuer intends to defend these allegations.

The Group relies to a significant degree on its computer systems

The Group relies to a significant degree on its computer systems in its daily operations, as well as in calculating underwriting risks, and incurs considerable expense on systems development and maintenance. The Group is exposed to a number of systems risks, including:

- complete or partial failure of the computer systems;
- lost or impaired functionality of the computer systems;
- temporary and/or intermittent failure of the computer systems;
- lack of capacity;
- system integration; and
- lack of experienced staff to maintain systems, including legacy systems.

The above events may cause a loss of customers, damage to the Group's reputation and significant remediation costs, resulting in a material adverse effect on its businesses, financial condition and results of operations.

System security risks, data protection breaches and cyber-attacks could adversely affect the Group's business and results of operations

The Group's information technology systems are vulnerable to threats from computer viruses, natural disasters, unauthorised access, cyber attack and other similar disruptions. Although the Group has network security measures in place, experienced computer programmers and hackers may be able to penetrate its network and misappropriate or compromise confidential information, create system disruptions or cause shutdowns. As an insurer, the Group receives and is required to protect confidential information of customers, vendors and other third parties that may include financial information. To the extent any disruption or security breach results in a loss or damage to the Group's data, or inappropriate disclosure of its confidential information or that of others, it could cause significant damage to the Group's reputation, affect its relationships with its customers and clients, lead to claims against it, result in regulatory action and ultimately harm its business. In addition, the Group may be required to incur significant costs to mitigate the damage caused by any security breach, or to protect against future damage.

The Group's risk management policies and procedures may leave it exposed to unidentified or unanticipated risk, which could negatively affect its business

The Group has devoted significant resources to developing its risk management policies and procedures and expects to continue to do so in the future. Nonetheless, its policies and procedures may not be fully effective. Many of its methods for managing risk and exposures are based upon the use of observed historical market behaviour or statistics based on historical models. As a result, these methods may not predict future exposures, which could be significantly greater than the Group's historical measures indicate. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or otherwise accessible to the Group. This information may not always be accurate, complete, up-to-date or properly evaluated.

Investment Risk

A substantial proportion of the Issuer's profits are generated from its investment portfolio. While the Issuer's general strategic policy on investments is to reduce the risk to shareholders by investing conservatively in high quality fixed interest securities and having a relatively modest exposure to equity investments (and modestly increasing its exposure to higher growth assets) its investment portfolio is naturally subject to market forces. During 2014, the Issuer set out plans to enhance the investment yield. This was to be achieved primarily through three actions (i) increasing exposure to growth assets, (ii) extending the duration of assets over the medium term to more closely match the duration of liabilities and pick up extra yield; and (iii) by further diversification of the fixed income credit exposure. For the period ended 30 June 2015, the Issuer's net investment yield on policyholders' funds was 3.0% (an increase of 0.2% as against 2.8% for the 6 months ending 30 June 2014) with net investment yield on shareholders' funds of 2.9% (an increase of

0.3% as against 2.6% for the 6 months ending 30 June 2014). Global debt and equity markets have experienced historic levels of volatility and the outlook remains relatively uncertain. Any declines in the value of fixed income instruments, declines in equity markets, or changes in interest or foreign exchange rates could materially adversely affect the Issuer's investment income. There can be no guarantee that investment returns achieved in the first half of 2015 will be sustained thereafter.

RISKS RELATING TO THE SUBORDINATED NOTES

Subordinated Notes may not be a suitable investment for all investors

The Subordinated Notes will constitute subordinated, unsecured obligations of the Issuer. An investor in Subordinated Notes relies on the creditworthiness of the Issuer and no other person. The Subordinated Notes are not guaranteed or insured by any government, Government Agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, or by any of the Issuer's subsidiaries or by any other person. Investment in the Subordinated Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the Subordinated Notes.

Each potential investor in any Subordinated Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes (and the Ordinary Shares which may be issued on Conversion of the Subordinated Notes), the merits and risks of investing in the Subordinated Notes and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement to this Information Memorandum;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Subordinated Notes and the impact the Subordinated Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes, including where the currency for payments in respect of the Subordinated Notes is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Subordinated Notes and the Available Documents and be familiar with the behaviour of any relevant interest rates and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Subordinated Notes are complex financial instruments and are not a suitable investment for all investors. In particular, the Subordinated Notes are not intended to be promoted, offered, distributed and/or sold to retail investors. A potential investor should not invest in Subordinated Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Subordinated Notes will perform under changing conditions, the resulting effects on the value of the Subordinated Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Payments are subject to satisfaction of the Solvency Condition and the Issuer's right to defer due date for payment

When the Issuer is not in a Winding-Up in Australia, all of the Issuer's obligations to make payments in respect of the Subordinated Notes are subject to the Solvency Condition being satisfied.

If the Solvency Condition is not satisfied in respect of any payment (that is, if the Issuer is not able to pay all its debts as they become due and payable, or the Issuer's assets do not exceed its liabilities, both at the time the relevant payment would otherwise fall due or immediately after making the payment), no payment will be made in respect of the Subordinated Notes. The Issuer's failure to pay in such circumstances will not be an Event of Default. Amounts not paid on account of the Solvency Condition will be payable on the first Business Day on which the amount may be paid by the Issuer in compliance with the Solvency Condition.

In addition, the Issuer may elect, on any Optional Interest Payment Date, for any or no reason, to defer the due date for payment of any amount of Interest under the Subordinated Notes to any future date specified by the Issuer (not being later than the Maturity Date). The result of any such deferral is that the relevant payment is not due and, accordingly, no Event of Default will or can occur as a result of the non-payment resulting from such deferral.

Any amount of principal not paid on account of the Solvency Condition will continue to accrue Interest until paid, and interest will accrue on any Deferred Interest and any Interest not paid on account of the Solvency Condition until it is paid unless, in each case, the Subordinated Notes are Converted or Written-Off prior to the unpaid amount being paid. However, if a Non-Viability Trigger Event occurs, to the extent that Subordinated Notes are required to be Converted to Ordinary Shares or Written-Off (as more fully described in the section entitled *Risk Factors—Risk of mandatory Conversion or Write-Off on account of the non-viability of the Issuer* below), all of the Issuer's obligations to make payments in respect of the Subordinated Notes (including in respect of accrued but unpaid interest) will cease and Holders will have no rights to recover any unpaid amounts.

Any deferral of Interest payments is likely to have an adverse effect on the market price of the Subordinated Notes. In addition, as a result of the Payment Deferral Provisions of the Subordinated Notes, the market price of the Subordinated Notes may be more volatile than the market prices of other debt securities which were issued at an original issue discount or in respect of which interest accrues and which are not subject to such deferrals. The market price of the Subordinated Notes may also be more sensitive generally to adverse changes in the Issuer's financial condition than other debt securities which are not subject to such deferrals.

Risk of mandatory Conversion or Write-Off on account of the non-viability of the Issuer

Under the Conditions, the Subordinated Notes are subject to mandatory conversion into Ordinary Shares in the capital of the Issuer or Write-Off if a Non-Viability Trigger Event occurs.

Occurrence of a Non-Viability Trigger Event

A Non-Viability Trigger Event occurs when APRA has provided a written determination to the Issuer that the conversion or write-off of certain Relevant Capital Instruments is necessary because (i) without the conversion or write-off, APRA considers that the Issuer would become non-viable or (ii) without a public sector injection of capital into, or equivalent capital support with respect to the Issuer, APRA considers that the Issuer would become non-viable. Potential investors should consider Conditions 6 and 7 where the Non-Viability Trigger Event and related provisions are set out.

It is a requirement under APRA's prudential standards that any term subordinated debt, in order to be eligible for inclusion as regulatory capital, contain provisions for conversion or write-off in the event of non-viability.

The prudential standards do not define non-viability and APRA has not provided any guidance on how it would determine non-viability. Non-viability could be expected to include a serious impairment of the Issuer's financial position and insolvency. However, it is possible that APRA's view of non-viability may not be confined to solvency or capital measures and APRA's position on these matters may change over time. As the occurrence of a Non-Viability Trigger Event is at the discretion of APRA, there can be no assurance as to the factors and circumstances that might give rise to such an event. Non-viability may be significantly impacted by a number of factors, including factors which impact the business, operation and financial condition of the Issuer, such as systemic and non-systemic macro-economic, environmental and operational factors.

A Non-Viability Trigger Event could occur at any time. It could occur on dates not previously contemplated by investors or which may be unfavourable in light of then prevailing market conditions or investors' individual circumstances or timing preferences.

Conversion or write-off of Relevant Capital Instruments

On a Non-Viability Conversion Date, where APRA provides a written determination to the Issuer that conversion or write-off of Relevant Capital Instruments in accordance with their terms or by operation of law is necessary because:

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

the Issuer will be required:

- (c) where (b) above applies, to convert immediately and irrevocably all of the nominal amount of all (but not some only) of the Subordinated Notes into Ordinary Shares; or
- (d) where (a) above applies, if APRA is satisfied that the conversion or write-off of less than all Relevant Capital Instruments (which term includes the Subordinated Notes) will be sufficient to ensure that that the Issuer does not become non-viable:
 - i. first to procure the conversion or write-off of all Relevant Tier 1 Capital Instruments before Conversion of the Subordinated Notes; and,
 - ii. second, if conversion or write-off of Relevant Tier 1 Capital Instruments is less than the amount sufficient to satisfy APRA that the Issuer would not become non-viable, to Convert Subordinated Notes and convert or procure the conversion or write-off of other Relevant Tier 2 Capital Instruments in an aggregate principal amount which, when added to the aggregate nominal amount of Relevant Tier 1 Capital Instruments converted or written-off, will satisfy APRA that the Issuer would not become non-viable (which amount may include some or all of the nominal amount of some or all of the Subordinated Notes); and
- (e) alternatively, in either case, if, for any reason (including, without limitation, an Inability Event), the conversion has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date, to Write-Off and immediately and irrevocably terminate that part of those Subordinated Notes which have not, for any reason, been converted into Ordinary Shares.

Potential investors in Subordinated Notes should understand that the Group has on issue US\$1 billion of subordinated debt securities due 24 May 2041 (the “**USD Subordinated Notes due 2041**”), £325 million of subordinated debt securities due 24 May 2041 (the “**GBP Subordinated Notes due 2041**”), £300 million of perpetual capital securities, US\$550 million of perpetual capital securities and US\$700 million of subordinated notes due 2044 (“**USD Subordinated Notes due 2044**”) (“**Existing Securities**”). Existing Securities which were issued prior to the above prudential requirements (being all the Existing Securities other than the USD Subordinated Notes due 2044) will not, in the event of the occurrence of a Non-Viability Trigger Event, be required to be written-off or converted in accordance with their terms or by operation of law. Accordingly, the Subordinated Notes may be Converted or Written-Off before any such instruments (notwithstanding that claims of holders of such instruments may, in the Winding-Up of the Issuer, rank junior or equally with the claims of Holders). Holders of the Subordinated Notes are therefore likely to be in a worse position in the event of the occurrence of a Non-Viability Trigger Event than holders of Existing Securities (other than the USD Subordinated Notes due 2044). The Issuer has no obligation to issue or keep on issue other Relevant Capital Instruments.

Whilst the Conditions provide that, in the circumstances described above, Relevant Tier 1 Capital Instruments are to be converted or written-off prior to conversion or write-off of the Subordinated Notes and other Relevant Tier 2 Capital Instruments, potential investors should be aware that the Issuer has no Relevant Tier 1 Capital Instruments on issue and has no obligation to issue or keep on issue any Relevant Tier 1 Capital Instruments.

Conversion

Where Subordinated Notes are Converted, investors may receive Ordinary Shares worth significantly less than the principal amount of the investor’s Subordinated Notes.

Potential investors in Subordinated Notes should understand that, if a Non-Viability Trigger Event occurs and Subordinated Notes are Converted into Ordinary Shares, unless, prior to the Non-Viability Conversion Date, an investor 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), investors are obliged to accept the Conversion Number of Ordinary Shares in respect of each Subordinated Note they hold which is required to be Converted, even if they do not consider the Ordinary Shares to be an appropriate investment for them at the time and despite any change in the financial position of the Issuer since the date of issue of the Subordinated Notes or any disruption to the market for Ordinary Shares or to capital markets generally. Investors have no right to elect to have Subordinated Notes Written-Off instead of Converted. If, (a) prior to the Non-Viability Conversion Date, an investor 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); (b) the Subordinated Notes are held by a person which the Issuer believes in good faith may not be a resident of Australia; (c) for any reason (whether or not due to the fault of a Holder) the Issuer has not received any information required by it so as to impede the Issuer issuing the Ordinary Shares to a Holder on the Non-Viability Conversion Date; or (d) a FATCA Withholding is required to be made in respect of the Ordinary Shares issued on the Conversion, the Issuer will, subject to certain conditions, issue the Ordinary Shares to a nominee which will sell the Ordinary Shares and pay the net proceeds to that investor or, in the case of (d) above, deal with those Ordinary Shares in accordance with FATCA. In this situation, investors will have no further rights against the Issuer in relation to the Conversion. The nominee will have no duty to obtain a fair market price in such sale.

Further, the number of Ordinary Shares that an investor will receive on Conversion is calculated in accordance with a formula which provides for a calculation based on a discounted five Trading Days volume weighted average price (“**VWAP**”) but cannot be greater than a Maximum Conversion Number based on 20% of the VWAP during the period of five Trading Days preceding the Issue Date (the “**Issue Date VWAP**”). The Issue Date VWAP is adjusted only for limited corporate actions of the Issuer, namely bonus issues, divisions and similar transactions. The Conditions do not limit the transactions that the Issuer may undertake with respect to its share capital and any such action may increase the risk that Holders receive only the Maximum Conversion Number of Ordinary Shares on Conversion of a Subordinated Note and so adversely affect the position of Holders. Accordingly, an investor in Subordinated Notes may, on Conversion of the Subordinated Notes, receive Ordinary Shares worth significantly less than the nominal amount of the investor’s Subordinated Notes.

To enable the Issuer to issue Ordinary Shares to an investor on Conversion, investors need to have appropriate securities accounts in Australia for the receipt of Ordinary Shares and to provide to the Issuer, no later than the Non-Viability Conversion Date, their name and address and certain security holder account and other details. Investors should understand that a failure to provide this information to the Issuer on time may result in the Issuer issuing the Ordinary Shares to a nominee which will sell the Ordinary Shares and pay the net proceeds to the investors. In this situation, investors will have no further rights against the Issuer in relation to the Conversion. The nominee will have no duty to obtain a fair market price in such sale.

There may be no market in Ordinary Shares received on Conversion and investors may not be able to sell the Ordinary Shares at a price equal to the value of their investment or at all and as a result may suffer loss. The Ordinary Shares may not be able to be sold at prices representing the price ascribed to them in order to determine the Conversion Number of Ordinary Shares to be issued on Conversion. In particular, the price ascribed to the Ordinary Shares in order to determine the Conversion Number will be based on trading which occurred before the occurrence of the Non-Viability Trigger Event, and the occurrence of such an event may have a negative impact on the price at which Ordinary Shares may be sold.

The sale of Ordinary Shares in the Issuer will also be restricted by applicable Australian law, including restrictions under the Corporations Act on the sale of Ordinary Shares to investors within 12 months of their issue (except where certain exemptions apply) on account of the Subordinated Notes and the Ordinary Shares being issued without disclosure by the Issuer as required by the Corporations Act unless the Issuer procures that the Ordinary Shares issued upon Conversion are able to be freely traded, as described in more detail in the section entitled *Risk Factors—Restrictions on holding and trading Ordinary Shares* below. By holding the Subordinated Notes, investors agree under the Conditions not to trade Ordinary Shares issued on Conversion (except where relevant exemptions apply), until the Issuer has taken all actions required under the Corporations Act, other applicable laws and the ASX Listing Rules for the shares to be freely tradeable without further disclosure or action. These restrictions may cause investors to suffer loss.

While the Issuer currently has Ordinary Shares listed on the ASX, the Ordinary Shares issued on Conversion may not be listed, including, for example, if the Issuer is acquired by another entity and delisted, and this may affect the ability of investors to sell Ordinary Shares, as well as the price at which they may be sold. Ordinary Shares are a different type of investment to the Subordinated Notes. Dividends are payable at the absolute discretion of the Issuer and the amount of each dividend is also discretionary. The payment of dividends is also subject to a number of factors including (without limitation) sanctions laws (as to which, see item 1(f) under the section entitled *General Information* below), dividend withholding tax (as to which, see the section entitled *Taxation—Other Australian Tax Matter*, below), other taxes and APRA’s power to object to the payment of a dividend. In a Winding-Up, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of the Issuer. The market price of Ordinary Shares may be more sensitive to changes in the Issuer’s performance, operational issues and other business issues than that of the Subordinated Notes. The constitution of the Issuer (“**Constitution**”) and the Corporations Act set out the rights attaching to Ordinary Shares. Changes to the Corporations Act may vary certain rights attaching to Ordinary Shares. Rights attaching to the Ordinary Shares may also be varied if the Constitution is amended, which may occur if the amendment is approved by the requisite majority of holders of Ordinary Shares in accordance with the processes for amendment set out in the Constitution. For a summary of some of the key rights and liabilities attaching to the Ordinary Shares, see the section entitled *Description of the Ordinary Shares*, below.

In order to comply with increasing regulatory capital requirements imposed by applicable regulations, the Issuer may need to raise additional capital. Further capital raisings by the Issuer (which are not in any way restricted) could result in the dilution of the interests of the Holders.

Write-Off

Investors should also understand that if the Issuer is required to Convert a Subordinated Note but, for any reason, Conversion of that Subordinated Note has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date (including, without limitation, where the Issuer is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of the Issuer in any jurisdiction) or any other reason from Converting Subordinated Notes (an “**Inability Event**”), the Conversion will not occur and the rights of the relevant Holder (including without limitation in respect of the payment of Interest and the Redemption Price) in relation to the Nominal Amount of that Subordinated Note required to be Converted will be written off and immediately and irrevocably terminated with effect on and from the Non-Viability Conversion Date. In this situation, investors will lose some or all of the value of their investment and will not receive any compensation.

Restrictions on holding and trading Ordinary Shares and Subordinated Notes

Mergers, acquisitions and divestments of Australian public companies listed on the ASX (such as the Issuer) are regulated by detailed and comprehensive legislation and the rules and regulations of the ASX.

Under the Corporations Act, a person must not acquire a relevant interest in issued voting shares in an Australian listed company if, broadly, because of the transaction, that person’s or someone else’s voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%, unless those shares are acquired in a manner specifically permitted by law. This restriction also limits the options available to a shareholder wanting to sell a shareholding of more than 20% in an Australian listed company.

Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia, in a state, in a territory or in a region of Australia.

Acquisitions of certain interests (which may include the Subordinated Notes and the Ordinary Shares, or interests therein) in Australian companies by foreign interests are regulated by the Foreign Acquisitions and Takeovers Act 1975 of Australia (“**FATA**”). FATA applies (subject to certain monetary thresholds) to, among other things, any acquisition or issue of shares which results in either:

- (a) a foreign person or foreign-controlled corporation alone or together with any associates being in a position to control 15% or more of the voting power or potential voting power or hold any legal or equitable interest in 15% or more of the issued shares or rights to issued shares in a corporation carrying on an Australian business; or
- (b) two or more foreign persons or foreign-controlled corporations, together with any associates of any of those foreign persons or foreign-controlled corporations being in a position to control 40% or more of the voting power or potential voting power or hold any legal or equitable interest in 40% or more of the issued shares or rights to issued shares in a corporation carrying on an Australian business.

In either of these cases, and in certain other circumstances, the Treasurer of the Commonwealth of Australia (the “**Australian Treasurer**”) may prohibit the acquisition if it would be contrary to the Australian national interest.

There are also specific limitations on the acquisition of a shareholding in an insurance company or the NOHC of an insurance company under the Financial Sector (Shareholdings) Act 1998 of Australia (the “**FSSA**”). Under the FSSA, a person (including a company) must not acquire an interest in an Australian financial sector company where the acquisition would take that person’s voting power (which includes the voting power of the person’s associates) in the financial sector company to more than 15% of the voting power of the financial sector company without first obtaining the Australian Treasurer’s approval. Even if a person has less than 15% of the voting power, the Australian Treasurer has the power to declare that a person has practical control of that company and, by applying for an order from the Federal Court of Australia, may require the person to relinquish that control. The definition of a financial sector company includes non-operating holding companies of authorised insurance companies such as the Issuer.

The Corporations Act also enables persons to compulsorily acquire shares in a company (including Ordinary Shares in the Issuer) in certain circumstances, including where they obtain a relevant interest in 90% or more of the issued voting shares of a company through a takeover bid or other means. A person may also compulsorily acquire shares pursuant to a court order in connection with a scheme of arrangement under the Corporations Act, following approval of the scheme of arrangement by the requisite number of shareholders at a prior vote.

The Australian Takeovers Panel also has the ability to make orders requiring persons to divest interests in shares (including Ordinary Shares in the Issuer), or to seize shares from persons, or restrict voting rights, where the Takeovers Panel (on an application by an interested party) makes a decision that unacceptable circumstances exist in relation to the affairs of a company that warrant the granting of such an order.

The Group operates in, and the Issuer has subsidiaries in, a number of jurisdictions outside Australia. Analogous shareholding or competition laws of those other jurisdictions may also operate to limit the quantum of the interest (including through the holding of Subordinated Notes or Ordinary Shares in the Issuer) that a person may have in a company having subsidiaries in one or more of those jurisdictions.

If any such restriction prevents the Issuer from Converting the Subordinated Notes of a Holder within five Scheduled Trading Days after the Non-Viability Conversion Date, the rights of the Holder in relation to the Nominal Amount of that Subordinated Note required to be Converted will be immediately and irrevocably written-off and terminated, as described more fully in the section entitled *Risk Factors—Write-Off* above.

The restrictions discussed above and other laws (including, but not limited to insolvency laws) may operate to prevent Conversion from occurring. Laws in relation to the subject matter discussed above may also change in the future, and this may increase the likelihood that conversion cannot be effected.

There may be no market in Ordinary Shares received on Conversion and the nominee may not be able to sell the Ordinary Shares at a price equal to the value of the investment made by investors and as a result investors may suffer loss.

The sale of Ordinary Shares in the Issuer may also be restricted by applicable Australian law, including restrictions under the Corporations Act on the sale of Ordinary Shares to investors within 12 months of their issue (except where certain exemptions apply) on account of the Subordinated Notes and the Ordinary Shares being issued without disclosure by the Issuer as required by the Corporations Act.

The Corporations Act prevents securities, such as the Ordinary Shares to be issued on Conversion, from being sold within 12 months of their issue without disclosure (e.g., a prospectus lodged with ASIC) unless the sale is limited to investors to whom disclosure is not required to be made (broadly, professional or sophisticated investors, as defined in the Corporations Act), or unless the Issuer has taken certain steps (such as the lodging of a prospectus with ASIC or a notice complying with section 708A of the Corporations Act

with the ASX) to procure that the Ordinary Shares may be freely traded among investors generally. The Issuer has an obligation under the Conditions to use reasonable endeavours to procure the Ordinary Shares may be freely traded on the ASX without further action by the Holder (or person to whom the Ordinary Shares are issued). However, if the Issuer fails to take such action, or despite the Issuer's reasonable endeavours the Ordinary Shares are not made freely tradeable on the ASX, Ordinary Shares issued on Conversion will be restricted from being sold within 12 months of their issue other than to professional and to sophisticated investors.

The sale or purchase of Ordinary Shares and Subordinated Notes may also be restricted where one or more of the seller and the purchaser of those Ordinary Shares or Subordinated Notes are in possession of "inside information", that is, information that is not generally available and which a reasonable person would expect that information to have a material effect on the price of value of the Ordinary Shares.

The Issuer's obligation to use reasonable endeavours to procure free tradeability of the Ordinary Shares does not extend to restrictions (such as the restriction in the paragraph above) attributable to the circumstances of the Holder and not within the Issuer's control. The Conditions exclude any remedy in damages or acceleration for a breach of this obligation. These restrictions on tradability may cause investors to suffer loss.

The restrictions referred to above may also restrict Ordinary Shares being issued to nominees on Conversion. A nominee might not be able to be found to hold Ordinary Shares on Conversion due to the restrictions referred to above or for any other reason. That may prevent the Issuer from issuing Ordinary Shares on Conversion, in which case the Subordinated Notes will be Written-Off in the circumstances described in the section entitled *Risk Factors—Write-Off* above.

The Corporations Act and ASX Listing Rules impose restrictions on certain persons and their associates or related entities from voting at general meetings of the Issuer in certain circumstances. These restrictions include, to the extent applicable to a shareholder, voting on: related party transactions involving the shareholder; change of control transactions involving the shareholder; capital actions involving the shareholder (including issues of shares requiring shareholder approval, share consolidations, splits and buy-backs); remuneration related resolutions presented to shareholders for approval, and other similar corporate actions.

If Holders are issued Ordinary Shares they should take their own advice having regard to their particular circumstances in relation to any compliance obligations arising in connection with that shareholding.

Ranking on Conversion and Write-Off

The requirement for Conversion or Write-Off on account of a Non-Viability Trigger Event applicable to the Subordinated Notes does not apply to some capital instruments issued by members of the Issuer's Level 2 Insurance Group and forming part of the Tier 1 Capital or Tier 2 Capital of the Issuer's Level 2 Insurance Group, for example Ordinary Shares (whenever issued) and instruments issued under APRA's previous prudential standards. Accordingly, if a Non-Viability Trigger Event occurs in respect of the Issuer, it is possible that Holders of Subordinated Notes will be in a worse position than holders of those other instruments.

The Issuer's obligations under the Subordinated Notes are unsecured and subordinated

Contractual subordination

The Issuer's obligations under the Subordinated Notes will be unsecured and subordinated and, unless they have been Converted or Written-Off, the Issuer's obligations under the Subordinated Notes will rank in a Winding-Up junior in priority of payment to the claims of all Senior Ranking Debt, whether outstanding on the Issue Date or issued after the Issue Date. Accordingly, the Issuer's obligations under the Subordinated Notes will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to the Subordinated Notes. There is no restriction on the amount or terms of Senior Ranking Debt, Equal Ranking Instruments or other securities which may be issued or incurred by the Issuer.

Prior to a Winding-Up of the Issuer, the obligations of the Issuer to make any payment in respect of the Subordinated Notes will be conditional on the Issuer being Solvent at the time of the payment and no payment in respect of the Subordinated Notes will be made unless the Issuer will be Solvent immediately after making the payment. If on the date on which a payment under the Subordinated Notes falls due for payment, the Solvency Condition is not met or will not be met if such payment is made, the due date for payment of such amount shall be postponed until the next Business Day on which the Solvency Condition can be met in respect of such payment. This means that, prior to the Winding-Up of the Issuer, the rights of Holders of Subordinated Notes to receive payments of Interest and the Redemption Price may be subordinated to other creditors of the Issuer whose rights against the Issuer are not subject to an equivalent solvency condition.

It is likely that a Non-Viability Trigger Event will have occurred before the Issuer is in Winding-Up. To the extent that a Subordinated Note has been Converted into Ordinary Shares, an investor holding those Ordinary Shares would rank as an ordinary shareholder in the Winding-Up of the Issuer. To the extent that a Subordinated Note has been Written-Off, an investor would have no claim in the Winding-Up of the Issuer.

Structural subordination

The Issuer is the NOHC of the other companies in the Group and its key assets are investments in its subsidiaries. In the Winding-Up of the Issuer, the Holders have no claim on any of those subsidiaries. The Holders' indirect interest in the assets of those subsidiaries is limited to the extent of the Issuer's interest in those assets which, in a winding up of other members of the Group, are most likely to be subject to subordination vis-à-vis creditors of those subsidiaries.

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

If the Issuer's financial condition were to deteriorate, Holders could lose all or a part of their investment

If the Issuer's financial condition were to deteriorate, payments of Interest or other payments on the Subordinated Notes may not be made or the market price of the Subordinated Notes may decrease. Potential investors should not assume that unfavourable market or other conditions or events will not harm the Issuer's financial condition. Accordingly, potential investors should carefully evaluate the investments risks associated with an investment in the Issuer and the Group, including those risks discussed in the section entitled *Risk Factors—Risks Relating to the Issuer and the Group*. If the Issuer is liquidated, dissolved or wound up, Holders could lose all or a part of their investment. A significant deterioration in the Issuer's financial condition may also result in the occurrence of a Non-Viability Trigger Event. See the section entitled *Risk Factors—Conversion or write-off of Relevant Capital Instruments* above.

Future issues or redemptions of securities may impact the Subordinated Notes

The Subordinated Notes do not in any way restrict the Group from issuing further securities or from incurring further indebtedness. In a Winding-Up of the Issuer, the Issuer's obligations under the Subordinated Notes rank subordinate and junior to its obligations in respect of Senior Ranking Debt (including but not limited to all creditors, including subordinated creditors (other than creditors whose claims are expressed to rank equally with or behind the Subordinated Notes)). Accordingly, the Issuer's obligations under the Subordinated Notes may not be satisfied in a Winding-Up of the Issuer unless it can satisfy in full all of its other obligations ranking senior to and equally with the Subordinated Notes.

The Issuer may in the future issue securities that:

- rank for payment of interest, distributions or return of capital (including on the Winding-Up of the Issuer) equally with, behind or ahead of the Subordinated Notes;
- have the same or different interest or distribution rates as those applicable to the Subordinated Notes;
- have payment tests and distribution restrictions or other covenants which affect the Subordinated Notes (including by restricting circumstances in which Interest can be paid or the Subordinated Notes can be redeemed); or
- have the same or different terms and conditions as the Subordinated Notes. The Group may incur further indebtedness and may issue further securities including further Tier 2 Capital securities before, or after the issue of the Subordinated Notes.

An investment in the Subordinated Notes carries no right to participate in any future issue of securities (whether shares (including Ordinary Shares), Tier 1 Capital, Tier 2 Capital, subordinated or senior debt or otherwise) by the Issuer or any other member of the Group. No prediction can be made as to the effect, if any, which the future issue of securities by the Issuer or any other member of the Group may have on the market price or liquidity of the Subordinated Notes or on the likelihood of the Issuer making payments in respect of the Subordinated Notes. The Conditions of the Subordinated Notes do not restrict the Issuer from redeeming or otherwise repaying its other existing securities, including other existing securities which rank equally with or junior to the Subordinated Notes, and carry no rights to require the Subordinated Notes to be redeemed along with any other securities (whether shares (including Ordinary Shares), Tier 1 Capital, Tier 2 Capital, subordinated or senior debt or otherwise).

No prediction can be made as to the effect, if any, which the issue of future securities or the future redemption or repayment by the Group of existing securities may have on the market price or liquidity of the Subordinated Notes or on the Issuer's or the Group's financial position or performance.

No guarantee

A Subordinated Note is not guaranteed or insured by any Government Agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by any other member of the Group, any Other Party or by any other person.

No policy liability

A Subordinated Note is not a policy liability of any member of the Group.

Interest payments on the Subordinated Notes may be restricted by the terms of other similar instruments

The terms of certain of the Issuer's outstanding instruments could limit the Issuer's ability to make payments on the Subordinated Notes in certain circumstances prescribed in those instruments. These include the USD Subordinated Notes due 2041 and the GBP Subordinated Notes due 2041. These instruments, with certain exceptions, restrict the payment of interest or repayment of principal on instruments such as the Subordinated Notes if a scheduled payment is not made on the relevant instrument.

The Issuer may issue other securities with payment tests or distribution restrictions or other covenants which affect the Subordinated Notes (including by restricting circumstances in which Interest can be paid on the Subordinated Notes or the Subordinated Notes can be redeemed) and is not restricted in any way from doing so by the Conditions.

Interest on the Subordinated Notes is subject to interest rate risks

An investment in Subordinated Notes involves the risk that subsequent changes in market interest rates or changes in market interest rates during an Interest Period may adversely affect the value of the Subordinated Notes.

In addition, a holder of Subordinated Notes with a floating interest rate is also exposed to the risk of fluctuating interest rate levels and uncertain interest income.

The Issuer may redeem the Subordinated Notes early under certain circumstances

The Issuer may (subject to APRA's prior written approval) elect to redeem some or all of the Subordinated Notes on an Optional Redemption Date or all (but not some) of the Subordinated Notes upon the occurrence of a Tax Event or a Regulatory Event.

Redemption may occur at a time when prevailing market interest rates or margins are lower than the prevailing Interest Rate under the Subordinated Notes. If Subordinated Notes are redeemed in such circumstances, the Holder may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate equal to or higher than that applicable to the Subordinated Notes being redeemed.

Holders of Subordinated Notes should not expect that APRA's approval will be given for any redemption of Subordinated Notes at the option of the Issuer. Payment of any principal upon redemption of the Subordinated Notes is subject to the Solvency Condition being satisfied. See the section entitled *Risk Factors—Payments are subject to satisfaction of the Solvency Condition* above.

There are limited remedies available to Holders for non-payment of amounts owing under Subordinated Notes

If the Issuer fails to pay any amount of Interest or principal on Subordinated Notes when due to be paid, a Holder may take action:

- (a) to recover the amount unpaid, provided that the Issuer may only be compelled to pay the unpaid amount to the extent that it is, and immediately after the payment is made would remain, Solvent;
- (b) to obtain an order for specific performance of any other obligation in respect of the Subordinated Notes; or
- (c) for the Winding-Up of the Issuer.

There are no other remedies in respect of a failure by the Issuer to pay. To the extent that a payment is not required to be made by operation of any Payment Deferral Provision or the Solvency Condition, the amount is not due and payable, a Payment Default cannot occur and the above remedies cannot be exercised.

Although the Conditions specify certain remedies (for example, seeking an order for the winding up of the Issuer), the grant of those remedies may be in the discretion of the court, and as such may not be granted.

If a person or persons acquire control of the Issuer, the Conditions do not provide any right or remedy for the Holders on account of that acquisition occurring. Further, the acquisition of the Issuer may result in the Issuer's Ordinary Shares no longer being quoted on the ASX. If after such event has occurred a Non-Viability Trigger Event occurs, the number of Ordinary Shares issued on Conversion will reflect the VWAP for the period of five Trading Days on which the Ordinary Shares were last traded on the ASX. This may be well before the Non-Viability Trigger Event and accordingly the value of the Conversion Number of Ordinary Shares when issued may be very different from the value based on that VWAP. This may adversely affect the position of Holders.

There are limited rights to accelerate amounts owing under Subordinated Notes

Holders have no right to require the Issuer to redeem all or some of the Subordinated Notes held by that Holder before their Maturity Date. A Holder may only accelerate its Subordinated Notes if a Winding-Up Default occurs in relation to the Issuer.

There are no other rights to accelerate the Subordinated Notes.

The Subordinated Notes have no voting rights

A Holder of the Subordinated Notes has no voting rights in respect of meetings of members of the Issuer and has limited voting rights at a meeting of Holders or creditors. A Holder's voting rights as an unsecured creditor in respect of the Subordinated Notes cannot be exercised so as to defeat the subordination of the Subordinated Notes.

Modification and waivers

The Conditions and the Deed Poll contain provisions for calling meetings of Holders to consider, or for entering into written resolutions on, matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting (or, in the case of a written resolution, Holders who did not execute such written resolution) and Holders who voted in a manner contrary to the majority.

The Conditions and the Deed Poll also provide that the Issuer may, without the consent of the Holders, agree to certain variations and waivers to the Deed Poll (including the Conditions) which will bind the Holders. The prior written approval of APRA is required in respect of any variation in respect of the Deed Poll (including the Conditions) where such variation may affect the eligibility of the Subordinated Notes as Tier 2 Capital.

RISKS RELATING TO THE LEGAL AND REGULATORY LANDSCAPE

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Subordinated Notes are legal investments for it; (b) the Subordinated Notes can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase or pledge of the Subordinated Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Subordinated Notes under any applicable risk-based capital or similar rules.

Change of law

Investors should also be aware that certain changes in law, regulation or prudential standards or interpretation thereof may trigger a Regulatory Event. For example, although the Subordinated Notes are only issued after APRA has confirmed their regulatory treatment, if APRA subsequently determines that some or all of the Subordinated Notes do not qualify as Tier 2 Capital, the Issuer may decide that a Regulatory Event has occurred and may elect to redeem all (but not some) of the Subordinated Notes in accordance with the Conditions (subject to APRA's prior written approval).

Australian taxation consequences

A general outline of the tax consequences of investing in Subordinated Notes for certain potential investors is set out in the section entitled *Taxation*. That discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position. Investors should also be aware that certain changes in law, regulation or interpretation thereof may trigger a Tax Event, following which the Issuer may elect to redeem all (but not some) of the Subordinated Notes in accordance with the Conditions (subject to APRA's prior written approval).

Accounting Standards

A change in accounting standards by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of the Issuer or the Group in future financial periods. This may adversely affect the ability of the Issuer to pay Interest.

Prudential regulation

As a prudentially regulated authorised NOHC, the Issuer is subject to the requirements of, among other things, the Insurance Act 1973 (Cth) (the "**Insurance Act**") and prudential standards set by APRA. The Insurance Act includes certain powers that APRA may exercise in a manner that may be adverse to the interests of Holders, including powers to direct the Issuer not to pay or transfer any amount to any person (including in respect of any Subordinated Notes), to conduct its business in a particular way or not to issue Ordinary Shares in connection with a Conversion of Subordinated Notes or not to pay a dividend in respect of any Ordinary Shares. APRA's prudential standards may also restrict the payment of dividends or other distributions in respect of Ordinary Shares in particular circumstances.

In addition, Part 4 of the *Financial Sector (Business Transfer and Group Restructure) Act 1999* of Australia ("**FSBTGRA**") authorises APRA to order the compulsory transfer of business of a general insurer to another entity, including to an entity not controlled by the Issuer in particular circumstances. A number of the Issuer's subsidiaries in Australia are general insurers, and may be subject to a compulsory transfer under FSBTGRA.

Broadly, APRA may make a determination to transfer the business of a general insurer (i) where the general insurer has contravened the Insurance Act, any regulations or other instruments made under that Act or conditions imposed under that Act; (ii) where APRA has chosen to investigate the general insurer; or (iii) where a judicial manager recommends the transfer, and in each case where APRA considers the transfer appropriate having considered the interests of the policy owners of the transferring and transferee entity. Such a determination may have a negative impact on the Issuer, its subsidiaries or the Group as a whole. Similar laws may exist in other jurisdictions in which the Group carries on business.

U.S. Foreign Account Tax Compliance withholding may affect payments on the Subordinated Notes or Ordinary Shares

Under the Foreign Account Tax Compliance Act provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**"), a 30% withholding may be imposed (i) in respect of certain U.S. source payments, (ii) from 1 January 2017 in respect of gross proceeds from the sale of assets that give rise to U.S. source interest or dividends and (iii) from 1 January 2017, at the earliest, in respect of "foreign passthru payments" (a term which is not yet defined under FATCA), which are, in each case, paid to or in respect of entities that fail to meet certain certification or reporting requirements ("**FATCA Withholding**").

The Issuer and other financial institutions through which payments on the Subordinated Notes or Ordinary Shares are made may be required to withhold on account of FATCA if (i) an investor does not provide information sufficient for the Issuer or the relevant financial institution to determine whether the investor is subject to FATCA Withholding; or (ii) an FFI to or through which payments on the Subordinated Notes are made is a “non-participating FFI”.

For further information about FATCA, see the section entitled *Taxation—FATCA Withholding*, below.

In the event that any amount is required to be withheld or deducted from a payment on the Subordinated Notes or the Ordinary Shares, or Ordinary Shares are required to be withheld or deducted from an issue of Ordinary Shares upon Conversion of the Subordinated Notes, in each case as a result of FATCA, pursuant to the Conditions, no additional amounts will be paid and no additional Ordinary Shares will be issued to Holders by the Issuer as a result of the deduction or withholding.

FATCA is particularly complex legislation. The above description is based in part on U.S. Treasury regulations published on 28 January 2013 and 6 March 2014, official guidance and the legislation enacted by the Australian Government to give effect to the intergovernmental agreement relating to FATCA signed by Australia and the United States on 28 April 2014 (“**Australian Amendments**”). The United States and Australian laws and regulations are subject to change or may be implemented in a materially different form. Investors should consult their own tax advisers on how these rules may apply to them under the Subordinated Notes and Ordinary Shares.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

Liquidity in secondary security markets generally may affect the secondary market for the Subordinated Notes

The global financial system has experienced difficulties in recent years following the global financial crisis in 2008 and 2009 with global credit and capital markets frequently experiencing extreme volatility, disruption and decreased liquidity. While there have been some periods of relative market stability, the environment has become more volatile and unpredictable. The potential for sovereign debt defaults and/or bank failures has contributed to much of the volatility in equity values, credit spreads and sovereign yields. During certain periods, including during severe market stress, many investors substantially reduced and, in some cases, stopped their funding to borrowers, including other financial institutions, reflecting concern about the stability of the financial markets generally and the strength of counterparties.

Potential investors in the Subordinated Notes should be aware of the potential for global credit market conditions to deteriorate, which may result in a severe lack of liquidity in the secondary market for instruments similar to the Subordinated Notes. As a result there exist significant additional risks which may affect the returns on Subordinated Notes to potential investors.

There is no prior market for Subordinated Notes

The Subordinated Notes have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid and may not be sustained. Therefore, investors may not be able to sell their Subordinated Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Subordinated Notes will not be quoted or listed on any securities exchange.

Exchange rate risks and exchange controls

The Issuer will pay amounts owing to the investors in respect of the Subordinated Notes in Australian Dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than Australian Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of Australian Dollars or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to Australian Dollars would decrease (a) the Investor’s Currency-equivalent yield on the Subordinated Notes, (b) the Investor’s Currency-equivalent value of any repayments of amounts invested in respect of the Subordinated Notes and (c) the Investor’s Currency-equivalent market value of the Subordinated Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive lesser amounts in respect of the Subordinated Notes than expected, or no amounts.

The value of Subordinated Notes may be adversely affected by movements in market interest rates

Investment in Subordinated Notes involves the risk that if market interest rates subsequently increase relative to the rate paid on the Subordinated Notes, this will adversely affect the value of the Subordinated Notes.

RISKS RELATING TO CREDIT AGENCY RATINGS

Credit ratings may not reflect all risks

One or more independent credit rating agencies may from time to time assign credit ratings to the Subordinated Notes or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, the additional factors discussed above, and other factors that may affect the value of the Subordinated Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Credit rating may change

Credit ratings agencies review and amend their rating methodology and review ratings assigned to instruments (such as the Subordinated Notes) and may change either as a result of a number of factors, including changes to the ratings methodology of one or more of the other independent rating agencies. Any changes to rating methodology could affect the market price and liquidity of the Subordinated Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The documents described below shall be deemed to be incorporated into, and to form part of, this Information Memorandum:

- the financial statements of the Issuer filed with ASIC in respect of the two most recent Financial Years and any announcements concerning those financial statements released by the Issuer to the ASX after the date of its most recent financial statements filed with ASIC; and
- the half year report released by the Issuer to the ASX on 18 August 2015.

This Information Memorandum should be read in conjunction with all supplements or amendments to this Information Memorandum published by the Issuer between the date of this Information Memorandum and the Issue Date (which themselves may expressly incorporate additional documents with which this Information Memorandum should be read).

Any statement contained herein or in a document which is deemed to be incorporated herein by reference shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated herein by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been validly delivered, upon receipt of a request from such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its registered office set out in the section entitled *Directory* at the end of this Information Memorandum.

The financial reports incorporated in this Information Memorandum by reference are also available on the internet site www.qbe.com.

The Issuer is a “disclosing entity” for the purposes of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Documents lodged by the Issuer with the ASX are available electronically on the website of the ASX, at www.asx.com.au. Copies of documents regarding the Issuer lodged with ASIC may be obtained from, or inspected at, any ASIC office for a fee. In addition, copies of documents incorporated by reference may be obtained from the Issuer free of charge at its registered office set out in the section entitled *Directory* at the end of this Information Memorandum.

The information on any websites referred to in this Information Memorandum or any website directly or indirectly linked to such websites is not incorporated by reference into, and does not form part of, this Information Memorandum and should not be relied upon unless expressly stated to be incorporated into, and to form part of, this Information Memorandum.

DESCRIPTION OF THE ISSUER

DETAILS OF THE ISSUER

The legal name of the Issuer is QBE Insurance Group Limited. It is registered in the Australian Capital Territory with Australian Business Number (“ABN”) 28 008 485 014.

The Issuer is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act. Its registered office is Level 27, 8 Chifley Square, Sydney NSW 2000, Australia (telephone number +61 2 9375 4444).

THE GROUP

The Group is an international general insurance and reinsurance group underwriting commercial and personal lines business in 38 countries around the world. It is headquartered in Sydney and its ultimate parent company is the Issuer which is listed on the ASX.

HISTORY

The Group’s founding company, The North Queensland Insurance Company Limited, was established in Queensland, Australia in 1886. In 1973, following a merger with Bankers and Traders Insurance Company Limited and Equitable Life and General Insurance Company Limited, the Issuer was renamed QBE Insurance Group Limited.

BUSINESS OVERVIEW

Operations

The Group’s operations are conducted through the following divisions:

- North American Operations providing general insurance and reinsurance in the United States and Bermuda through five major business segments: (a) standard lines; (b) specialty lines; (c) mortgage services; (d) crop; and (e) assumed reinsurance;
- European operations providing commercial insurance and reinsurance, principally in the Lloyds’ market, the United Kingdom and Ireland and mainland Europe;
- Australian & New Zealand operations consisting of the Group’s general insurance operations throughout Australia and New Zealand, providing all major lines of insurance cover for commercial and personal risks;
- Emerging Markets division was formed on 15 August 2014 by the merger of the Group’s Asia Pacific Operations and Latin America Operations. The Asia Pacific Operations provided personal, commercial and specialist insurance in sixteen countries in the Asia Pacific region, including professional and general liability, workers’ compensation, marine, corporate property and trade credit. The Latin America Operations provided general insurance in seven countries in Central and South America, focusing mainly on commercial classes of business. The businesses of the two divisions are now part of the Emerging Markets division; and
- Equator Re is the Group’s captive reinsurance business, based in Bermuda, providing reinsurance protection to all of the Group’s operating divisions.

Description of Products and Services

The Group’s major products and services are described below:

- **Property**
Property insurance refers to the underwriting of a broad range of risks including policies for fire, industrial special risks and consequential loss, as well as schemes tailored for specific classes of cover for both personal and property damage. The Group focuses on providing specialised insurance coverage and offers cover for catastrophe, property facultative, direct and excess of loss risks, including lender-placed insurance provided for financial institutions in the United States.
- **Private Motor and Commercial Motor**
Private motor insurance includes the provision of comprehensive insurance for damage to or loss and theft of a vehicle, as well as third party property damage. Commercial motor insurance refers to the underwriting of risks for business vehicles and fleets. Private motor policies are generic, unlike commercial motor coverage, where policies are often tailored to a customer’s specific needs. The Group both insures and reinsures motor vehicle risks.

- **Compulsory Third Party**

Compulsory Third Party insurance (“CTP”) covers insureds 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. In other states and the Northern Territory, CTP is underwritten by the respective state and territory governments.
- **Liability (Casualty)**

Liability insurance is purchased to insure against claims made by third parties who are injured or who suffer property damage arising out of the insured’s activities or statutory obligations. It includes professional indemnity (see below), medical malpractice and general, public and product liability. The Issuer believes that the Group’s liability insurance and reinsurance portfolio is diversified, both in terms of business risk and geographic location.
- **Marine**

Marine insurance covers a broad range of risks including marine hull (insurance which covers loss or damage to a marine vessel) and marine cargo (insurance that covers the loss of or damage to goods being transported).
- **Energy**

In the energy sector, the Group provides for physical loss or damage and business interruption coverage on risks such as offshore oil and gas platforms, onshore oil wells and segments of the petrochemical industry.
- **Aviation**

Aviation insurance covers both aviation hull and aviation liability, including passengers.
- **Accident and Health**

Accident and health insurance covers insureds for expenses incurred in association with medical costs, including hospital stays and fixed lump sums such as in accidental death or loss of limbs. The Group both insures and reinsures accident and health risks.
- **Professional Indemnity**

Professional indemnity insurance is purchased by professional advisers such as engineers, architects and lawyers and by company directors and officers to insure against damages arising from actions for the provision of negligent advice or services. The Group provides this cover primarily on a general insurance basis.
- **Lenders’ Mortgage**

Lenders’ mortgage insurance protects banks and other lenders against non-payment or default on residential property loans.
- **Workers’ Compensation**

Workers’ compensation insurance is provided for work-related injuries. 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 (see below). In Australia in the states of New South Wales, Victoria, South Australia and Queensland, workers’ compensation underwriting is administered by the state governments. The Group’s role in the first two of these states is currently largely limited to providing a claims management service on a fee basis.
- **Employers’ Liability**

The Group provides general insurance cover for employers’ liability in the United Kingdom and Ireland through its European operations. This is similar to workers’ compensation insurance as described above.

- **Financial and Credit**

Financial and credit insurance includes products such as residual value bonds or other credit enhancement tools.

- **Catastrophe**

Catastrophe insurance is purchased to insure against catastrophes such as natural disasters. Typically, a form of excess of loss reinsurance is offered, subject to specified limits, to indemnify the reinsured for the amount of loss resulting from a catastrophic event or series of events in excess of a specified amount.

- **Householders'**

Householders' insurance refers to the underwriting of home, contents, personal effects and personal liability risks. The Group both insures and reinsures householders' risks.

- **Commercial Packages**

Commercial package insurance is a flexible package of insurance options designed to provide cost-effective protection for the Group's customers in retail, commercial and industrial businesses.

- **Multi-Peril Crop Insurance**

Multi-peril crop insurance provides protection against weather-related and other unavoidable causes of crop loss.

TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

Set out below are the terms and conditions of the Subordinated Notes. The Subordinated Notes are constituted under a Deed Poll and these terms and conditions are subject to the provisions of the Deed Poll. In particular, but without limitation, the Deed Poll contains provisions:

- (a) for the holding of meetings of Holders; and*
- (b) for the variation and waiver of the Conditions and the Deed Poll, including (without limitation) circumstances in which those documents may be varied without the consent of Holders.*

Prospective investors should conduct their own independent investigation and review of the Deed Poll and the Conditions.

Subordinated Note Conditions

1 Form and denomination

1.1 Constitution

The Subordinated Notes are constituted by, and owing under, the Deed Poll.

1.2 Form

The Subordinated Notes are direct, unsecured and subordinated debt obligations of the Issuer, issued in registered form by entry 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 that Holder and which that Holder is entitled to enforce without having to join any other Holder or any predecessor in title of that Holder.

1.3 Denomination

The Subordinated Notes are issued in denominations of A\$10,000. Each Subordinated Note must be paid for in full on application.

1.4 No 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.

1.5 Acknowledgement

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;
- (b) In acting under the Registry and Calculation Agency Agreement in connection with the Subordinated Notes, the Registrar 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 the Registrar are required in accordance with the Registry and Calculation Agency Agreement, pending their application in accordance with the Registry and Calculation Agency Agreement, to be held by it in a segregated account on trust for the persons entitled thereto; and
- (c) the Holder does not rely on any fact, matter or circumstance contrary to Conditions 1.5(a).

2 Status and subordination

2.1 Status and ranking

The Subordinated Notes constitute direct and unsecured, subordinated obligations of the Issuer, ranking in a Winding-Up:

- (a) ahead of the obligations of the Issuer in respect of Junior Ranking Instruments;
- (b) equally among themselves and with the obligations of the Issuer in respect of Equal Ranking Instruments; and
- (c) behind the obligations of the Issuer in respect of Senior Ranking Debt.

2.2 Subordination in a Winding-Up

If the Issuer is in a Winding-Up, all amounts due in respect of the Subordinated Notes will be subordinated to the claims in respect of Senior Ranking Debt as provided in Condition 12.

2.3 Effect of Non-Viability Trigger Event

If a Non-Viability Trigger Event occurs, despite any other provision in these Conditions, Subordinated Notes will be Converted into Ordinary Shares as provided in Condition 6 or, if Condition 6.3 applies, Written-Off.

2.4 No guarantee, insurance or other support

A Subordinated Note is not guaranteed or insured by any Government Agency or compensation scheme of Australia or any other jurisdiction, by any other member of the Group or by any other person.

3 Interest

3.1 Subordinated Notes bear interest

Each Subordinated Note bears interest on its Face Value from and including the Issue Date to but excluding the Maturity Date or any earlier date on which it is redeemed in full, Converted in full, Written-Off in full or otherwise cancelled in full. Interest accrues daily.

3.2 Interest Payment Dates

Subject to the Deferral Provisions, interest in respect of each Subordinated Note will be payable quarterly in arrear, on 29 March, 29 June, 29 September and 29 December each year (each, an “**Interest Payment Date**”), commencing on 29 December 2015.

3.3 Interest amounts

Subject to these Conditions, the Issuer shall pay interest on each Subordinated Note in respect of an Interest Period in arrear on the relevant Interest Payment Date calculated by multiplying the Interest Rate applicable to the Subordinated Notes at the relevant time by the Face Value and multiplying the product by the Day Count Fraction in respect of that Interest Period.

“**Interest Rate**” means the sum of the Bank Bill Rate and the Margin, where:

Bank Bill Rate (expressed as a percentage per annum) means, for an Interest Period, the average mid-rate for prime bank eligible securities of a term of 90 days which average rate is displayed on Reuters page BBSW (or any page which replaces that page) on the Determination Date or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am on that date, the rate specified in good faith by the Calculation Agent at or around that time on that date having regard, to the extent possible, to:

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

Margin means 4.00% per annum.

3.4 Broken periods

If an interest amount is to be calculated in respect of interest accruing on a Subordinated Note for a period other than an Interest Period, such interest shall be calculated by multiplying the Interest Rate applicable to the Subordinated Notes by the amount accruing interest and multiplying the product by the Day Count Fraction in respect of that period.

3.5 Determination and notification

The Issuer shall procure that the Calculation Agent:

- (a) determines the Interest Rate and amount of interest for each Interest Period; and
- (b) gives notice to the Holders of its determination no later than the fifth Business Day after the first day of the Interest Period.

4 Interest deferral

4.1 Optional deferral

- (a) The Issuer may elect to defer payment of all or part only of any interest amount payable in respect of the Subordinated Notes (including any Additional Amount, any Deferred Interest and any Additional Interest) on any Optional Interest Payment Date to any future date specified by the Issuer (not being later than the Maturity Date), by giving no less than five Business Days' notice to the Holders prior to the Record Date relating to such Optional Interest Payment Date. Notwithstanding the requirements to give notice pursuant to this Condition 4.1, failure to give such notice shall not prejudice the right of the Issuer to defer the payment of any interest amount pursuant to this Condition 4.1.
- (b) If payment of an interest amount is deferred pursuant to paragraph (a) above, such interest amount shall constitute "**Deferred Interest**".
- (c) Any Deferred Interest 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. All Deferred Interest (together with any Additional

Interest) on a Subordinated Note will, subject to the Solvency Condition being satisfied, automatically become immediately due and payable in whole upon the earliest of the following dates:

- (i) the date on which any interest payment or payment in respect of interest is made on any Junior Ranking Instruments or Equal Ranking Instruments (excluding any such payment on an Equal Ranking Instrument in a case where the terms of that instrument do not enable the Issuer to defer, pass on or eliminate the relevant payment on such Equal Ranking Instruments) or on which a dividend or other distribution on any class of the Issuer's share capital is paid or becomes payable;
- (ii) the date specified in the relevant notice delivered pursuant to paragraph (a);
- (iii) (without double counting) the date on which the Subordinated Notes are redeemed in accordance with these Conditions;
- (iv) the date on which a Winding-Up Default occurs; or
- (v) the date fixed for:
 - (A) any redemption of Subordinated Notes; or
 - (B) any purchase of Subordinated Notes by or on behalf of the Issuer,pursuant to Condition 5.

4.2 Solvency Condition deferral

- (a) When the Issuer is not in a Winding-Up in Australia:
 - (i) the obligations of the Issuer to make any payment in respect of the Subordinated Notes will be conditional on the Issuer being Solvent at the time of the payment; and
 - (ii) no payment in respect of the Subordinated Notes will be made unless the Issuer will be Solvent immediately after making the payment,(the "**Solvency Condition**").
- (b) 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.
- (c) For so long as an amount of interest (including without limitation any Deferred Interest or Additional Interest) is not paid on account of the Solvency Condition, that amount shall accrue additional interest in accordance with Condition 4.3 as if that amount were Deferred Interest.
- (d) A certificate signed by an Authorised Officer 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, the 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 Subordinated Notes.

4.3 Additional Interest

- (a) Interest will accrue on Deferred Interest at the applicable Interest Rate from time to time in accordance with Condition 3 and such interest shall constitute “**Additional Interest**”. Any Additional Interest shall be payable in accordance with Condition 3 and this Condition 4, subject to deferral on the same basis as is provided in this Condition 4.
- (b) Any Additional Interest accrued up to an Interest Payment Date and not paid on that Interest Payment Date shall, for the purposes of determining any subsequent amount accruing under this Condition 4.3, constitute Deferred Interest.

4.4 Amounts not due and payable

Notwithstanding any other provision of these Conditions:

- (a) to the extent that a payment is not required to be made by operation of any Deferral Provision, the amount is not due and payable; and
- (b) no Event of Default or other default or breach of these Conditions can occur as a result of any such non-payment.

4.5 Interest on unpaid interest

If an amount of interest (including without limitation any Deferred Interest or Additional Interest) is not paid for any reason other than the operation of a Deferral Provision, that amount shall accrue additional interest in accordance with Condition 4.3 as if that amount were Deferred Interest.

5 Redemption

5.1 Redemption on the Maturity Date

Unless previously redeemed in full, Converted in full, Written-Off in full or otherwise cancelled in full, the Issuer shall redeem each Subordinated Note on the Maturity Date by payment of its Redemption Price.

5.2 Early redemption by the Issuer

Unless previously redeemed in full, Converted in full, Written-Off in full or otherwise cancelled in full, with the prior written approval of APRA, the Issuer may redeem:

- (a) all (but not some only) of the Subordinated Notes on the Interest Payment Date falling on or immediately after the fifth anniversary of the Issue Date (being 29 September 2020) and each subsequent Interest Payment Date until and excluding the Interest Payment Date falling on or immediately after the sixth anniversary of the Issue Date (being 29 September 2021) (each an “**Optional Redemption Date**”); or
- (b) all (but not some only) of the Subordinated Notes if a Tax Event or a Regulatory Event occurs,

in each case by payment of the Redemption Price in respect of each Subordinated Note redeemed.

5.3 Early Redemption Notice

In order to redeem Subordinated Notes in accordance with Condition 5.2, the Issuer must provide the Holders with written notice of its election to redeem (an “Early Redemption Notice”), which must specify:

- (a) where Condition 5.2(a) applies, the aggregate Face Value of Subordinated Notes to be redeemed;
- (b) where Condition 5.2(b) applies, the details of the Tax Event or Regulatory Event to which the Early Redemption Notice relates; and
- (c) in either case, the Early Redemption Date, which:
 - (i) where Condition 5.2(a) applies, will be the next Optional Redemption Date which is at least 15 days after the date of the Early Redemption Notice; and
 - (ii) where Condition 5.2(b) applies, is the date nominated by the Issuer, provided that such date is at least 15 days and no more than 50 days after the date of the Early Redemption Notice.

5.4 Effect of an Early Redemption Notice

An Early Redemption Notice given under Condition 5.3 is irrevocable and obliges the Issuer, subject to the Solvency Condition, to redeem the specified aggregate Face Value of Subordinated Notes on the Early Redemption Date, by payment of the Redemption Price in respect of each Subordinated Note to be redeemed.

5.5 No early redemption at the option of Holders

Without prejudice to Condition 11, a Holder cannot require the Issuer to redeem all or some of the Subordinated Notes held by that Holder before their Maturity Date.

5.6 Effect of redemption

Upon payment of the Redemption Price in respect of a redemption of a Subordinated Note, all of the Holder’s rights in relation to that Subordinated Note will be immediately and irrevocably terminated.

5.7 Purchases

The Issuer and any of its Related Entities may at any time with APRA’s prior written approval purchase Subordinated Notes in the open market or otherwise and at any price. Such Subordinated Notes will be cancelled.

5.8 Early redemption and purchase restrictions

The Issuer may only elect to redeem any Subordinated Notes under Condition 5.2, and the Issuer or any of its Related Entities may only elect to purchase any Subordinated Notes under Condition 5.7, if either:

- (a) before or concurrently with the redemption or purchase, the Issuer replaces the Subordinated Notes the subject of the redemption or purchase with a capital instrument which is of the same or better quality (for the purposes of APRA’s prudential standards as they are applied to the Level 2 Insurance Group at the relevant time) and the Issuer obtains confirmation from APRA that APRA is satisfied that the replacement of the relevant Subordinated Notes is done under conditions that are sustainable for the income capacity of the Issuer; or

- (b) the Issuer obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the Level 2 Insurance Group, that the Issuer does not have to replace the Subordinated Notes the subject of the redemption or purchase.

Holders should not expect that APRA’s approval will be given for any early redemption or purchase of Subordinated Notes under these Conditions.

6 Conversion on Non-Viability Trigger Event

6.1 Non-Viability Trigger Event

- (a) A “**Non-Viability Trigger Event**” occurs when APRA provides a written determination to the Issuer that the conversion or write-off of Relevant Capital Instruments in accordance with their terms or by operation of law is necessary because:
 - (i) without the conversion or write-off, APRA considers that the Issuer would become non-viable; or
 - (ii) without a public sector injection of capital into, or equivalent capital support with respect to, the Issuer, APRA considers that the Issuer would become non-viable.

A written determination by APRA under this Condition 6.1(a) is a “**Non-Viability Determination**”.

- (b) If a Non-Viability Trigger Event occurs, the Issuer must convert or write-off:
 - (i) all Relevant Capital Instruments; or
 - (ii) where clause 6.1(a)(i) applies, an amount of the Relevant Capital Instruments that is less than all Relevant Capital Instruments if APRA is satisfied that conversion or write-off of that amount will be sufficient to ensure that the Issuer does not become non-viable.

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

6.2 Non-Viability Trigger Event Notice

- (a) If a Non-Viability Trigger Event occurs:
 - (i) on the date that event occurs (the “**Non-Viability Conversion Date**”), the Issuer must immediately determine in accordance with the Non-Viability Determination:
 - (A) the aggregate Face Value of Subordinated Notes that will Convert (such amount being the “**Required Amount**”) and the aggregate nominal amount of other Relevant Capital Instruments which will convert or be written-off; and
 - (B) the identity of the Holders at the time that the Conversion is to take effect on that date (and in making that determination the Issuer 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);

- (ii) subject only to Condition 6.3 and despite any other provision in these Conditions, on the Non-Viability Conversion Date the Required Amount of Subordinated Notes will Convert, and the relevant aggregate nominal amount of other Relevant Capital Instruments will convert or be written-off, in each case immediately and irrevocably; and
 - (iii) the Issuer must give notice of the occurrence of a Non-Viability Trigger Event (a “**Non-Viability Trigger Event Notice**”) to Holders as soon as practicable after the relevant Conversion or Write-Off occurs which states the Non-Viability Conversion Date, the Required Amount of Subordinated Notes Converted or Written-Off and the relevant amount of other Relevant Capital Instruments converted or written-off, the Nominal Amount of the relevant Holder’s Subordinated Notes Converted or Written-Off together with relevant particulars of any related calculations or determinations as they relate to that Holder made by the Issuer.
- (b) If, in accordance with Condition 6.1(b)(ii), the Issuer is required to convert only an amount of Relevant Capital Instruments, the Issuer will determine the Required Amount of Subordinated Notes which will Convert and other Relevant Capital Instruments which will convert or be written-off on the following basis:
- (i) first, the Issuer must convert or procure the conversion or write-off of all Relevant Tier 1 Capital Instruments before Conversion of the Subordinated Notes;
 - (ii) second, if conversion or write-off of Relevant Tier 1 Capital Instruments is less than the amount sufficient to satisfy APRA that the Issuer would not become non-viable (and provided that APRA has not withdrawn the Non-Viability Determination as a result of the conversion or write-off of the Relevant Tier 1 Capital Instruments), the Issuer must Convert Subordinated Notes and convert or procure the conversion or write-off of other Relevant Tier 2 Capital Instruments in an aggregate Face Value and nominal amount which, when added to the aggregate nominal amount of Relevant Tier 1 Capital Instruments converted or written-off, will satisfy APRA that the Issuer would not become non-viable; and
 - (iii) in Converting Subordinated Notes or converting or procuring the conversion or writing-off of other Relevant Tier 2 Capital Instruments, the Issuer will endeavour to treat Holders and holders of other Relevant Tier 2 Capital Instruments (and Holders as between themselves) on a pro rata basis or such other basis as may, in the Issuer’s opinion, be fair and reasonable, but may elect to Convert some but not all Subordinated Notes in whole, may elect to Convert some or all Subordinated Notes in part rather than in whole and may otherwise discriminate to take account of logistical considerations and the need to effect the Conversion of Subordinated Notes and the conversion or write-off of other Relevant Tier 2 Capital Instruments immediately.

- (c) None of the following shall prevent, impede or delay the Conversion of Subordinated Notes as required by this Condition 6.2:
- (i) any failure of, or delay in, the conversion or write-off of any other Relevant Capital Instruments;
 - (ii) any failure or delay in giving a Non-Viability Trigger Event Notice;
 - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion;
 - (iv) any decision as to the identity of Holders whose Notes are to be Converted in accordance with Condition 6.2(a)(i)(B); or
 - (v) any requirement to select or adjust the amount of Subordinated Notes to be Converted in accordance with Condition 6.2(b)(iii).
- (d) From (and including) the Non-Viability Conversion Date, subject to Condition 6.3 and Condition 15.2(c), the Issuer shall treat the Holder in respect of the Subordinated Notes as the holder of the Conversion Number of Ordinary Shares and will take all such steps, including updating any register relating to the Ordinary Shares, required to record the Conversion.

6.3 No further rights if Conversion cannot occur

Where, for any reason (including, without limitation, an Inability Event), a Conversion in respect of a Subordinated Note required by these Conditions has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date, the rights of the relevant Holder (including without limitation in respect of a redemption (whether or not a notice of that redemption has been given) and to the payment of interest (including without limitation any Deferred Interest and any Additional Interest) and the Redemption Price) in relation to the Nominal Amount of that Subordinated Note required to be Converted are immediately and irrevocably written-off and terminated (“**Written-Off**”) with effect on and from the Non-Viability Conversion Date.

6.4 Partial Conversion or Write-Off

To the extent that a Subordinated Note has been Converted or Written-Off in part only:

- (a) the Face Value (including without limitation for the purposes of calculating interest), the Redemption Price, the amount of any interest (including any Deferred Interest and Additional Interest) applicable to that Subordinated Note and any related amount shall be reduced in the same proportion as the Face Value Converted or Written-Off in respect of that Subordinated Note bore to the Face Value of that Subordinated Note before such Conversion or Write-Off and these Conditions (including without limitation this Condition 6) continue to apply in respect of the Subordinated Note as so reduced; and
- (b) where the Non-Viability Conversion Date is not an Interest Payment Date, the amount of interest or Additional Interest payable in respect of that Subordinated Note on each Interest Payment Date falling after that Conversion Date will be reduced and calculated on the Face Value of that Subordinated Note as so reduced on the date of the Conversion or Write-Off.

To the extent that some but not all Subordinated Notes are Converted or Written-Off in full, any Subordinated Notes not Converted or Written-Off in full shall remain outstanding and these Conditions shall remain in full force and effect as regards such Subordinated Notes.

6.5 No conversion at the option of Holders

A Holder cannot require the Issuer to convert all or some of the Subordinated Notes held by that Holder into Ordinary Shares.

7 Conversion mechanics

7.1 Conversion

On a Non-Viability Conversion Date, subject to Conditions 6.3 and 7.12, the following will apply:

- (a) the Issuer will allot and issue the Conversion Number of Ordinary Shares in respect of each Subordinated Note required to be Converted to the relevant Holder or as contemplated in Conditions 7.11 and 7.12. The “**Conversion Number**” for each Subordinated Note is calculated according to the following formula, and subject always to the Conversion Number being no greater than the Maximum Conversion Number:

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

where:

“**Nominal Amount**” means, in respect of a Subordinated Note, all or such lesser amount of the Face Value of that Subordinated Note determined by the Issuer in accordance with Condition 6.2(b) and the other provisions of Condition 6 to be the proportionate allocation of the Required Amount to the Face Value of that Subordinated Note.

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

$$\text{Maximum Conversion Number} = \frac{\text{Nominal Amount}}{0.20 \times \text{Issue Date VWAP}}$$

- (b) Each Holder’s rights (including without limitation) in respect of a redemption (whether or not notice of that redemption has been given) and to payment of interest (including without limitation any Deferred Interest and any Additional Interest) in relation to the Nominal Amount of each of its Subordinated Notes required to be Converted will be immediately and irrevocably terminated for an amount equal to the Nominal Amount applicable to the relevant Subordinated Note and the Issuer will apply that Nominal Amount by way of payment for the subscription for the Ordinary Shares required to be allotted and issued under Condition 7.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this Condition 7.1 is to be applied as provided for in this Condition 7.1 and no Holder has any right to payment in any other way.
- (c) If the total number of Ordinary Shares to be allotted and issued in respect of a Holder’s aggregate holding of Subordinated Notes includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be

disregarded and the relevant Holder shall have no rights whatsoever in respect of that fraction.

7.2 Adjustments to VWAP generally

For the purposes of calculating VWAP under Condition 7.1:

- (a) where, on some or all of the Trading Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Subordinated Notes will be Converted into Ordinary Shares after that date and those Ordinary Shares will no longer carry that dividend or any other distribution or entitlement, the VWAP on the Trading Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement will be reduced by an amount ("**Cum Value**") equal to:
- (i) in the case of a dividend or other distribution, the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;
 - (ii) in the case of any other entitlement that is not a dividend or other distribution under Condition 7.2(a)(i) which is traded on ASX on any of those Trading Days, the volume weighted average price of all such entitlements sold on ASX during the VWAP Period on the Trading Days on which those entitlements were traded; or
 - (iii) in the case of any other entitlement which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Issuer; and
- (b) where, on some or all of the Trading Days in the VWAP Period, Ordinary Shares have been quoted as ex dividend or ex any other distribution or entitlement, and Subordinated Notes will be Converted into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Trading Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement will be increased by the Cum Value.
- (c) Any adjustment made by the Issuer in accordance with this Condition 7.2 will be effective and binding on Holders under these Conditions and will be construed accordingly.

7.3 Adjustments to VWAP for Reorganisation

- (a) Where during the relevant VWAP Period there is a change to the number of Ordinary Shares on issue as a result of a Reorganisation, in calculating the VWAP for the VWAP Period, the VWAP for each Trading 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 multiplying the applicable VWAP 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 the Issuer in accordance with this Condition 7.3 will be effective and binding on Holders under these Conditions and these Conditions will be construed accordingly.

7.4 Adjustments to Issue Date VWAP generally

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

- (a) may be made by the Issuer in accordance with Conditions 7.5 to 7.7 (inclusive); and
- (b) if so made, will correspondingly cause an adjustment to the Maximum Conversion Number.

7.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to Condition 7.5(b), if at any time after the Issue Date, the Issuer 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:

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

Where:

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

“**V_o**” means the Issue Date VWAP applying immediately prior to the application of this formula;

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

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

- (b) For the avoidance of doubt, Condition 7.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purpose of Condition 7.5(a), an issue will be regarded as a bonus issue notwithstanding that the Issuer does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing the Issuer is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this Condition 7.5 for any offer of Ordinary Shares not covered by

Condition 7.5(a), including a rights issue or other essentially pro rata issue.

- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by Condition 7.5(a) shall not in any way restrict the Issuer from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence of the Holders.
- (f) Any adjustment made by the Issuer in accordance with this Condition 7.5 will be effective and binding on Holders under these Conditions and these Conditions will be construed accordingly.

7.6 Adjustments to Issue Date VWAP for Reorganisation

- (a) If at any time after the Issue Date there is a change to the number of Ordinary Shares on issue because of a Reorganisation, the Issue Date VWAP will be adjusted by multiplying the Issue Date VWAP applicable on the Trading 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 on issue immediately before the Reorganisation; and

“**B**” means the aggregate number of Ordinary Shares on issue immediately after the Reorganisation.

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

7.7 No adjustment to Issue Date VWAP in certain circumstances

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

7.8 Announcement of adjustments to Issue Date VWAP

The Issuer will notify the Holders of any adjustment to the Issue Date VWAP under Condition 7 within 10 Business Days of the Issuer determining the adjustment.

7.9 Status of Ordinary Shares

Ordinary Shares issued upon Conversion will rank equally with all other fully paid Ordinary Shares on issue at the time of such Conversion.

7.10 Listing Ordinary Shares issued on Conversion

The Issuer must use reasonable endeavours to:

- (a) list the Ordinary Shares issued upon Conversion on ASX; and
- (b) procure that the Ordinary Shares issued upon Conversion are able to be freely traded after their issue date on ASX in compliance with all requirements of the Corporations Act, all other applicable laws 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 the Issuer).

The Holder agrees not to trade Ordinary Shares issued on Conversion (except as permitted by the Corporations Act, other applicable laws and the ASX Listing Rules) until the Issuer has taken such steps as are required by the Corporations Act, other applicable laws and the ASX Listing Rules for the shares to be freely tradeable without such further disclosure or other action and agrees to allow the Issuer to impose a holding lock or refuse to register a transfer in respect of Ordinary Shares until such time. The Issuer will promptly notify Holders when this restriction on trading ceases to apply.

7.11 Provision of information

Where a Nominal Amount of Subordinated Notes held by a Holder is required to be Converted under Condition 6, a Holder wishing to receive Ordinary Shares must, no later than the Non-Viability Conversion Date, have provided to the Issuer (which notice shall be irrevocable):

- (a) 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;
- (b) the Holder's security account details in CHES or such other account to which the Ordinary Shares may be credited; and
- (c) such other information as is reasonably requested by the Issuer for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to the Holder,

provided that any notice specifying a person other than the Holder as the proposed recipient of any Ordinary Shares must be accompanied by the written agreement of that person to become a member of the Issuer.

7.12 Issue to nominee

- (a) If any Subordinated Notes are required to be Converted under Condition 6 and:
 - (i) a 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 Non-Viability Conversion Date;
 - (ii) the Subordinated Notes are held by a person which the Issuer believes in good faith may not be a resident of Australia (a "**Foreign Holder**");

- (iii) if for any reason (whether or not due to the fault of a Holder) the Issuer has not received any information required by it in accordance with Condition 7.11 so as to impede the Issuer issuing the Ordinary Shares to a Holder on the Non-Viability Conversion Date; or
- (iv) a FATCA Withholding is required to be made in respect of the Ordinary Shares issued on the Conversion,

then, on the Non-Viability Conversion Date:

- (v) where subparagraph (i), (ii) or (iv) applies, the Issuer is obliged to issue the Ordinary Shares to that Holder only to the extent (if at all) that:
 - (A) where subparagraph (i) applies, the Holder wishes to receive them;
 - (B) where subparagraph (ii) applies, the Issuer is satisfied that the laws of both Australia and the Foreign Holder's country of residence permit the issue of the Ordinary Shares to the Foreign 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; or
 - (C) where subparagraph (iv) applies, the issue to that Holder is net of the FATCA Withholding;

and to the extent that the Issuer is not obliged to issue Ordinary Shares to that Holder, the Issuer will issue the balance of the Ordinary Shares to the nominee in accordance with subparagraph (vi) of this Condition 7.12; and

- (vi) otherwise, subject to applicable law, the Issuer will issue the balance of Ordinary Shares in respect of that Holder to a nominee appointed by the Issuer (which nominee may not be the Issuer or a Related Entity of the Issuer) and, subject to applicable law:
 - (A) where sub-paragraph (iii) applies, the nominee will hold Ordinary Shares in an aggregate amount equal to the aggregate number to be issued in respect of that Holder and will transfer Ordinary Shares to that Holder if, within 30 days of the Non-Viability Conversion Date, the Holder provides the nominee with the information required to be provided by that Holder under Condition 7.11 (as if a reference in sub-paragraph (c) of Condition 7.11 to the Issuer is a reference to the nominee and a reference to the issue of Ordinary Shares is a reference to the transfer of Ordinary Shares);
 - (B) where subparagraph (iv) applies, the nominee shall deal with Ordinary Shares the subject of a FATCA Withholding and any proceeds of their disposal in accordance with FATCA; and
 - (C) the nominee will as soon as reasonably possible (or, where sub-paragraph (iii) applies, as soon as

reasonably possible after the expiration of the period of 30 days), sell the Ordinary Shares it receives and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Holder.

- (b) The issue of Ordinary Shares to a nominee pursuant to paragraph (a)(vi) will satisfy all obligations of the Issuer to that Holder in connection with the Conversion and on and from the issue of Ordinary Shares to such nominee such Subordinated Notes will be deemed to be Converted and the rights of the Holder the subject of this Condition shall be limited to its rights in respect of the Ordinary Shares or their net cash proceeds as provided in this Condition.
- (c) Nothing in this Condition 7.12 shall affect the Conversion of the Subordinated Notes of a Holder which is not a person to which any of subparagraphs (a)(i) to (iii) (inclusive) applies.

7.13 No duty on sale

For the purpose of Condition 7.12, the Issuer does not owe any obligations or duties to the Holders in relation to the price at which Ordinary Shares are sold and has no liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares by any such nominee.

7.14 Power of attorney

- (a) Each Holder appoints each of the Issuer, its officers and any External Administrator of the Issuer (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 Conversion or Write-Off of Subordinated Notes, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Conversion or Write-Off.
- (b) The power of attorney given in this Condition 7.14 is given for valuable consideration and to secure the performance by the Holder of the Holder’s obligations under these Conditions and is irrevocable.

7.15 Holder acknowledgments

Each Holder irrevocably acknowledges and agrees that:

- (a) where it is required to accept Ordinary Shares under these Conditions, it consents to becoming a member of the Issuer and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion;
- (b) its Subordinated Notes will be Converted or, where applicable, Written-Off, when required by these Conditions notwithstanding:
 - (i) any change in the financial position of the Issuer since the Issue Date;
 - (ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally;

- (iii) any breach by the Issuer of any obligation in connection with the Subordinated Notes; or
 - (iv) any other circumstance which might affect a Conversion of the Subordinated Notes;
- (c) Conversion and, where applicable, Write-Off, of the Subordinated Notes in accordance with Condition 6 and this Condition 7 are fundamental terms of the Subordinated Notes and are not subject to any other conditions other than those expressly provided in Condition 6 and this Condition 7;
- (d) Conversion must occur immediately on the Non-Viability Conversion Date and Conversion or Write-Off may result in disruption or failures in trading or dealings in the Subordinated Notes or other loss to Holders;
- (e) it will not have any rights to vote in respect of any Conversion or Write-Off;
- (f) without prejudice to the Issuer's obligations under Condition 7.10, the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all;
- (g) the determinations made by the Issuer under Condition 6.2 are final and binding; and
- (h) it has no remedies on account of a failure by the Issuer to issue Ordinary Shares in accordance with Condition 7 other than (and subject always to Condition 6.3) to seek specific performance of the obligation to issue the Ordinary Shares to it or, where Condition 7.12 applies, to the nominee.

8 Title and transfer

8.1 Title

Title to Subordinated Notes passes when details of the transfer are entered in the Register.

8.2 Register conclusive as to ownership

Except as required by law or expressly provided in these Conditions or the Deed Poll, and subject to correction for fraud or error, the Issuer and the Registrar must treat the person whose name is entered in the Register as the holder of a Subordinated Note as the absolute owner of that Subordinated Note. This Condition 8.2 applies whether or not a Subordinated Note is overdue and despite any notice of ownership, trust or interest in any Subordinated Note. No person shall be liable for so treating such Holder.

8.3 Non-recognition of interests

No notice of any trust, Encumbrance or other interest in, or claim to, any Subordinated Note will be entered in the Register. Neither the Issuer nor the Registrar need take notice of any trust, Encumbrance or other interest in, or claim to, any Subordinated Note, except as ordered by a court of competent jurisdiction or required by law, and no trust, Encumbrance or other interest in, or claim to, any Subordinated Note or against any current or former Holder will in any way affect any provision of these Conditions.

8.4 Joint Holders

Where two or more persons are entered in the Register as the joint Holders of a Subordinated Note, they are taken to hold the Subordinated Note as joint tenants with rights of survivorship, but neither the Registrar nor the Issuer is bound to register more than three persons as joint Holders of a Subordinated Note.

8.5 Transfer procedures

- (a) Unless Subordinated Notes are lodged in a Clearing System, 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 duly stamped (if applicable) and accompanied by such evidence (if any) as the Registrar may require to prove the title of the transferor or the transferor's right to transfer the Subordinated Notes and be signed by both the transferor and the transferee.
- (b) Subordinated Notes entered in a Clearing System will be transferable only in accordance with the rules and regulations of that Clearing System.

8.6 Transfer restrictions

- (a) Subordinated Notes may only be transferred pursuant to offers received in Australia if:
 - (i) the aggregate consideration payable at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the transferee:
 - (A) is a professional investor as defined in section 9 of the Corporations Act; or
 - (B) has or controls gross assets of at least A\$10,000,000 (including any assets held by an associate or under a trust that the person manages); and
 - (ii) the transfer does not constitute an offer to a "retail client" as defined for the purposes of section 761G of the Corporations Act.
- (b) Subordinated Notes may only be transferred between persons in a jurisdiction or jurisdictions other than Australia if the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place and the transfer of the Subordinated Notes otherwise does not require disclosure to investors in accordance with the laws of the jurisdiction in which the transfer takes place.

8.7 No charge on transfer

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

8.8 Estates

The Registrar must register a transfer of a Subordinated Note to or by a person who is entitled to make or receive the transfer in consequence of:

- (a) death, bankruptcy, liquidation or winding-up of a Holder; or

- (b) the making of a vesting order by a court or other body with power to make the order,

on receiving the evidence of entitlement that the Registrar or the Issuer requires.

8.9 Refusal to register

- (a) The Registrar may refuse to register a transfer of any Subordinated Note if:
 - (i) such registration would contravene these Conditions; or
 - (ii) the Corporations Act or any other law or regulation binding on the Issuer forbids registration.
- (b) If the Registrar refuses to register a transfer, it must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to it.

9 Payments

9.1 Method of payment when Subordinated Notes are in the Austraclear System

If the Subordinated Notes are in the Austraclear System, subject to all applicable fiscal or other laws and regulations, payments in respect of each Subordinated Note will be made by crediting on the relevant Interest Payment Date the amount then due to the account of the Holder in respect of that Subordinated Note in accordance with the Austraclear Regulations.

9.2 Method of payment when Subordinated Notes are not in the Austraclear System

If the Subordinated Notes are not in the Austraclear System, subject to all applicable fiscal or other laws and regulations, payments in respect of each Subordinated Note will be made by crediting on the payment date the amount then due to an account previously notified to the Issuer and the Registrar by the Holder in respect of that Subordinated Note. 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 Business Day immediately preceding 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 Holder in the case of joint registered holders) 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.

9.3 Entitlement to payment

Monies payable by the Issuer in respect of a Subordinated Note shall be paid:

- (a) in the case of a payment of interest (including without limitation any Deferred Interest and any Additional Interest), to the Holder appearing in the Register at the close of business on the Record Date; and

- (b) in the case of a payment of the Redemption Price, to the Holder appearing in the Register at 10:00am (Sydney time) on the date which is three Business Days prior to the date fixed for redemption.

9.4 Time limit for claims

A claim against the Issuer for payment according to these Conditions is void, to the fullest extent permitted by applicable law, unless made within 10 years of the date for payment (in the case of principal) or five years (in the case of interest and other amounts).

9.5 Determinations and calculations final

Except where there is fraud or a manifest error, any determination or calculation made by or on behalf of the Issuer in accordance with these Conditions (including without limitation by the Calculation Agent or the Registrar) is final and binds each Holder.

9.6 Rounding

Unless otherwise specified in these Conditions:

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

9.7 Payment to joint Holders

If a Subordinated Note is held jointly by more than one Holder, a payment to the first named joint Holder of that Subordinated Note will discharge the Issuer's liability in respect of the payment.

9.8 No set-off or offsetting rights

A Holder:

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

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

9.9 Payment on Business Days

If a payment:

- (a) is due on a Subordinated Note on a day which is not a Business Day, the due date for payment will be the next following Business Day (unless the next Business Day is in the following month, in which case the stipulated day will be taken to be the preceding Business Day); or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is

located, the due date for payment will be the first following day on which banks are open for general banking business in that place,

and in either case, the Holder is not entitled to any additional payment in respect of that delay.

Nothing in this Condition applies to any payment referred to in Condition 7.1(b), which occurs on the Non-Viability Conversion Date as provided in Condition 7.1.

9.10 Applicable law

Subject to Condition 10, the Issuer's obligation to make any payment is subject to applicable law.

10 Taxation

10.1 General

All payments in respect of the Subordinated Notes shall be made free and clear of, and without withholding or deduction for, any Taxes unless such withholding or deduction is required by law.

10.2 Deductions

If the Issuer is required by law to make a withholding or deduction, the Issuer shall pay the full amount required to be withheld or deducted by law to the relevant authority within the time allowed for such payment without incurring any penalty under the applicable law.

Subject to Condition 10.3, if any withholding or deduction has been made and the amount of the withholding or deduction has been paid by the Issuer to the relevant authority and the balance of the amount payable paid to the relevant Holder, the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by the Issuer.

10.3 Additional Amounts

Where a withholding or deduction for Taxes is required by a law of Australia or any authority in Australia having power to tax, subject to the Solvency Condition, the Issuer shall pay such additional amounts ("**Additional Amounts**") to the Holders as will result in those Holders receiving the amounts that would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts will be payable with respect to any Subordinated Notes:

- (a) in respect of which the Holder, or a third party recipient on behalf of a Holder, is liable for those Taxes by reason of its having some connection with Australia, other than the mere holding of the Subordinated Notes or the receipt of the relevant payment provided that a Holder shall not be regarded as having a connection with Australia for the reason that the Holder is a resident of Australia within the meaning of the Tax Act where, and to the extent that, such taxes are payable by reason of section 128B(2A) of the Tax Act;
- (b) in respect of which the Holder, or a third party recipient on behalf of a Holder, is an Offshore Associate of the Issuer (acting other than in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act);

- (c) in respect of which the Holder could lawfully avoid (but has not so avoided) such Taxes 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 case for exemption to any tax authority; or
- (d) to, or to a third party on behalf of, an Australian resident Holder or a non-resident Holder who is engaged in carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if that person has not supplied an appropriate tax file number, Australian Business Number or other exemption details.

10.4 FATCA

The Issuer may withhold or make deductions from payments or from the issue of Ordinary Shares to a Holder 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 Subordinated Notes may be subject to FATCA, and may deal with such amount deducted or withheld, and any such Ordinary Shares deducted or withheld in accordance with FATCA and, in the case of Ordinary Shares, Condition 7.12. If any withholding or deduction arises under or in connection with FATCA, the Issuer will not be required to pay any further amounts or issue any further Ordinary Shares to the Holder on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of Subordinated Notes for or in respect of any such withholding or deduction.

10.5 Tax file number

The Issuer will deduct tax from payments of interest (including without limitation any Deferred Interest and any Additional Interest) at the rate prescribed by law if an Australian resident investor or a non-resident investor carrying on business in Australia at or through a permanent establishment of the non-resident in Australia has not supplied an appropriate tax file number, Australian Business Number or exemption details and no Additional Amount is payable in respect of any such deduction.

10.6 References to amounts in respect of Subordinated Notes

Any reference in these Conditions to any amount owing in respect of Subordinated Notes (including any amount in respect of interest, any Deferred Interest, any Additional Interest and any Redemption Price) includes a reference to any Additional Amount which may be payable in respect of that amount under this Condition 10.

11 Events of Default

11.1 Events of Default

An “**Event of Default**” occurs if:

- (a) either:
 - (i) the Issuer does not pay the Redemption Price in respect of the Subordinated Notes when such payment becomes due and payable, and, provided that if such failure is caused by technical or administrative error only, such failure continues for a period of three days after the applicable due date; or

- (ii) the Issuer does not pay any interest (including any Deferred Interest or any Additional Interest) or other amount when such payment becomes due and payable and such failure continues for a period of 30 days after the applicable due date,

(a **“Payment Default”**); or

(b) either:

- (i) the making of an order by a court (including a court with appellate jurisdiction) with competent jurisdiction in Australia which is not appealed or stayed within 21 days of the entry of that order; or
- (ii) the valid adoption by the shareholders of the Issuer of an effective resolution,

for the Winding-Up of the Issuer in each case other than in connection with a scheme of amalgamation or reconstruction not involving the bankruptcy or insolvency of the Issuer (a **“Winding-Up Default”**).

To the extent that a payment is not required to be made by operation of any Deferral Provision, the amount is not due and payable and a Payment Default cannot occur.

11.2 Notification

If an Event of Default occurs, the Issuer must promptly after becoming aware of it notify the Holders of the occurrence of the Event of Default, specifying whether it is a Payment Default or a Winding-Up Default.

11.3 Enforcement

If an Event of Default occurs and is continuing:

- (a) in the case of a Payment Default, a Holder of a Subordinated Note may bring proceedings:
 - (i) to recover any amount then due and payable but unpaid on that Subordinated Note (subject to the Issuer being able to make the payment and remain Solvent);
 - (ii) to obtain an order for specific performance of any other obligation in respect of that Subordinated Note; or
 - (iii) for the Winding-Up of the Issuer; and
- (b) in the case of a Winding-Up Default, in addition to taking any of the actions specified in Condition 11.3(a), a Holder of a Subordinated Note may declare by notice to the Issuer that the Redemption Price of that Subordinated Note is payable on a date specified in the notice and, subject to Condition 12, may prove in the Winding-Up of the Issuer for that amount.

11.4 No other remedies

No Holder may exercise any other remedies (including any right to sue for damages which has the same economic effect as acceleration) as a consequence of an Event of Default or other default except as specified in this Condition 11 or as otherwise expressly provided in these Conditions (but this does not affect the Holders’ rights, subject to these Conditions and the Deed Poll,

to seek an injunction or order for specific performance in respect of an obligation).

12 Subordination

12.1 Winding-Up

In a Winding-Up of the Issuer, a claim by a Holder or any person on behalf of the Holder, for an amount owing by the Issuer in connection with a Subordinated Note, is subordinated to claims in respect of Senior Ranking Debt, in that:

- (a) all claims in respect of Senior Ranking Debt must be paid in full before the Holder's claim is paid; and
- (b) until the claims in respect of Senior Ranking Debt have been paid in full, the Holder must not claim in the Winding-Up in competition with the creditors under the Senior Ranking Debt so as to diminish any distribution, dividend or payment which, but for that claim, the creditors under the Senior Ranking Debt would have been entitled to receive and must not claim in any other Winding-Up of the Issuer.

12.2 Agreements and acknowledgments of Holders

Each Holder irrevocably acknowledges and agrees that:

- (a) this Condition 12 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) without limiting its rights other than in respect of a Subordinated Note, it must not exercise its voting rights as an unsecured creditor in the winding-up or administration of the Issuer in any jurisdiction to defeat the subordination in this Condition 12;
- (c) the debt subordination effected by this Condition 12 is not affected by any act or omission of the Issuer or any creditor under any Senior Ranking Debt which might otherwise affect it at law or in equity; and
- (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 any jurisdiction in connection with a Subordinated Note in excess of its entitlement under Condition 12.1 above.

12.3 No consent of creditors under Senior Ranking Debt

Nothing in this Condition 12 shall be taken to require the consent of any creditor under any Senior Ranking Debt to any amendment of these Conditions.

12.4 No security interest

Nothing in this Condition 12 shall be taken to create an Encumbrance on or over any right of a Holder.

13 Meetings of Holders

13.1 Meeting provisions

Meetings of Holders may be held in accordance with the Meeting Provisions and the Deed Poll. Subject to the Meeting Provisions, a meeting may consider any

matter affecting the interests of Holders, including any variation to these Conditions proposed by the Issuer in accordance with Condition 14.

13.2 Convening a meeting

- (a) The Meeting Provisions contain provisions governing notice, quorum requirements and other matters relevant to the conduct of a meeting.
- (b) The Issuer:
 - (i) may convene a meeting at any time; and
 - (ii) must convene a meeting upon the request in writing of Holders who together hold not less than 10% of the aggregate Face Value of all Subordinated Notes outstanding,in each case as further described in the Meeting Provisions and the Deed Poll.
- (c) The Meeting Provisions also contain provisions for the passing of resolutions by writing signed by defined majorities of Holders.

13.3 Quorums and voting thresholds

The Meeting Provisions include provisions that:

- (a) a resolution is passed if approved by no less than 50% (in the case of an Ordinary Resolution) or 75% (in the case of a Special Resolution) of votes cast (on a poll) or persons voting (on a show of hands) at the relevant duly convened and quorate meeting (or, in the case of a written resolution, respectively, 50% and 75% of the aggregate Face Value of all Subordinated Notes outstanding);
- (b) the quorum for meetings of Holders regarding Ordinary Resolutions is one or more persons representing 10% (in the case of an unadjourned meeting) or one or more persons representing any proportion (in the case of a meeting previously adjourned because of lack of quorum) of the aggregate Face Value of Subordinated Notes outstanding;
- (c) the quorum for meetings of Holders regarding Special Resolutions is:
 - (i) in the case of a Special Quorum Resolution, any one or more persons representing 66 2/3% (in the case of an unadjourned meeting) or 33 1/3% (in the case of a meeting previously adjourned because of lack of quorum); and
 - (ii) in the case of any other Special Resolution, any one or more persons representing 50% (in the case of an unadjourned meeting) or 25% (in the case of a meeting previously adjourned because of lack of quorum),in each case of the aggregate Face Value of all Subordinated Notes outstanding;
- (d) Subordinated Notes held by or on behalf of or for the benefit of any member of the Group, in each case as beneficial owner, shall (unless and until ceasing to be so held) carry no entitlement to vote, shall not count towards quorums requirements nor shall it carry any entitlement to execute a written resolution.

13.4 Resolutions binding

Any resolution passed at any meeting of the Holders or by writing, in each case, in accordance with the Meeting Provisions, is binding on Holders, whether or not they are present at the meeting or they have signed the resolution.

14 Variation

14.1 Variation with approval

Subject to Condition 14.2 and Condition 14.3 and paragraph 33 of the Meeting Provisions, the Issuer may vary the Deed Poll or these Conditions with the approval of the Holders by Special Resolution.

14.2 Variation without approval

Subject to Condition 14.3 and compliance with all applicable laws, the Issuer may vary the Deed Poll or these Conditions without the approval of the Holders if, in the opinion of the Issuer, the variation:

- (a) is necessary to comply with any applicable law;
- (b) is necessary to correct a manifest error, or is otherwise of a formal, minor, technical or administrative nature;
- (c) is
 - (i) made to:
 - (A) alter the terms of any Subordinated Notes to align them with any Equal Ranking Instruments issued after the Issue Date; or
 - (B) alter the definition of "Equal Ranking Instruments" on account of the issue (after the Issue Date) of capital instruments of the Group; and
 - (ii) not materially prejudicial to the interests of the Holders as a whole; or
- (d) is not materially prejudicial to the interests of the Holders as a whole.

14.3 No variation which may affect Tier 2 Capital eligibility

The prior written approval of APRA is required in respect of any variation in respect of the Deed Poll or these Conditions where such variation may affect the eligibility of the Subordinated Notes as Tier 2 Capital.

14.4 Notice to Holders

The Issuer must notify the Holders of any variation to the Deed Poll or these Conditions promptly after it is made.

14.5 Meaning of vary and variation

In this Condition 14 "vary" includes amend, modify, cancel, alter or add to and "variation" has a corresponding meaning.

14.6 Holder approval not required for other arrangements

The Issuer does not require the approval of Holders to vary or terminate the Registry and Calculation Agency Agreement or any other agreement in respect of Subordinated Notes (other than the Deed Poll and these Conditions).

15 General rights

15.1 Further issues

The Issuer may, from time to time without the consent of the Holders, issue, guarantee or otherwise support any securities or other instruments ranking equally with the Subordinated Notes (on the same terms or otherwise) or ranking in priority or junior to the Subordinated Notes.

15.2 No other rights

No person, by virtue of being a Holder, has:

- (a) any claim against the Issuer except as expressly set out in these Conditions;
- (b) any right to participate in the issue of any shares or any other securities of any kind of the Issuer or any other member of the Group; or
- (c) any right to receive notice of or vote at any meeting of members of the Issuer.

16 Notices

16.1 Notices to the Holders

Subject to Condition 16.3, a notice or other communication is properly given to a Holder if it is:

- (a) delivered personally to the address of the Holder shown in the Register five Business Days before the date of the notice or communication;
- (b) sent by prepaid post (airmail, if appropriate) to the address of the Holder shown in the Register five Business Days before the date of the notice or communication;
- (c) sent by fax to the fax number of the Holder (if any) shown in the Register five Business Days before the date of the notice or communication;
- (d) sent by email or electronic message to the address of the Holder (if any) shown in the Register five Business Days before the date of the notice or communication; or
- (e) set out in an advertisement published in The Australian Financial Review or any other newspaper or newspapers circulating in Australia generally,

and, if a Subordinated Note is held jointly by more than one Holder, if it is given, sent or delivered (as applicable) to the first named Holder or published in accordance with Condition 16.1(e).

16.2 When notices to the Holders take effect

Notices or other communications to Holders take effect from the time they are taken to be received unless a later time is specified in them.

Notices and communications to Holders are taken to be received:

- (a) if sent by post, the day immediately following the day on which the notice was posted (or four days after posting if sent from one country to another);
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent;
- (c) if sent by email, when the sender receives an automated message confirming delivery or four hours after sending, whichever occurs first; and
- (d) if published in accordance with Condition 16.1(e), on the date on which the notice is first published.

16.3 Non-receipt of notice by a Holder

The non-receipt of a notice or other communication by a Holder or an accidental omission to give notice to a Holder will not invalidate the giving of that notice either in respect of that Holder or generally.

16.4 Notices to the Issuer

All notices and other communications to the Issuer must be in writing and must be:

- (a) delivered personally to the address set out below;
- (b) sent by prepaid post (airmail, if appropriate) to the address set out below;
- (c) sent by fax to the fax number set out below; or
- (d) given in any other manner determined by the Issuer and notified to the Holders in accordance with these Conditions.

For the purposes of this Condition 16.4, the Issuer's address and fax number for notices and other communications is the address set out below or as otherwise notified by the Issuer to Holders:

Name: QBE Insurance Group Limited

Address: Level 27, 8 Chifley Square
Sydney NSW 2000
Australia

Attention: Company Secretary

Fax: +612 9231 6104

16.5 When notices to the Issuer take effect

Notices or other communications from Holders to the Issuer take effect from the time they are received unless a later time is specified in them.

17 Governing law and jurisdiction

17.1 Governing law

The Subordinated Notes are governed by the laws in force in the State of New South Wales, Australia.

17.2 Jurisdiction

The courts of the State of New South Wales, Australia are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with this deed and, accordingly, any legal action or proceedings arising out of or in connection with this deed (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably and unconditionally submits to the jurisdiction of such courts and courts of appeal from them and waives any right to object to Proceedings being brought in such courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction..

18 Interpretation and definitions

18.1 Definitions

In these Conditions the following expressions have the following meanings:

Additional Amount has the meaning given in Condition 10.3.

Additional Interest has the meaning given in Condition 4.3.

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of the Issuer.

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

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

ASX Settlement Operating Rules means the settlement operating rules of ASX from time to time with any applicable modifications or waivers granted by ASX.

Attorney has the meaning given in Condition 7.14.

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

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

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

Australian Business Number has the meaning given in the A New Tax System (Australian Business Number) Act 1999 of Australia.

Authorised Officer means:

- (a) any person who is a director or the secretary of the Issuer or has been notified by the Issuer in writing to the Holders as being duly authorised to sign documents and to do other acts and things on behalf of the Issuer for the purposes of the Deed Poll and these Conditions; and
- (b) without limiting paragraph (a) above, the Issuer's Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Company Secretary or General Counsel.

Bank Bill Rate has the meaning given in Condition 3.3.

Business Day means a day on which commercial banks are open for general business in Sydney, Australia.

Calculation Agent means Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any successor appointed from time to time as calculation agent in accordance with the terms of the Registry and Calculation Agency Agreement.

CHES means the Clearing House Electronic Subregister System operated by ASX.

Clearing System means:

- (a) the Austraclear System;
- (b) Euroclear Bank S.A./N.V.;
- (c) Clearstream Banking, société anonyme, Luxembourg; or
- (d) any other clearing system in which the Subordinated Notes are lodged from time to time.

Conditions means these terms and conditions.

Constitution means the constitution of the Issuer as amended from time to time.

Conversion Number has the meaning given in Condition 7.1(a).

Convert means the conversion of all, some or a proportion of the Subordinated Notes into Ordinary Shares under these Conditions and **Conversion**, **Converting** and **Converted** have corresponding meanings.

Corporations Act means the Corporations Act 2001 of Australia.

Cum Value has the meaning given in Condition 7.2(a).

Day Count Fraction means, in respect of a period, the actual number of days in the period divided by 365.

Deed Poll means the deed poll entitled "Subordinated Note Deed Poll" executed by the Issuer on or about 22 September 2015.

Deferred Interest has the meaning given in Condition 4.1(b).

Deferral Provision means any of Condition 4.1(a), 4.1(b) or 4.2.

Determination Date means:

- (a) in respect of the first Interest Period, the Issue Date; and
- (b) in respect of any other Interest Period, the first Business Day of such Interest Period.

Early Redemption Date means the date on which a Subordinated Note is to be redeemed as specified in the applicable Early Redemption Notice.

Early Redemption Notice means a notice given by the Issuer under Condition 5.3.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

Equal Ranking Instrument means any instrument that ranks in a Winding-Up of the Issuer as the most junior claim in the Winding-Up of the Issuer ranking senior to Junior Ranking Instruments and includes:

- (a) the guarantee given into by the Issuer in respect of each of:
 - (i) the £325,000,000 Fixed Rate Reset Guaranteed Exchangeable Subordinated Callable Subordinated Notes due 2041 issued on or about 24 May 2011 by QBE Capital Funding IV Limited pursuant to the Offering Memorandum of that issuer dated 18 May 2011; and
 - (ii) the US\$1,000,000,000 Fixed Rate Reset Guaranteed Exchangeable Subordinated Callable Subordinated Notes due 2041 issued on or about 24 May 2011 by QBE Capital Funding III Limited pursuant to the Offering Memorandum of that issuer dated 17 May 2011;
- (b) the US\$700,000,000 Subordinated Notes due 2 December 2044 issued by the Issuer on 2 December 2014; and
- (c) any other instruments issued after 1 January 2013 as Relevant Tier 2 Capital Instruments.

Event of Default has the meaning given in Condition 11.1.

External Administrator means, in respect of a person:

- (a) a liquidator, provisional liquidator, an administrator or a statutory manager of that person; or
- (b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertakings of that person.

Face Value means, in respect of a Subordinated Note, the outstanding principal amount of that Subordinated Note, as such principal amount may have been reduced by Conversion or Write-Off.

FATCA means the Foreign Account Tax Compliance Act provisions, sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions).

FATCA Withholding means any deduction or withholding made for or on account of FATCA.

Financial Year means any year beginning on 1 January and ending on 31 December.

Foreign Holder has the meaning given in Condition 7.12(a)(ii).

Government Agency means any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.

Group means the Issuer and each of its Subsidiaries.

Holder means:

- (a) for the purposes of determining the person entitled to be issued Ordinary Shares (or, where Condition 7.12 applies, the net proceeds of sale of such shares) and the amount of their entitlements:
 - (i) for so long as such Subordinated Notes are held in the Austraclear System, a person who is an Austraclear Participant (as defined in the Austraclear Regulations); and
 - (ii) for so long as such Subordinated Notes are held in any other Clearing System and Ordinary Shares are not able to be held in that Clearing System, a participant of that Clearing System; and
- (b) for all other purposes, a person whose name is for the time being entered in the 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 and (for the avoidance of doubt) when a Subordinated Note is entered into a Clearing System, includes the operator of that system or a nominee for a common depository for any one or more Clearing Systems (such operator or nominee for a common depository acting in such capacity as is specified in the rules and regulations of the relevant Clearing System or Clearing Systems).

Inability Event means the Issuer is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of the Issuer in any jurisdiction) or any other reason from Converting the Subordinated Notes.

Interest Payment Date has the meaning given in Condition 3.2.

Interest Period means each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date, provided that the first Interest Period commences on (and includes) the Issue Date.

Interest Rate means the interest rate (expressed as a percentage per annum) calculated in accordance with Condition 3.3.

Issue Date means the date on which a Subordinated Note is issued being 29 September 2015.

Issue Date VWAP means the VWAP during the applicable VWAP Period, as adjusted in accordance with Condition 7.

Issuer means QBE Insurance Group Limited (ABN 28 008 485 014).

Junior Ranking Instrument means:

- (a) any instrument of the Issuer issued as Tier 1 Capital (as defined by APRA from time to time) (whether or not constituting Tier 1 Capital at the Issue Date or at the time of commencement of the Winding-Up of the Issuer); and
- (b) any shares (including Ordinary Shares) in the capital of the Issuer.

Level 2 Insurance Group means the “Level 2 insurance group” (as defined by APRA from time to time) of which the Issuer is the Parent Entity.

Margin has the meaning given in Condition 3.3.

Maturity Date means 29 September 2040.

Maximum Conversion Number has the meaning given in Condition 7.1(a).

Meeting Provisions means the provisions for the convening of meetings of, and passing of resolutions by, Holders set out in the Deed Poll.

Nominal Amount has the meaning given in Condition 7.1(a).

Non-Viability Conversion Date has the meaning given in Condition 6.2(a)(i).

Non-Viability Determination has the meaning given in Condition 6.1(a).

Non-Viability Trigger Event has the meaning given in Condition 6.1(a).

Non-Viability Trigger Event Notice has the meaning given in Condition 6.2(a)(iii).

Offshore Associate means an associate (as defined in section 128F of the Tax Act) of the Issuer that is either:

- (a) a non-resident of Australia which does not acquire the Subordinated Notes in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the Subordinated Notes in carrying on a business at or through a permanent establishment outside Australia.

Optional Interest Payment Date means an Interest Payment Date where no interest payments, dividends or other distributions have been made on any Equal Ranking Instruments or Junior Ranking Instruments (other than an Equal Ranking Instrument in the case where the terms of that instrument do not enable the Issuer to defer, pass on or eliminate the relevant payment on such Equal Ranking Instrument) during the Financial Year in which such Interest Payment Date falls and no dividend has been made on any Ordinary Shares during the during the Financial Year in which such Interest Payment Date falls.

Optional Redemption Date has the meaning given in Condition 5.2(a).

Ordinary Resolution has the meaning given in the Deed Poll.

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

Parent Entity has the meaning given to that term by APRA from time to time.

Payment Default has the meaning given in Condition 11.1(a).

Proceedings has the meaning given in Condition 17.2.

Record Date means, in respect of a payment of interest, the date which is five Business Days before the Interest Payment Date or other date for payment or such other date as may be approved from time to time by the Issuer in its absolute discretion.

Redemption Date means the Maturity Date or an Early Redemption Date (as applicable).

Redemption Price means an amount equal to the Face Value together with any Deferred Interest, any Additional Interest, any Additional Amounts and any accrued but unpaid interest to the date of redemption determined in accordance with Condition 3, provided always that any amounts payable under Condition 3 on the Redemption Date which are separately paid in full on that date shall be excluded from the Redemption Price.

Register means a register of Holders established and maintained by or on behalf of the Issuer.

Registrar has the meaning given in the Deed Poll.

Registry and Calculation Agency Agreement means the agreement entitled "Registrar and Paying Agent Services Agreement", dated on or about the Issue Date between the Issuer and the Calculation Agent.

Regulatory Event means the introduction of, or an amendment or clarification to or change in, or a change in the interpretation of a law or regulation of Australia or any state or territory thereof, or a rule, regulation, prudential standard, directive, order or requirement of APRA, after the Issue Date ("**Regulatory Change**") (or the announcement of a prospective Regulatory Change which the Issuer expects will take effect within no more than 12 months), which has or (in the case of an announced Regulatory Change) will have the effect that the Issuer is not (or will not be) entitled to treat all of the Subordinated Notes as Tier 2 Capital, or its then equivalent, of the Level 2 Insurance Group, provided that on the Issue Date the Issuer did not expect that the matters giving rise to the Regulatory Event would occur.

Related Body Corporate has the meaning given by the Corporations Act.

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

Relevant Capital Instrument means Relevant Tier 1 Capital Instruments and Relevant Tier 2 Capital Instruments.

Relevant Tier 1 Capital Instrument means a capital instrument forming part of the Tier 1 Capital of the Level 2 Insurance Group that, in accordance with its terms or by operation of law, is capable of being converted or written-off where APRA makes a determination as referred to in Condition 6.1(a).

Relevant Tier 2 Capital Instrument means a capital instrument forming part of the Tier 2 Capital of the Level 2 Insurance Group that, in accordance with its terms or by operation of law, is capable of being converted or written-off where APRA makes a determination as referred to in Condition 6.1(a).

Required Amount has the meaning given in Condition 6.2.

Reorganisation means, in relation to the Issuer, a division, consolidation or reclassification of the Issuer's share capital not involving any cash payment or other distribution or consideration to or by holders of Ordinary Shares.

Scheduled Trading Day means a day which is a business day within the meaning of the ASX Listing Rules.

Senior Ranking Debt means the claims of all creditors of the Issuer which would be entitled to be admitted in the Winding-Up of the Issuer other than claims in respect of Equal Ranking Instruments or Junior Ranking Instruments (including the claims described in section 563AA and in section 563A of the Corporations Act).

Solvency Condition has the meaning given in Condition 4.2(a).

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.

Special Quorum Resolution has the meaning given in the Deed Poll.

Special Resolution has the meaning given in the Deed Poll.

Subordinated Note means a note constituted by the Deed Poll issued by the Issuer pursuant to the Deed Poll and on the terms and the conditions set forth in these Conditions, the details of which are recorded in the Register.

Subsidiary has the meaning given in the Corporations Act.

Tax Act means:

- (a) the Income Tax Assessment Act 1936 of Australia, the Income Tax Assessment Act 1997 of Australia or the Taxation Administration Act 1953 of Australia (and a reference to any section of the Income Tax Assessment Act 1936 of Australia includes a reference to that section as rewritten in the Income Tax Assessment 1997 of Australia);
- (b) any other law setting the rate of income tax payable; and
- (c) any regulation made under such laws.

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties, fines and expenses in connection with them, except if imposed on, or calculated having regard to, the net income of the Holder.

Tax Event means the receipt by the Issuer of an opinion of competent tax counsel to the effect that, as a result of the introduction of, or amendment or clarification to, or change in, or change in the interpretation of (or announcement of a prospective introduction of, amendment or clarification to or change in) a law or regulation by any legislative body, court, government agency or regulatory authority in Australia after the Issue Date, there is more than an insubstantial risk that:

- (a) the Issuer would be required to pay any Additional Amounts;
- (b) interest payments on the Subordinated Notes are not or may not be allowed as a deduction for the purposes of Australian income tax; or

- (c) the Issuer would be exposed to more than a *de minimis* increase in its costs in relation to the Subordinated Notes as a result of any taxes, duties or other governmental charges or civil liabilities,

provided that on the Issue Date the Issuer did not expect that the matters giving rise to the Tax Event would occur.

Tier 1 Capital means Tier 1 capital as defined by APRA from time to time.

Tier 2 Capital means Tier 2 capital as defined by APRA from time to time.

Trading Day means any day:

- (a) which is a Scheduled Trading Day; and
- (b) on which Ordinary Shares:
 - (i) are not suspended from trading on ASX (excluding any intra-day trading halt which the Calculation Agent considers has not materially affected the VWAP on that day) or such other principal exchange on which the Ordinary Shares are then listed; and
 - (ii) have traded at least once on ASX.

Transfer Form means a form substantially in the form set out in the Deed Poll or such other form as the Issuer may determine from time to time and notify to the Holders.

VWAP means the average of the daily volume weighted average prices of Ordinary Shares traded on ASX during the relevant VWAP Period, subject to any adjustments made under Condition 7 (such average being rounded to the nearest full cent) 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 Settlement Operating Rules, or any overseas trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means:

- (a) in the case of the Issue Date VWAP, the period of five Trading Days immediately preceding (but not including) the Issue Date; or
- (b) otherwise, the period of five Trading Days immediately preceding (but not including) the Non-Viability Conversion Date.

Winding-Up means, in relation to the Issuer, a winding-up by a court of competent jurisdiction under applicable law (which, in the case of Australia, includes the Corporations Act) and the terms "**Wind-Up**" and "**Wound-Up**" shall, when used in relation to the Issuer, have corresponding meanings.

Winding-Up Default has the meaning given in Condition 11.1(b).

Written-Off has the meaning given in Condition 6.3 and "**Write-Off**" has a corresponding meaning.

18.2 Interpretation

- (a) Unless otherwise specified, a reference to a Condition is a reference to a provision of these Conditions.

- (b) If a calculation is required under these Conditions, unless the contrary intention is expressed, the calculation will be rounded to four decimal places (with 0.00005 being rounded up to 0.0001).
- (c) Headings and boldings are for convenience only and do not affect the interpretation of these Conditions.
- (d) The singular includes the plural and vice versa.
- (e) 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 and references to the law includes statutes, ordinances, directives or common law and principles of equity having general application.
- (f) If an event under these Conditions must occur on a stipulated day which is not a Business Day, for an event other than a Non-Viability Trigger Event and a Non-Viability Conversion Date, the stipulated day will be taken to be the next Business Day (unless the next Business Day is in the following month, in which case the stipulated day will be taken to be the preceding Business Day), unless a contrary intention is expressed.
- (g) A reference to US Dollars, USD or US\$ is a reference to the lawful currency of the United States of America.
- (h) A reference to Australian Dollars, AUD or A\$ or cents is a reference to the lawful currency of Australia.
- (i) A reference to Sterling, GBP, £ or pence is a reference to the lawful currency of the United Kingdom.
- (j) A period of time dating from a given day or the day of an act or event is to be calculated exclusive of that day.
- (k) A day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.
- (l) Any reference to any requirements of APRA or any other prudential regulatory requirements in these Conditions will apply or be operative with respect to the Issuer only if the Issuer is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of a holding company, which is subject to regulation and supervision by APRA at the relevant time.
- (m) Any requirement for APRA's consent or approval in any provision of these Conditions will apply only if APRA requires that such consent or approval be given at the relevant time.
- (n) Where, under these Conditions, APRA's approval is required for any act to be done or not done, that term does not imply that APRA's approval has been given as at the Issue Date.
- (o) Nothing in these Conditions shall confer rights on the Holder of any Relevant Capital Instrument or any other person other than the Holders.
- (p) A reference to a term defined by the ASX Listing Rules or the ASX Settlement Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.
- (q) If the principal securities exchange on which Ordinary Shares are listed becomes an exchange other than ASX, unless the context otherwise

requires, a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Settlement 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).

- (r) A reference to an agreement, deed or instrument (including these Conditions) includes a reference to that agreement, deed or instrument as amended, added to or restated from time to time.
- (s) The words "includes" or "including", "for example" or "such as" do not exclude a reference to other items, whether of the same class or genus or not.

DESCRIPTION OF THE ORDINARY SHARES

The rights and liabilities attaching to the Ordinary Shares to be issued on Conversion of the Subordinated Notes are set out in the Constitution and are also regulated by the Corporations Act, the ASX Listing Rules and the general law. The circumstances where Subordinated Notes may be Converted into Ordinary Shares and the risks associated with Conversion and holding Ordinary Shares are described in the section entitled Risks Factors—Risk of mandatory Conversion or Write-Off on account of the non-viability of the Issuer, above. Set out below is a summary of the some of the key rights, liabilities and features attaching to the Ordinary Shares as at the date of this Information Memorandum.

Voting rights

Subject to any rights or restrictions attached to any shares or class of shares, a registered holder of an Ordinary Share (“**Member**”) is entitled to attend and vote at a general meeting of the Issuer. Any resolution being considered at a general meeting is decided on a show of hands unless a poll is held. On a show of hands, each Member present has one vote.

On a poll, each Member has one vote for each Ordinary Share. Partly paid Ordinary Shares confer that fraction of a vote which is equal to the proportion which the amount paid bears to the total issue price of the Ordinary Shares. Voting rights may be restricted by applicable law and ASX Listing Rules in certain circumstances—see the section entitled *Risks Factors—Restrictions on holding and trading Ordinary Shares*, above.

No rights to redemption

Members have no right to require the redemption of any Ordinary Shares they hold.

General meetings

Each Member is entitled to receive notices, financial statements and other documents required to be sent to Members under the Constitution, Corporations Act and ASX Listing Rules.

Dividend entitlement

Subject to the Corporations Act, the Constitution and the terms of issue of Ordinary Shares, the Board may resolve to pay dividends on Ordinary Shares.

Rights of Members on a winding-up of the Issuer

Subject to the rights or restrictions attached to any share or classes of shares, if the Issuer is wound up, the property of the Issuer available for distribution among the Members shall be divided among the Members in proportion to the shares held by them irrespective of the amounts paid up or credited as paid up on the shares.

Transfer of Ordinary Shares

Ordinary Shares may be transferred by any means permitted by the Constitution, or by law. The Issuer may in limited circumstances decline to register a transfer where permitted or required to do so under the ASX Listing Rules or the ASX Settlement Operating Rules.

Limitations on ownership

There are detailed Australian laws and regulations which govern the acquisition of interests in the Issuer, and a summary of these is described in the section entitled *Risks Factors—Restrictions on holding and trading Ordinary Shares*, above. The Constitution also contains certain limitations on the rights to own securities in the Issuer, such as providing that the Issuer will not, in certain circumstances, recognise a person as holding an Ordinary Share on any trust, and prescribing limitations in respect of joint holders of Ordinary Shares. The Constitution also provides rights for the Issuer, subject to certain conditions, to compulsorily dispose of parcels of Ordinary Shares worth less than A\$500.

Issues of further shares

Subject to the Constitution, Corporations Act and ASX Listing Rules, the Board may issue or grant options in respect of Ordinary Shares on such terms as the Board decides. The Board may also issue preference shares, including redeemable preference shares, or convertible notes with preferred, deferred or special rights or restrictions in relation to dividends, voting, return of capital and participation in surplus on a winding-up of the Issuer.

Variation of rights

The Issuer may modify or vary the rights attaching to any class of shares with the consent in writing of the holders of three-fourths of the issued shares of that class; or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

Issued capital

As at 22 September 2015, the Issuer has 1,369,195,786 Ordinary Shares on issue, all of which are fully paid. As at the date of this Information Memorandum, the Ordinary Shares are listed on the ASX. See www.asx.com.au

USE OF PROCEEDS

The net proceeds from the issue of the Subordinated Notes will be used primarily to fund the repayment of certain existing securities and otherwise for general corporate, funding and capital management purposes with the Group.

TAXATION

This section summarises the principal Australian taxation consequences arising from the acquisition, holding and disposal of Subordinated Notes by Holders who hold their Subordinated Notes on capital account for Australian income tax purposes.

The summary is based on tax law and practice in force as at the date of this Information Memorandum, unless otherwise indicated. It is of a general nature only and is neither exhaustive nor definitive and it does not purport to be a complete analysis of all of the tax considerations relating to the Subordinated Notes. The summary does not apply to Holders who hold Subordinated Notes on revenue account, as trading stock or as part of a securities trading business and may not apply to certain other classes of persons. It is not intended to be advice and should not be relied upon as such.

This summary does not address the taxation consequences of holding or disposing of Ordinary Shares following Conversion of Subordinated Notes (except as expressly noted below).

Prospective holders of Subordinated Notes should seek independent taxation advice having regard to their own particular circumstances before making a decision to invest in Subordinated Notes.

INTRODUCTION

This summary of the Australian tax consequences is based on the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, “**Australian Tax Act**”), the Taxation Administration Act 1953 of Australia, the A New Tax System (Goods and Services Tax) Act 1999 and any relevant regulations, rulings or judicial or administrative pronouncements, as at the date of this Information Memorandum.

This summary applies to Holders that are:

- (a) residents of Australia for tax purposes that do not hold their Subordinated Notes in the course of carrying on a business outside of Australia, and non-residents of Australia for tax purposes that hold their Subordinated Notes in the course of carrying on a business at or through a permanent establishment in Australia (“**Australian Holders**”) and
- (b) non-residents of Australia for tax purposes that do not acquire their Subordinated Notes in the course of carrying on a business in Australia, and Australian tax residents that acquire their Subordinated Notes in the course of carrying on a business at or through a permanent establishment outside of Australia (“**Non-Australian Holders**”).

AUSTRALIAN INCOME TAX

Interest payments

Australian Holders will be required to include any interest in respect of their Subordinated Notes in their Australian assessable income.

Whether the interest should be recognised as assessable income on a realisation or accruals basis will depend on the individual circumstances of the Australian Holder (see also the “taxation of financial arrangements” summary below).

Non-Australian Holders should not generally be subject to Australian income tax in respect of interest payments received on their Subordinated Notes. This is on the basis that the Issuer intends to satisfy the requirements of section 128F of the Australian Tax Act in respect of Interest paid on Subordinated Notes (see summary below).

Gain on disposal or redemption of Subordinated Notes

Australian Holders will be required to include any gain or loss on disposal or redemption of Subordinated Notes in their assessable income. Depending on the circumstances of the Australian Holder, either the rules relating to “taxation of financial arrangements” (see summary below) or “traditional securities” (in sections 26BB and 70B of the Australian Tax Act) should apply.

For the purpose of calculating an Australian Holder’s gain or loss on disposal or redemption of Subordinated Notes:

- (a) the cost of a Subordinated Note should generally be its issue price for Holders who acquire Subordinated Notes under this Information Memorandum;
- (b) the proceeds from a disposal will generally be the gross amount received by the Holder in respect of the disposal of Subordinated Notes; and
- (c) if the Subordinated Notes are redeemed by the Issuer, the proceeds from the redemption may be taken to exclude any parts of the redemption amount paid to Holders that are referable to any accrued and unpaid interest on Subordinated Notes. Those interest amounts may be treated in the same manner as interest payments received during the term of Subordinated

Notes. Again, Holders should seek their own taxation advice in relation to the application of the Australian Tax Act to their particular circumstances.

Non-resident Holders should not be subject to Australian income tax on gains made on the disposal or redemption of Subordinated Notes, provided:

- (a) if the non-resident Holder is not a resident of a country with which Australia has entered into a comprehensive double tax treaty—such gains do not have an Australian source; or
- (b) if the non-resident Holder is a resident of a country with which Australia has entered into a comprehensive double tax treaty—the non-resident Holder is fully entitled to the benefits of the double tax treaty and does not carry on business at or through a permanent establishment in Australia.

A gain arising on the sale of Subordinated Notes by a non-resident Holder to another non-resident Holder where Subordinated Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia should not be regarded as having an Australian source.

If a gain realised by a Non-Australian Holder is subject to Australian income tax, depending on the circumstances of the Non-Australian Holder, either the rules relating to “taxation of financial arrangements” or “traditional securities” should apply.

No gain on Conversion of Subordinated Notes

Holders (whether an Australian Holder or a Non-Australian Holder) should not generally make any taxable gain or loss if Subordinated Notes are Converted into Ordinary Shares. This is because any gain or loss on the Conversion should be generally disregarded under the Australian Tax Act. Holders should seek their own taxation advice if their Subordinated Notes are Converted into Ordinary Shares.

Ordinary Shares acquired as a consequence of the Conversion should generally be treated as having a cost base and reduced cost base for Australian capital gains tax (“CGT”) purposes equal to the cost base of Subordinated Notes at the time of Conversion. For Australian CGT purposes, the acquisition date of the Ordinary Shares should generally be the time of Conversion. This will be relevant in the event that the Holder subsequently disposes of the Ordinary Shares. In the case of a Holder who is not a resident of Australia for tax purposes, any capital gain or loss made by that Holder from any subsequent disposal of Ordinary Shares is likely to be disregarded for Australian CGT purposes. This is because the Ordinary Shares are not likely to be “taxable Australian property” (as defined under the Australian Tax Act) at the time of disposal.

AUSTRALIAN INTEREST WITHHOLDING TAX

Interest Withholding Tax

For Australian interest withholding tax (“IWT”) purposes, “interest” is defined in section 128A(1AB) of the Australian Tax Act to include amounts in the nature of, or in substitution for, interest and certain other amounts. The interest paid on Subordinated Notes should be “interest” as defined in the Australian Tax Act.

Australian Holders should not be subject to Australian IWT in respect of payments of interest on Subordinated Notes.

Non-Australian Holders may be subject to Australian IWT at a rate of 10% of the gross amount of interest paid by the Issuer to the Non-Australian Holder unless an exemption is available.

Section 128F exemption from IWT

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

The Issuer intends to issue Subordinated Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

In broad terms, the requirements are as follows:

- (a) the Issuer is a resident of Australia and a company (as defined in section 128F(9) of the Australian Tax Act) when it issues Subordinated Notes and when interest is paid;
- (b) Subordinated Notes are issued in a manner which satisfies the “public offer” test in section 128F of the Australian Tax Act.

In relation to Subordinated Notes, there are six principal methods of satisfying the public offer test. In summary, the six methods are:

- offers to 10 or more unrelated financiers, or securities dealers or entities that carry on the business of investing in securities;
 - offers to 100 or more investors of a certain type;
 - offers of listed Subordinated Notes;
 - offers via publicly available information sources;
 - offers to a dealer, manager or underwriter who offers to sell Subordinated Notes within 30 days by one of the preceding methods; or
 - the offering of a 'global bond' which satisfies the requirements of section 128F(10) of the Australian Tax Act.
- (c) the Issuer does not know, or have reasonable grounds to suspect, at the time of issue, that Subordinated Notes (or interests in those Subordinated Notes) were being, or would later be, acquired, directly or indirectly, by an "associate" of the Issuer, except as permitted by section 128F(5) of the Australian Tax Act (see below); and
- (d) at the time of the payment of interest, the Issuer does not know, or have reasonable grounds to suspect, that the payee is an "associate" of the Issuer, except as permitted by section 128F(6) of the Australian Tax Act (see below).

An "associate" of the Issuer for the purposes of section 128F of the Australian Tax Act includes, when the Issuer is not a trustee:

- a person or entity which holds more than 50% of the voting shares of, or otherwise controls, the Issuer;
- an entity in which more than 50% of the voting shares are held by, or which is otherwise controlled by, the Issuer;
- a trustee of a trust where the Issuer is capable of benefiting (whether directly or indirectly) under that trust; and
- a person or entity who is an "associate" of another person or company which is an "associate" of the Issuer under any of the foregoing.

However, for the purposes of sections 128F(5) and (6) of the Australian Tax Act (see paragraphs (c) and (d) above) an "associate" of the Issuer does not include a Non-Australian Holder that is acting in the capacity of:

- in the case of section 128F(5) only, a dealer, manager or underwriter in relation to the placement of the relevant Subordinated Notes, or a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme (for the purposes of the Corporations Act); or
- in the case of section 128F(6), a clearing house, paying agent, custodian, funds manager, responsible entity of a registered managed investment scheme (for the purposes of the Corporations Act).

Exemptions under certain double tax conventions

Exemptions from IWT are also available for certain non-residents of Australia under double tax conventions.

The Australian government has signed new or amended double tax conventions ("**New Treaties**") with a number of countries (each a "**Specified Country**").

Broadly, the New Treaties effectively prevent IWT applying to interest derived by:

- the governments of the Specified Countries and certain governmental authorities and agencies in a Specified Country; and
- a "financial institution" resident in a Specified Country which is unrelated to and dealing wholly independently with the Issuer. The term "financial institution" refers to either a bank or any other enterprise which substantially derives its profits by carrying on a business of raising and providing finance. However, interest paid under a back-to-back loan or an economically equivalent arrangement will not qualify for this exemption.

The Australian Federal Treasury maintains a listing of Australia's double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation. This listing is available to the public at the Federal Treasury's Department website.

Payment of Additional Amounts

As set out in more detail in Condition 10 (Taxation), if the Issuer is at any time compelled or authorised by law to deduct or withhold an amount in respect of any Australian withholding taxes imposed or levied by the Commonwealth of Australia in respect of Subordinated Notes, the Issuer must, subject to certain exemptions contained in Condition 10.3, pay such Additional Amounts as may

be necessary in order to ensure that the net amounts received by the Holders of those Subordinated Notes after such deduction or withholding are equal to the respective amounts which would have been received had no such deduction or withholding been required. If the Issuer is compelled by law in relation to any Subordinated Notes to pay an Additional Amount in respect of a Subordinated Note under Condition 10.3 (Additional Amounts), the Issuer may, subject to the prior written approval of APRA and certain other conditions being satisfied, have the option to redeem those Subordinated Notes in accordance with Condition 5.2.

OTHER AUSTRALIAN TAX MATTERS

Under Australian laws as presently in effect:

- **taxation of financial arrangements**—Division 230 of the Australian Tax Act contains tax timing rules for certain taxpayers to bring to account gains and losses from “financial arrangements”. The rules do not alter the rules relating to the imposition of IWT nor override the IWT exemption available under section 128F of the Australian Tax Act.

A number of elective tax timing methods are available under Division 230. If none of the tax timing elections are made, the default accruals/realisation methods should apply to the taxpayer. Under the default methods, if the gains or losses from a financial arrangement are sufficiently certain, they should be brought to account for tax on an accruals basis. Otherwise, they should be brought to account for tax when they are realised.

Division 230 does not apply to certain taxpayers or in respect of certain short term “financial arrangements”. Division 230 should not, for example, generally apply to Holders of Subordinated Notes which are individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their “financial arrangements”. Potential Holders should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made;
- **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;
- **stamp duty and other taxes**—no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue, transfer or redemption of any Subordinated Notes or the issue or transfer of Ordinary Shares (including an issue of Ordinary Shares as a result of a Conversion) provided that:
 - if all the shares in the Issuer are quoted on ASX at the time of issue or transfer of the Ordinary Shares, no person, either directly or when aggregated with interests held by associates of that person, obtains an interest in the Issuer of 90% or more; or
 - if not all the shares in the Issuer are quoted on ASX at the time of issue or transfer of the Ordinary Shares, no person, either directly or when aggregated with interests held by associates of that person, obtains an interest in Issuer of 50% or more.

The stamp duty legislation generally requires the interests of associates to be added in working out whether the relevant threshold is reached. In some circumstances, the interests of unrelated entities can also be aggregated together in working out whether the relevant threshold is reached;

- **TFN/ABN withholding**—withholding tax is presently imposed on the payment of interest on certain securities unless the relevant payee has quoted an Australian tax file number (“TFN”), (in certain circumstances) an ABN or proof of some other exception (as appropriate). A withholding rate of 49% will apply temporarily in respect of payments of interest made from 1 July 2014 until 30 June 2017, taking into account the Temporary Budget Repair Levy. A withholding rate of 47% will then apply from 1 July 2017.

Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to Subordinated Notes, then withholding will not apply to payments to a non-resident Holder who does not hold their Subordinated Notes in the course of carrying on a business at or through a permanent establishment in Australia. Payments to Australian Holders in respect of Subordinated Notes may be subject to a withholding where the Australian Holder does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);
- **Dividend Withholding Tax**—Non-Australian Holders may be subject to dividend withholding tax (“DWT”) on certain distributions paid on equity interests in Australian resident entities (such as Ordinary Shares). DWT is generally imposed to the extent “franking credits” do not attach to the relevant distribution. Australian DWT is imposed at a general rate of 30% but the rate may be reduced under an applicable double tax treaty. Holders should consider the application of DWT in the event the Holder’s Subordinated Notes are Converted into Ordinary Shares. The Issuer does not “gross-up” distributions on its Ordinary Shares to account for the imposition of DWT;
- **additional withholdings from certain payments to non-residents**—the Governor-General may make regulations requiring withholding from certain payments to non-residents of Australia (other than payments of interest and other amounts which are already subject to the current IWT rules or specifically exempt from those rules). Regulations may only be made if the responsible Minister is satisfied the specified payments are of a kind that could reasonably relate to

assessable income of foreign residents. The possible application of any future regulations to the proceeds of any sale of Subordinated Notes will need to be monitored by Holders;

- **garnishee directions by the Commissioner of Taxation**—the Commissioner may give a direction requiring the Issuer to deduct from any payment to a Holder or the holder of an Ordinary Share any amount in respect of Australian tax payable by the Holder. If the Issuer is served with such a direction, then the Issuer will comply with that direction and will make any deduction required by that direction;
- **supply withholding tax**—payments in respect of Subordinated Notes can generally be made free and clear of any “supply withholding tax”; and
- **goods and services tax**—neither the issue nor receipt of Subordinated Notes should give rise to a liability for GST in Australia on the basis that the supply of Subordinated Notes should comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of the Redemption Price or interest by the Issuer, nor the disposal of the Subordinated Notes by the Holder, should give rise to any GST liability in Australia.

FATCA WITHHOLDING

FATCA establishes a new due diligence, reporting and withholding regime. FATCA aims to detect U.S. taxpayers who use accounts with “foreign financial institutions” (“**FFIs**”) to conceal income and assets from the U.S. Internal Revenue Service (“**IRS**”).

Under FATCA, a 30% withholding may be imposed (i) in respect of certain U.S. source payments, (ii) from 1 January 2017 in respect of gross proceeds from the sale of assets that give rise to U.S. source interest or dividends and (iii) from 1 January 2017, at the earliest, in respect of “foreign passthru payments” (a term which is not yet defined under FATCA), which are, in each case, paid to or in respect of entities that fail to meet certain certification or reporting requirements.

The Issuer and other financial institutions through which payments on the Subordinated Notes are made may be required to withhold on account of FATCA if (i) an investor does not provide information sufficient for the Issuer or the relevant financial institution to determine whether the investor is subject to FATCA Withholding; or (ii) an FFI to or through which payments on the Subordinated Notes are made is a “non-participating FFI”.

FATCA Withholding is however not expected to apply if the Subordinated Notes are treated as debt for U.S. federal income tax purposes and the grandfathering provisions from withholding under FATCA are applicable. The grandfathering provisions require, amongst other things, that the Subordinated Notes are issued on or before the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register. As at the date of this Information Memorandum, no such final regulations have been filed with the U.S. Federal Register.

Under the Australian Amendments, Australian FFIs will generally be able to be treated as “deemed compliant” with FATCA. Depending on the nature of the relevant FFI, FATCA Withholding may not be required from payments made with respect to the Subordinated Notes other than in certain prescribed circumstances. Under the Australian Amendments, an FFI may be required to provide the Australian Taxation Office with information on financial accounts (for example, the Subordinated Notes) held by U.S. persons and recalcitrant account holders and on payments made to non-participating FFIs. The Australian Taxation Office is required to provide that information to the IRS.

In the event that any amount is required to be withheld or deducted from a payment on the Subordinated Notes or the Ordinary Shares, or Ordinary Shares are required to be withheld or deducted from an issue of Ordinary Shares upon Conversion of the Subordinated Notes, in each case as a result of FATCA, pursuant to the Conditions, no additional amounts will be paid and no additional Ordinary Shares will be issued by the Issuer as a result of the deduction or withholding.

FATCA is particularly complex legislation. The above description is based in part on U.S. Treasury regulations published on 28 January 2013 and 6 March 2014, official guidance and the Australian Amendments, all of which are subject to change or may be implemented in a materially different form. Investors should consult their own tax advisers on how these rules may apply to them under the Subordinated Notes and Ordinary Shares.

SUBSCRIPTION AND SALE

Subscription for the Subordinated Notes

Pursuant to a subscription agreement dated on or about 15 September 2015 (the “**Subscription Agreement**”) between the Joint Lead Managers and the Issuer, each Joint Lead Manager has agreed to subscribe for its commitment in respect of Subordinated Notes at a price of 100% of their principal amount on the terms and conditions set out in the Subscription Agreement.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Joint Lead Managers (acting together on behalf of the Joint Lead Managers) in certain circumstances prior to payment for the Subordinated Notes to the Issuer. The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the issue of the Subordinated Notes and the Joint Lead Managers will be reimbursed for certain of their expenses in connection with the issue and sale of the Subordinated Notes.

The Joint Lead Managers will also be paid fees determined as an agreed percentage of the issue price of the Subordinated Notes.

Selling Restrictions

Australia

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

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

in each case unless:

- (i) the aggregate consideration payable by each offeree or invitee for the Subordinated Notes is a minimum of A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offeree (A) is a professional investor as defined in section 9 of the Corporations Act or (B) has or controls gross assets of at least A\$10 million (including any assets held by an associate or under a trust that the person manages);
- (ii) the offer or invitation does not constitute an offer to a “retail client” within the meaning of section 761G of the Corporations Act;
- (iii) such action complies with all applicable Australian laws, regulations and directives in Australia (including, without limitation, the licensing requirements of Chapter 7 of the Corporations Act); and
- (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Neither the Subordinated Notes nor the Ordinary Shares issued on Conversion have been registered, and neither the Subordinated Notes nor the Ordinary Shares issued on Conversion will be registered under the Securities Act, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

Each Joint Lead Manager has represented and agreed that it has offered and sold any Subordinated Notes and will offer and sell any Subordinated Notes (a) as part of its distribution at any time and (b) otherwise until 40 days after the later of the commencement of the offering and the closing date, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, none of the Joint Lead Managers, their respective affiliates or 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 each Joint Lead Manager, its affiliates and any person acting on their behalf have complied and will comply with the offering restriction requirements of Regulation S.

Each Joint Lead Manager has agreed that, at or prior to confirmation of a sale of the Subordinated Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Subordinated Notes from it or through it during the restricted period a confirmation or notice to substantially the following effect:

- “The Subordinated Notes covered hereby have not been registered under the Securities Act and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons (a) as part of their distribution at any time and (b) otherwise until forty days after the later of the commencement of the offering and the closing date, except in either case in

accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by the Securities Act or Regulation S thereunder.”

Terms used in the above paragraph have the meanings given to them by Regulation S under the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Joint Lead 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 which are the subject of the offering contemplated by this Information Memorandum 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 such Notes 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 Joint Lead Manager or Joint Lead 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 above shall require the Issuer or any Joint Lead 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 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 includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Joint Lead 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 Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of the Subordinated Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Subordinated Notes in, from or otherwise involving the United Kingdom.

Singapore

Each Joint Lead Manager has acknowledged and agreed that this Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Subordinated Notes may not be circulated or distributed, nor may the 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 (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Subordinated Notes are subscribed for or purchased in reliance on an exemption under Section 274 or 275 of the SFA, the Subordinated Notes and/or the Ordinary Shares to be issued on Conversion of the Subordinated Notes shall not be sold within the period of 6 months from the date of the initial acquisition of the Subordinated Notes, except to any of the following persons:

- (a) an institutional investor (as defined in Section 4A of the SFA);
- (b) a relevant person (as defined in Section 275(2) of the SFA); or
- (c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Where the Subordinated Notes are subscribed for 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,

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

- (a) to an institutional investor or to a relevant person defined in 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.

Korea

The Issuer is not making any representation with respect to the eligibility of any recipients of this document to acquire the Subordinated Notes under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. The Subordinated Notes have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (“**FSCMA**”) and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, the Subordinated Notes may not be offered or sold in Korea other than to “qualified professional investors” (as defined in the FSCMA).

Taiwan

The Subordinated Notes have not been registered in Taiwan nor approved by the Financial Supervisory Commission, Executive Yuan, the Republic of China. Holders of the Subordinated Notes may not resell them in Taiwan nor solicit any other purchasers in Taiwan for this offering.

China

Each Joint Lead Manager has represented and agreed that that the Subordinated Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (“**PRC**”) (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by all relevant laws and regulations of the PRC. This Information Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, any Subordinated Notes in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The Subordinated Notes may not be offered, sold or delivered, or offered, sold or delivered to any person for reoffering or resale or redelivery, in any such case directly or indirectly (i) by means of any advertisement, invitation, document or activity which is directed at, or the contents of which are likely to be accessed or read by, the public in the PRC, or (ii) to any person within the PRC, other than in full compliance with the relevant laws and regulations of the PRC.

PRC investors are responsible for obtaining all relevant government regulatory approvals/licences, verification and/or registrations themselves, including, but not limited to, those which may be required by the China Securities Regulatory Commission, the State Administration of Foreign Exchange and/or the China Banking Regulatory Commission, and complying with all relevant PRC laws and regulations, including, but not limited to, all relevant foreign exchange regulations and/or securities investment regulations.

Japan

The Subordinated Notes have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the “**FIEL**”) pursuant to an exemption from the registration requirements

applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Subordinated Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Subordinated Notes may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Subordinated Notes is conditional upon the execution of an agreement to that effect.

Hong Kong

Each Joint Lead 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 except for Subordinated Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) 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 Hong Kong (the “**Companies Ordinance**”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case 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 of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 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 SFO and any rules made under the SFO.

Malaysia

This document may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Subordinated Notes. The Subordinated Notes may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

New Zealand

Each Joint Lead Manager has represented and agreed that: (1) it has not offered, sold or delivered and will not directly or indirectly offer, sell, or deliver any Subordinated Note; (2) it will not distribute any Information Memorandum or advertisement in relation to any offer of Subordinated Notes, in New Zealand other than to any or all of the following persons only:

- (a) “wholesale investors” as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand (“**FMC Act**”), being a person who is:
 - i. an “investment business”;
 - ii. “large”; or
 - iii. a “government agency”,in each case as defined in Schedule 1 to the FMC Act; and
- (b) in other circumstances where there is no contravention of the FMC Act, provided that (without limiting paragraph (a) above) Subordinated Notes may not be offered or transferred to any “eligible investors” (as defined in the FMC Act) or any person that meets the investment activity criteria specified in clause 38 of Schedule 1 to the FMC Act.

Switzerland

The Subordinated Notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“**SIX**”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Subordinated Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Subordinated Notes will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the Subordinated Notes has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Subordinated Notes will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

General

No representation is made that any action has been taken in any country or jurisdiction by the Issuer or any Other Party that would permit an offering of any Subordinated Notes, or possession or distribution of the Information Memorandum in relation thereto, in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has agreed to comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers any Subordinated Notes or has in its possession or distributes offering material in relation thereto, in all cases at its own expense, and neither the Issuer nor any Other Party shall have responsibility therefor.

Neither the Issuer nor any Other Party represents that any Subordinated Notes may at any time lawfully be sold in compliance with any applicable law or directive or any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Persons into whose hands this Information Memorandum comes are required to comply with any applicable law and directive in each jurisdiction in which they purchase, offer, sell or deliver Subordinated Notes or have in their possession or distribute or publish the Information Memorandum or other offering material and to obtain any authorisation required by them for the purchase, offer, sale or delivery by them of any Subordinated Notes under any applicable law or directive in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales or deliveries, in all cases at their own expense, and neither the Issuer nor any Other Party has any responsibility for such matters.

In these selling restrictions, “directive” includes a treaty, official directive, request, regulation, guideline or policy (whether or not having the force of law) with which responsible participants in the relevant market generally comply.

GENERAL INFORMATION

1. Copies of the following Available Documents will be available for inspection at the registered office of the Issuer:
 - (a) the financial statements of the Issuer filed with ASIC in respect the Financial Year ended 31 December 2013;
 - (b) the financial statements of the Issuer filed with ASIC in respect the Financial Year ended 31 December 2014;
 - (c) the half year report released by the Issuer to the ASX on 18 August 2015;
 - (d) the Deed Poll (including the Conditions);
 - (e) the Registrar and Paying Agent Services Agreement; and
 - (f) the Constitution.

Requests for such documents should be directed to the Issuer at its offices set out in the Directory at the end of this Information Memorandum. The Issuer will not be obliged to provide a copy of any Available Document unless it is satisfied that the person requesting the document is either a current Holder or a genuine prospective holder of Subordinated Notes.

2. The Issuer has obtained a waiver from the ASX from Listing Rule 7.1 to allow the Conversion to occur without the issue of Ordinary Shares needing to be approved by holders of Ordinary Shares at or around the time of Conversion.

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