

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 Offering Circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, 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 OFFERING CIRCULAR 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 Offering Circular 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 Offering Circular is being sent at your request and by your acceptance of the e-mail attaching the Offering Circular and accessing the Offering Circular, you shall represent to QBE Insurance Group Limited (ABN 28 008 485 014) (the “**Issuer**”), the Arranger and each of the Dealers 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 Offering Circular by electronic transmission.

The securities described herein may not be 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 Offering Circular and accessing the Offering Circular you shall represent, warrant, agree with and undertake to the Issuer, the Arranger and each of the Dealers 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.

In the United Kingdom, this Offering Circular is only being distributed to, and is only directed at, persons who (a) have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Order or (c) to any other persons to whom it may otherwise lawfully be made under the Order (each such person being referred to as a “**Relevant Person**”). In the United Kingdom, any investment or investment activity to which this Offering Circular relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This Offering Circular must not be acted or relied on by persons who are not Relevant Persons.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular 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 Offering Circular 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 Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arranger and each of the Dealers, the Agents 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 Offering Circular.



QBE Insurance Group Limited
(ABN 28 008 485 014)

(incorporated with limited liability in the Commonwealth of Australia)

U.S.\$4,000,000,000
Medium Term Note Programme

On 2 May 2016, QBE Insurance Group Limited (ABN 28 008 485 014) (the “**Issuer**”) established a U.S.\$4,000,000,000 Medium Term Note Programme (the “**Programme**”). Any Notes (as defined below) issued under the Programme after the date hereof are issued subject to the provisions set out herein.

Under the Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue unsecured notes. Notes may be issued as senior obligations (“**Senior Notes**”), as subordinated obligations capable of qualifying as Tier 2 Capital (“**Subordinated Notes**”) or as subordinated obligations (ranking junior to the Subordinated Notes) capable of qualifying as Additional Tier 1 Capital (“**Capital Notes**”, together with the Senior Notes, the Subordinated Notes and any other notes that may be issued under the Programme from time to time, the “**Notes**”). The aggregate principal amount of Notes which may be outstanding under this Programme will not at any time exceed U.S.\$4,000,000,000 (or the equivalent in other currencies as at the date of issue of any Notes), as such limit may be increased from time to time.

In relation to any Tranche of Notes issued under the Programme, the final terms in respect of that Tranche, including the form of Notes, applicable currency, aggregate nominal amount, interest payable, issue price and any other terms and conditions applicable to such Tranche which are not contained in the relevant terms and conditions set out in this Offering Circular (“**Conditions**”) will be set out in the applicable pricing supplement (“**Pricing Supplement**”), substantially in the form of the relevant pricing supplement set out herein.

Notes (“**Australian Domestic Notes**”) may be issued under and constituted by the deed poll dated 2 May 2016 made by the Issuer (the “**Australian Note Deed Poll**”). Australian Domestic Notes will be issued in uncertificated registered form only and may be lodged in the securities clearing and settlement system (“**Austraclear System**”) operated by Austraclear Services Limited (ABN 94 002 060 773) (“**Austraclear**”).

Notes (other than Australian Domestic Notes) may be issued in bearer form (“**Bearer Notes**”) and/or in registered form (“**Registered Notes**”) pursuant to the agency agreement dated 2 May 2016 between the Issuer and the agents named therein, as the same may be amended, restated and/or supplemented from time to time) (“**Euro Agency Agreement**”). Each Tranche of Notes will (i) in the case of Bearer Notes, be represented on issue by a temporary global note which may, in certain circumstances, be exchangeable into definitive notes or a permanent global note which, in turn, may be exchangeable into definitive notes in certain limited circumstances, or (ii) in the case of Registered Notes, take the form of an entry in a register which will be represented on issue by a global note in registered form (a “**Global Note**”) which may, in certain circumstances, be exchangeable into definitive notes. Global Notes may be deposited on the issue date with a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”).

Notes issued as Subordinated Notes or Capital Notes include provisions required by the Australian Prudential Regulation Authority (“**APRA**”) to provide for loss absorption at the point of non-viability of the Issuer. If a Non-Viability Trigger Event occurs, Notes issued as Subordinated Notes or Capital Notes may, where required in accordance with the terms thereof, immediately be Converted in whole (or in some cases in part) into ordinary shares in the capital of the Issuer (“**Ordinary Shares**”) or Written-Off. Where, for any reason, a required Conversion has not occurred within a certain period of time, such Subordinated Notes or Capital Notes, as the case may be, will be Written-Off in whole (or in some cases in part), which means that all rights and obligations in respect of those Subordinated Notes or Capital Notes, as the case may be, will be immediately and irrevocably terminated with effect on and from the Non-Viability Conversion Date. Capitalised expressions have the meanings given to them in the relevant Conditions.

The Programme is not rated, but certain tranches of Notes to be issued under the Programme may be rated by one or more credit rating agencies on a case by case basis as set out in the applicable Pricing Supplement. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. 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 Offering Circular and anyone who receives this Offering Circular must not distribute it to any person who is not entitled to receive it.

An investment in the Notes is subject to risk, including, in the case of Notes issued as Subordinated Notes or Capital Notes, the risk that investors are likely to lose some or all of their investment if a Non-Viability Trigger Event occurs. See “*Risk Factors*” below for a discussion of certain risk factors that should be considered by prospective investors.

Application has been made for the listing and quotation of any Notes on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) which are agreed at the time of issue thereof to be so listed on the official list of the SGX-ST (“**Official List**”). Such approval will be granted when a particular Series of Notes have been admitted to the Official List. There is no assurance that any application to the SGX-ST for such approval will be granted. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. The approval in-principle, admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. Notes may also be listed and/or admitted to trading or quotation on or by a stock exchange, listing authority or quotation system other than the SGX-ST. Unlisted Notes may also be issued. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed. The Pricing Supplement for any Notes to be admitted to the Official List of the SGX-ST will be delivered to the SGX-ST on or before the date of issue of such Notes. The Notes must be traded in a minimum board lot size of S\$200,000 (or its equivalent in another currency) for so long as the Notes are listed on the SGX-ST.

Neither the Notes nor, in the case of Subordinated Notes or Capital Notes, the Ordinary Shares issued on Conversion 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 United States (“U.S.”). Accordingly, the Notes may only be offered outside the U.S. to non-U.S. persons in reliance on Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should read the section entitled *Subscription and Sale* for information on restrictions that apply to the purchase and sale of the Notes.

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 and are not policy liabilities of any member of the Group (as defined below).

Arrangers and Dealers

Morgan Stanley

HSBC

National Australia Bank Limited

The date of this Offering Circular is 2 May 2016

IMPORTANT NOTICE

No offer

Neither this Offering Circular, nor any other information provided in connection with the Programme or the Notes, is intended to (nor does it), constitute an offer or invitation by or on behalf of the Issuer, its subsidiaries, the Arranger or the Dealers to any person to subscribe for, purchase or otherwise deal in any Notes nor does it constitute or is it intended to be used for the purpose of or in connection with offers or invitations to subscribe for, purchase or otherwise deal in any Notes by anyone in any jurisdiction in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Offering Circular or any applicable Pricing Supplement in any jurisdiction where such action is required.

Responsibility for information

The Issuer accepts responsibility for the information contained in this Offering Circular and the Pricing Supplement for each Tranche of Notes issued under the Programme. 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 or incorporated by reference into this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No independent verification

None of the Arranger or the Dealers and none of the Agents, any other party named or referred to in this Offering Circular (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 in or incorporated by reference into this Offering Circular. 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 Offering Circular. No Other Party accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular.

Currency of information

The delivery of this Offering Circular, or any offer, issue or allotment of any Notes, at any time after the date of this Offering Circular does not imply, nor should it be relied upon as a representation or warranty, that:

- (a) there has been no change since the date of this Offering Circular (or, if later, the date upon which this Offering Circular has been most recently amended or supplemented) in the affairs or financial condition 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 Offering Circular;
- (b) the information contained in this Offering Circular is correct at such later time; or
- (c) that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same.

It should not be assumed that the information contained in this Offering Circular is necessarily accurate or complete in the context of any offer to subscribe for or an invitation to subscribe for or buy any Notes at any time after the date of this Offering Circular, even if this Offering Circular is circulated in conjunction with the offer or invitation. Investors should review, *inter alia*, the documents incorporated by reference into this Offering Circular in deciding whether or not to purchase any Notes.

Neither the Issuer nor any Other Party is under any obligation to update this Offering Circular at any time after an issue of Notes.

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 Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by or on behalf of the Issuer.

Intending purchasers to make independent investment decision

This Offering Circular is not intended to be, and does not constitute, a recommendation or statement of opinion by the Issuer or any Other Party that any person subscribe for or purchase any Notes or financial or other advice. Accordingly, any person contemplating the subscription or purchase of the Notes must:

- (a) make their own independent investigation of:
 - (i) the terms of the Notes, including reviewing the Conditions, the applicable Pricing Supplement and the other provisions of the definitive documentation for the Notes; and
 - (ii) the financial condition, affairs and creditworthiness of the Issuer and the Group,after taking all appropriate advice from qualified professional persons; and
- (b) base any investment decision on the investigation and advice referred to in paragraph (a).

Any person contemplating the subscription or purchase of the Notes should have regard to the risk factors described under “*Risk Factors*” below. However, this Offering Circular does not describe all of the risks of an investment in the Notes.

The Notes may not be a suitable or appropriate investment for all investors. Each potential investor in any Notes must determine the suitability of that investment in light of the potential investor’s own circumstances. In particular, each potential investor should consider, with the help of its financial and other professional advisers, whether it:

- (a) **has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable Pricing Supplement;**
- (b) **has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;**
- (c) **has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, or where the currency for principal or interest payments is different from the potential investor’s currency;**
- (d) **understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of financial markets; and**
- (e) **is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

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 Notes to retail investors. By purchasing, or making or accepting an offer to purchase, any Notes, each prospective investor represents, warrants, agrees with and undertakes to the Issuer, the Arranger and each Dealer 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 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 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 Notes, 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 Offering Circular, each of the Arranger and the Dealers 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 Noteholder or have a pecuniary or other interest in the Notes;
- (b) receive fees, brokerage and commissions or other benefits, and may act as principal, in any dealings in the 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 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:

- (a) 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 Noteholder;
- (b) to the maximum extent permitted by applicable law, the duties of each Relevant Entity in respect of the Notes are limited to the relevant contractual obligations set out in the Dealer Agreement and, in particular, no advisory or fiduciary duty is owed by any Relevant Entity to any person;
- (c) a Relevant Entity may have or come into possession of information not contained in this Offering Circular that may be relevant to any decision by a potential investor to acquire the Notes and which may or may not be publicly available to potential investors (“**Relevant Information**”);
- (d) 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 Noteholder or to any potential investor and this Offering Circular 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
- (e) 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 Note or a member of the Group, or the exercise of a Relevant Entity's rights under the Dealer Agreement may affect the value of a Note. These interests may conflict with the interests of a Noteholder and a Noteholder 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 Dealer 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 Noteholder, 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 Offering Circular 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.

Any credit rating in respect of any Notes or the Issuer is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive the Offering Circular and anyone who receives the Offering Circular must not distribute it to any person who is not entitled to receive it.

No rating agency has been involved in the preparation of this Offering Circular.

Not policy liabilities and not guaranteed or otherwise supported

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

A Note is not guaranteed or insured by any government, 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.

Risk factors

An investment in the Notes is subject to certain risks, including the loss of all or part of the principal amount invested in, and interest payments in respect of, the Notes (see “*Risk Factors*” below). In particular, investors in Subordinated Notes or Capital Notes should be aware that such Notes are likely to be Converted or Written-Off on the occurrence of a Non-Viability Trigger Event.

Stabilisation

In connection with the issue of any Tranche, the Arranger or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the applicable Pricing Supplement may, outside Australia and on a market operated outside Australia, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be concluded by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Forward-Looking Statements

This Offering Circular 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 “*Description of the Issuer and Summary Financial Information*” below, 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 including, without limitation, those discussed in “*Risk Factors*” below.

Should one or more of these or other 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 Offering Circular, statements of, or references to, intentions of the Issuer or those of any of its directors are made as at the date of this Offering Circular. Any such intentions may change in light of future developments.

Each of the Issuer, the Joint Lead Managers, the Agents 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 capitalised terms used in this Offering Circular and not separately defined have the meanings given to them in the relevant Conditions. All terms separately defined in this Offering Circular are indexed in the Index of Defined Terms appearing at the end of this Offering Circular.

Unless otherwise stated, all references in this Offering Circular to “euro”, “€” and “EUR” are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community as amended, references to “Australian Dollar”, “A\$” and “AUD” are to the lawful currency of Australia, references to “Swiss Franc” and “CHF” are to the lawful currency of Switzerland, references to “Sterling”, “£”, “GBP” are to the lawful currency of the United Kingdom, references to “Japanese Yen”, “¥” and “JPY” are references to the lawful currency of Japan and references to “U.S. Dollar”, “U.S.\$” and “USD” are to the lawful currency of the United States of America.

Documents Incorporated by Reference

This Offering Circular is to be read in conjunction with all of the documents that are incorporated by reference (see “*Documents Incorporated by Reference*” below).

References to websites

Any references to website addresses provided in this Offering Circular 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 Offering Circular (unless expressly provided in this Offering Circular).

Transaction Documents

Notes (other than Australian Domestic Notes) are constituted by the Deed of Covenant, Australian Domestic Notes are constituted by the Australian Note Deed Poll and the rights and liabilities of holders of the Ordinary Shares are contained in the Issuer’s constitution. These documents and other relevant documents are described in paragraph 6 under “*General Information*” below (the “**Available Documents**”). The Available Documents should be reviewed by any intending purchaser. If there is any inconsistency between this Offering Circular 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 or of the Principal Paying Agent referred to in the section entitled “*Directory*” at the back of this Offering Circular as further described in the section entitled “*General Information*” below.

Offering restrictions

The distribution of this Offering Circular and the offer or sale of 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 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 Notes or Ordinary Shares or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes or Ordinary Shares may be offered or sold, directly or indirectly, and neither this Offering Circular 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 Offering Circular or any 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 Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of the Offering Circular and other offering material relating to the Notes see “*Subscription and Sale*” below.

Singapore restrictions

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Notes are offered by the Issuer pursuant to the exemptions invoked under Sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”).

Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may any 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 pursuant to Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, 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.

Australian restrictions

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the offer of the Notes has been, or will be, lodged with the Australian Securities and Investments Commission (“ASIC”). Notes may not be offered for sale or purchase, nor may applications for the sale or purchase of any Note be invited, in Australia (including an offer or invitation which is received by a person in Australia), and neither this Offering Circular nor any advertisement or other offering material relating to the Notes may be distributed or received in Australia, unless (i) the aggregate consideration payable by each offeree or invitee for the 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 Notes are otherwise issued in a manner which does not require disclosure in accordance with Part 6D.2 or Chapter 7 of the Corporations Act, (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.

European Economic Area restrictions

This Offering Circular is not a prospectus for the purposes of Directive 2003/71/EU, as amended (the “**Prospectus Directive**”). This Offering Circular has been prepared on the basis that all offers of the Notes described herein made to persons in the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

United Kingdom restrictions

In the United Kingdom, this Offering Circular is only being distributed to, and is only directed at, persons who (a) have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (b) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc”) of the Order or (c) to any other persons to whom it may otherwise lawfully be made under the Order (each such person being referred to as a “**Relevant Person**”). In the United Kingdom, any investment or investment activity to which this Offering Circular relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This Offering Circular must not be acted or relied on by persons who are not Relevant Persons.

U.S. INFORMATION

THE 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 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 REGULATION S UNDER THE SECURITIES ACT) UNLESS THE 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. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES IN BEARER FORM MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS.

THE 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 OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

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OVERVIEW OF THE PROGRAMME

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

Key parties – Notes other than Australian Domestic Notes

Issuer	QBE Insurance Group Limited (ABN 28 008 485 014), a limited liability company established under the laws of the Commonwealth of Australia. See “ <i>Description of the Issuer and Summary Financial Information</i> ” below.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Principal Paying Agent	The Bank of New York Mellon, London Branch
Transfer Agents	The Bank of New York Mellon (Luxembourg) S.A.
Paying Agent	The Bank of New York Mellon, London Branch
Exchange Agent	The Bank of New York Mellon, London Branch
Euro Agents	The Registrar, the Principal Paying Agent, the Transfer Agent, the Paying Agents and the Exchange Agent are referred to in this Offering Circular as the “ Euro Agents ”.

Key parties – Australian Domestic Notes

Issuer	QBE Insurance Group Limited (ABN 28 008 485 014), a limited liability company established under the laws of the Commonwealth of Australia. See “ <i>Description of the Issuer and Summary Financial Information</i> ” below.
Australian Calculation Agent	Austraclear Services Limited (ABN 94 002 060 773)
Australian Registrar	Austraclear Services Limited (ABN 94 002 060 773)
Australian Agents	The Australian Calculation Agent and the Australian Registrar are referred to in this Offering Circular as the “ Australian Agents ”. The Australian Agents and the Euro Agents are together referred to as the “ Agents ”.

Information relating to the Programme

Description	Combined Euro Medium Term Note Programme and Australian Domestic Note Programme
Programme size	Up to U.S.\$4,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuer may increase the amount of the Programme from time to time in accordance with the terms of the Dealer Agreement.
Arrangers	HSBC Bank plc Morgan Stanley & Co. International plc National Australia Bank Limited (ABN 12 004 044 937)
Dealers	HSBC Bank plc Morgan Stanley & Co. International plc

	National Australia Bank Limited (ABN 12 004 044 937), and any other Dealers appointed from time to time under the Dealer Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Certain restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time, including the following restrictions applicable at the date of this Offering Circular. See “ <i>Subscription and Sale</i> ” below.
Currencies	Sterling, euro, U.S. Dollars, Australian Dollars, Japanese Yen, Swiss Franc and such other currencies as may be specified in the applicable Pricing Supplement.
Denomination of Notes	<p>Notes will be issued in one or more denominations (“Specified Denomination (s)”) as specified in the applicable Pricing Supplement, provided that:</p> <p>(a) in the case of Australian Domestic Notes, Notes shall only be offered and applications may only be invited (in each case directly or indirectly) if:</p> <ul style="list-style-type: none"> (i) the aggregate consideration payable to the Issuer by the subscriber is at least A\$500,000 (disregarding moneys lent by the Issuer or its associates) or the Notes are otherwise issued in a manner which does not require disclosure in accordance with Part 6D.2 or Chapter 7 of the Corporations Act; (ii) the offer or invitation from which the issue results does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act; and (iii) such action complies with all applicable Australian laws, regulations and directives (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; <p>(b) the offer or invitation complies with all other applicable laws and directives in the jurisdiction in which the offer, invitation or issue takes place; and</p> <p>(c) in the case of Notes other than Australian Domestic Notes, the minimum Specified Denomination shall be €100,000 (or, if the Notes are denominated in a currency other than Euro, the equivalent amount in such currency).</p> <p>Notes in one Specified Denomination may not be exchanged for Notes in another Specified Denomination.</p>
Issue Price	Notes may be issued at par or at a discount to, or premium over, par but will be issued on a fully-paid basis.
Form of Notes	<p>In the case of Notes other than Australian Domestic Notes, Notes may be issued in bearer form or registered form. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i>.</p> <p>In the case of Australian Domestic Notes, Notes will be issued in registered form. Notes will be uncertificated unless the Issuer determines that certificates should be available or if certificates are required by any applicable law or directive.</p> <p>See “<i>Form of the Notes</i>” below.</p>

<p>Type of Notes</p>	<p>The Issuer may issue notes as senior obligations (“Senior Notes”), as subordinated obligations capable of qualifying as Tier 2 Capital of the Issuer (“Subordinated Notes”) or as subordinated obligations (ranking junior to the Subordinated Notes) capable of qualifying as Additional Tier 1 Capital of the Issuer (“Capital Notes” and together with the Senior Notes, the Subordinated Notes and any other notes that may be issued under the Programme from time to time, the “Notes”).</p> <p>Notes may be Australian Domestic Notes constituted by and owing under the deed poll dated 2 May 2016 made by the Issuer (the “Australian Note Deed Poll”), or Notes issued pursuant to the agency agreement dated 2 May 2016 between the Issuer and the agents named therein, as the same may be amended, restated and/or supplemented from time to time (“Euro Agency Agreement”).</p>
<p>Other Notes</p>	<p>The Issuer may issue Notes in a form or of a type not contemplated in this Offering Circular, as described in the applicable Pricing Supplement.</p>
<p>Status of the Senior Notes</p>	<p>Senior Notes will be direct, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of the Issuer (other than any obligations preferred by applicable law).</p> <p>Senior Notes are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, by any other member of the Group or by any other person.</p>
<p>Status of the Subordinated Notes</p>	<p>Subordinated Notes will be direct, subordinated and unsecured obligations of the Issuer and will rank in a Winding-Up of the Issuer:</p> <ul style="list-style-type: none"> (a) ahead of Junior Ranking Instruments (including, without limitation, Capital Notes and Ordinary Shares); (b) equally among themselves and with the obligations of the Issuer in respect of Equal Ranking Instruments (including, without limitation, Relevant Tier 2 Capital Instruments); and (c) behind the obligations of the Issuer in respect of Senior Ranking Debt (including, without limitation, Senior Notes). <p>Subordinated Notes are likely to be Converted into Ordinary Shares or Written-Off if a Non-Viability Trigger Event occurs. See “<i>Conversion or Write-Off (Subordinated Notes and Capital Notes)</i>” below.</p> <p>Subordinated Notes are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, by any other member of the Group or by any other person.</p>
<p>Status of the Capital Notes</p>	<p>Capital Notes will be direct, subordinated and unsecured obligations of the Issuer and rank for payment of interest and for the Face Value 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 Ordinary Shares; (b) equally among themselves and with the obligations of the Issuer in respect of Equal Ranking Instruments (including, without limitation, Relevant Tier 1 Capital Instruments and Preference Shares); and (c) behind the obligations of the Issuer in respect of Senior Ranking Debt (including, without limitation, the Senior Notes and the Subordinated Notes). <p>Capital Notes are likely to be Converted into Ordinary Shares or Written-Off if a Non-Viability Trigger Event occurs. See “<i>Conversion or Write-Off (Subordinated Notes and Capital Notes)</i>” below.</p> <p>Capital Notes are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, by any other member of the Group or by any other person.</p>

Maturity	<p>Senior Notes may have any maturity, subject to compliance with legal or regulatory restrictions. The maturity applicable to a Tranche of Notes will be specified in the applicable Pricing Supplement. However, no Senior Notes will be issued having a maturity of less than one year.</p> <p>Subordinated Notes will be subject to minimum maturities as may be allowed or required from time to time by APRA. There is no maximum maturity for Subordinated Notes.</p> <p>Capital Notes will be perpetual securities with no scheduled maturity date.</p>
Interest	Notes may bear interest at a fixed (“ Fixed Rate Notes ”) or a floating rate (“ Floating Rate Notes ”) or a combination of both, as specified in the applicable Pricing Supplement.
Fixed Rate Notes	Fixed interest will be payable in arrears on the date or dates in each year specified in the applicable Pricing Supplement.
Floating Rate Notes	<p>Floating Rate Notes will bear interest at a rate determined:</p> <p>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series);</p> <p>(b) on the basis of a reference rate appearing on the screen page of a commercial quotation service specified in the applicable Pricing Supplement; or</p> <p>(c) on such other basis as may be specified in the applicable Pricing Supplement.</p> <p>The margin (if any) on such floating rate of interest will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes and will be specified in the applicable Pricing Supplement.</p> <p>Floating Rate Notes (which are not Subordinated Notes or Capital Notes) may also have a maximum interest rate, a minimum interest rate or both.</p>
Other interest bases	The Issuer may agree with one or more relevant Dealers that Notes may be issued which bear interest at a rate not contemplated in this Offering Circular, as specified in the applicable Pricing Supplement.
Interest on Subordinated Notes	<p>Payments of interest on Subordinated Notes is subject to the condition that the Issuer is Solvent at the time of payment and immediately after making the payment. Interest on Subordinated Notes may be deferred for certain periods, subject to certain conditions, unless the applicable Pricing Supplement otherwise specifies.</p> <p>See “<i>Risk Factors – There are restrictions on the payment of interest, principal and other amounts under Subordinated Notes</i>” below.</p>
Interest on Capital Notes	<p>Interest on Capital Notes is subject to the Issuer’s discretion and the satisfaction of interest payment conditions (including that the Issuer is Solvent and APRA does not object to the payment).</p> <p>See “<i>Risk Factors – Interest may not be paid on Capital Notes</i>” below.</p>
Redemption at Maturity (Senior Notes and Subordinated Notes)	Unless previously redeemed or purchased and cancelled, each Senior Note and Subordinated Note will be redeemed by the Issuer at its Final Redemption Amount on the Maturity Date. The Final Redemption Amount and the Maturity Date for each Tranche will be specified in the applicable Pricing Supplement.
Optional Redemption	The applicable Pricing Supplement will state whether the Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Issuer (“ Issuer Call ”) and, in the case of Senior Notes, the Noteholders (“ Investor Put ”), and if so the terms applicable to such

	<p>redemption. In the case of Subordinated Notes and Capital Notes, the date on which an Issuer Call may be exercised may not be prior to the fifth anniversary of the Issue Date of the relevant Notes and no redemption may occur without the prior written approval of APRA. The approval of APRA may or may not be given.</p>
<p>Redemption for withholding tax reasons (Senior Notes)</p>	<p>The applicable Pricing Supplement will state whether Senior Notes may be redeemed (either in whole or in part) at the option of the Issuer following changes in tax law which give rise to an obligation of the Issuer to make any a withholding or deduction and pay additional amounts, and in certain other circumstances.</p>
<p>Redemption for tax reasons (Subordinated Notes and Capital Notes)</p>	<p>The applicable Pricing Supplement in respect of each Tranche of Subordinated Notes and Capital Notes will state whether the Notes may be redeemed if a Tax Event occurs, and if so the terms applicable to such redemption. If applicable to the Notes, such a redemption may occur at the option of the Issuer at any time following the Issue Date, subject to certain conditions, including receiving the prior written approval of APRA. The approval of APRA may or may not be given.</p> <p><i>See “Subordinated Notes and Capital Notes are subject to early optional Redemption if a Tax Event or Regulatory Event occurs” below.</i></p>
<p>Redemption for regulatory reasons (Subordinated Notes and Capital Notes)</p>	<p>The applicable Pricing Supplement in respect of each Tranche of Subordinated Notes and Capital Notes will state whether the Notes may be redeemed if a Regulatory Event occurs, and if so the terms applicable to such redemption. If applicable to the Notes, such a redemption may occur at the option of the Issuer at any time following the Issue Date, subject to certain conditions, including receiving the prior written approval of APRA. The approval of APRA may or may not be given.</p> <p><i>See “Subordinated Notes and Capital Notes are subject to early optional Redemption if a Tax Event or Regulatory Event occurs” below.</i></p>
<p>Conversion or Write-Off (Subordinated Notes and Capital Notes)</p>	<p>If a Non-Viability Trigger Event occurs, any Capital Notes and Subordinated Notes are likely to be Converted into Ordinary Shares (“Conversion Option”) or Written-Off (“Write-Off Option”). The applicable Pricing Supplement will specify whether the Conversion Option or the Write-Off option applies to the relevant Tranche.</p> <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 (which includes Subordinated Notes and Capital Notes) 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. <p>Where a public sector injection of capital is required, all Relevant Capital Instruments (including the Subordinated Notes and the Capital Notes) must be converted or written-off.</p> <p>Where paragraph (a) above applies, the Issuer must first convert or procure the conversion or write-off of all Relevant Tier 1 Capital Instruments, including the Capital Notes, before Conversion of any 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 any 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</p>

	<p>Instruments converted or written-off, will satisfy APRA that the Issuer would not become non-viable.</p> <p>Where the aggregate principal amount of Notes to be Converted is less than the aggregate principal amount of the Notes outstanding, the Issuer may, subject to certain conditions, elect to Convert some, but not all, Notes in full or some or all Notes in part.</p> <p>Each 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 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 per cent. 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).</p> <p>All obligations of the Issuer in respect of accrued but unpaid interest on a Subordinated Note (or part thereof) or Capital 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.</p> <p>Where the applicable Pricing Supplement specifies the Conversion Option and where for any reason (including, without limitation, an Inability Event), a Conversion has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date, the rights of the relevant Noteholder are immediately and irrevocably Written-Off with effect on and from the Non-Viability Conversion Date.</p> <p>See “<i>Risk Factors – Subordinated Notes and Capital Notes are subject to mandatory Conversion or Write-Off in the event of the non-viability of the Issuer</i>” below.</p>
<p>Ordinary Shares issued on Conversion (Subordinated Notes and Capital Notes)</p>	<p>For the rights and liabilities attaching to Ordinary Shares issued on Conversion of the Subordinated Notes or Capital Notes, see “<i>Description of the Ordinary Shares</i>” below.</p>
<p>Events of Default (Senior Notes)</p>	<p>Each of the following events constitute an Event of Default in respect of a Senior Note:</p> <ul style="list-style-type: none"> (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days (in the case of payment of principal) or 14 days (in the case of payment of interest); (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions of the Senior Notes and (except in any case where the failure is incapable of remedy, when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the receipt by the Issuer or the Principal Paying Agent of a notice served by a Noteholder on the Issuer requiring the same to be remedied; (c) if there is any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Issuer having an aggregate value of A\$500,000,000 which is not discharged within 30 days; (d) the Issuer is or becomes unable to pay its debts as and when they fall due, applies for or consents to or suffers the appointment of a liquidator or receiver or administrator of the Issuer or of the whole or any part of the undertaking, property, assets or revenues of the Issuer (other than in respect of monies borrowed or raised on a non-recourse basis) or makes or enters into a general assignment or any

	<p>arrangement or composition with or for the benefit of creditors generally; or</p> <p>(e) an order is made or an effective resolution passed for the winding up of the Issuer other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency.</p> <p>If an Event of Default occurs in respect of a Senior Note, then any one or more persons holding or representing in the aggregate not less than the Required Percentage (as specified in the applicable Pricing Supplement) in nominal amount of the Senior Notes of the Series for the time being outstanding may declare the Senior Notes to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount, together with accrued interest (if any) to the date of repayment.</p>
<p>Events of Default (Subordinated Notes)</p>	<p>The following events constitute an Event of Default in respect of a Subordinated Note:</p> <p>(a) either:</p> <p>(i) the Issuer does not pay the Redemption Amount 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</p> <p>(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</p> <p>(b) either:</p> <p>(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</p> <p>(ii) an effective resolution is passed (or taken by applicable law to have passed) by the shareholders of the Issuer, 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”).</p> <p>If an Event of Default occurs in respect of a Subordinated Note, then for so long as such event is continuing, any one or more persons holding or representing in the aggregate not less than the Required Percentage (as specified in the applicable Pricing Supplement) in nominal amount of the Subordinated Notes of the Series for the time being outstanding may:</p> <p>(a) in the case of a Payment Default, bring proceedings:</p> <p>(i) to recover any amount then due and payable but unpaid on the Subordinated Notes (subject to the Issuer being able to make the payment and remain Solvent);</p> <p>(ii) to obtain an order for specific performance of any other obligation in respect of the Subordinated Notes; or</p> <p>(iii) for the Winding-Up of the Issuer; and</p> <p>(b) in the case of a Winding-Up Default, in addition to taking any of the actions specified in (a) above, declare by notice to the Issuer that the Redemption Amount of each Subordinated Note is payable together (if appropriate) with interest accrued to (but excluding) the date of redemption on a date specified in the notice and may, subject to</p>

	<p>certain conditions, prove in the Winding-Up of the Issuer for that amount.</p> <p>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.</p> <p>Noteholders have no other remedies (including any right to sue for damages) as a consequence of an Event of Default. This does not affect the rights of Noteholders to seek an injunction or order for specific performance in respect of an obligation.</p>
Events of Default (Capital Notes)	There will be no Events of Default in respect of Capital Notes.
Negative pledge	The terms of the Notes will not contain a negative pledge.
Cross default	The terms of the Notes will not contain cross default provisions.
No set-off (Subordinated Notes and Capital Notes)	A Noteholder of Subordinated Notes or Capital Notes may not exercise any right of set-off and has no offsetting rights against the Issuer.
Rating	<p>A rating is not a recommendation to buy, sell or hold any Notes and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency.</p> <p>Any credit rating in respect of any Notes or the Issuer is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive the Offering Circular and anyone who receives the Offering Circular must not distribute it to any person who is not entitled to receive it.</p> <p>See "<i>Risks Relating to Credit Agency Ratings</i>" below.</p>
Listing and admission to trading	<p>Application has been made to the SGX-ST for permission to deal in and quotation of the Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. If the application to the SGX-ST to list the Notes is approved, the Notes will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for so long as the Notes are listed on the SGX-ST.</p> <p>There is no assurance that any application to the SGX-ST will be granted. SGX-ST is not regulated for the purposes of Directive 2004/39/EC of the European Parliament and the Council on markets in financial instruments. The Issuer may also make an application for Notes issued under the Programme to be admitted to listing, trading and/or quotation on or by a stock exchange, listing authority or quotation system other than the SGX-ST.</p> <p>The Issuer may also issue unlisted Notes under the Programme.</p>
Risk factors	<p>Certain factors may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These factors include, <i>inter alia</i>, the risk of subsequent changes in the actual or perceived creditworthiness of the Issuer which may adversely affect the market value of the Notes.</p> <p>In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, which include, <i>inter alia</i>, risks related to the structure of particular types of Notes, modifications and waivers of the Conditions of</p>

	<p>the Notes in certain circumstances without the consent of all of the Noteholders, changes in laws, taxation laws or regulations which affect the Notes, risks related to secondary market trading of the Notes, exchange rate risks and interest rate risks.</p> <p>See “<i>Risk Factors</i>” below.</p>
Taxation	<p>All payments in respect of the Notes will be made without withholding or deduction for or on account of taxes imposed by the Commonwealth of Australia, subject as provided in the Conditions. In the event that any such withholding or deduction is made, the Issuer will, save in certain limited circumstances provided in the Conditions, be required to pay additional amounts to cover the amounts so withheld or deducted.</p> <p>A brief overview of the Australian withholding tax treatment of payments on the Notes is set out in the “<i>Taxation</i>” section below. However, investors should obtain their own taxation advice regarding the taxation status of investing in any Notes.</p>
Governing law (Notes other than Australian Domestic Notes)	<p>Notes (other than Australian Domestic Notes), the Euro Agency Agreement, the Deed of Covenant, the Coupons and any non-contractual obligations arising out of or in connection with the Euro Agency Agreement, the Deed of Covenant, the Notes (other than Australian Domestic Notes) and the Coupons will be governed by the laws of England, save that in the case of Subordinated Notes and Capital Notes, provisions relating to subordination, Conversion and Write-Off will be governed by the laws of New South Wales, Australia.</p>
Governing law (Australian Domestic Notes)	<p>Australian Domestic Notes, the Australian Note Deed Poll and the Australian Agency and Registry Agreement will be governed by the laws of New South Wales, Australia.</p>
Selling restrictions	<p>The offering, sale, delivery and transfer of Notes and the distribution of this Offering Circular and any other materials in relation to any Notes are subject to restrictions. Each Dealer has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular. See “<i>Subscription and Sale</i>” below for specific selling restrictions for Australia, the United States, the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong and Switzerland and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes.</p>

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Offering Circular prior to making any investment decision with respect to the 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 Notes. In addition, each of the risks highlighted below, being risks relating to the Notes, could adversely affect the trading price of the Notes or the rights of investors under the 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 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 year ended 31 December 2015, the Group's net claims on an accident year basis from large individual risk and catastrophe events totalled \$1,067 million compared with \$1,351 million for the year ended 31 December 2014. For the year ended 31 December 2015, there were 99 large individual risk and catastrophe events impacting the Group, including the United Kingdom storms Desmond, Eva and Frank, North American storms, Cyclone Pam, Australian storms, Cyclone Marcia and Chilean floods. In 2014, there were 105 large individual risk and catastrophe events impacting the Group, including United Kingdom floods, North American winter storms and tornadoes, European hailstorms, Cyclone Ita and Victorian bushfires.

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. 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.

Acquisitions and disposals 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.

There can be no assurance that any future disposal 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 disposal risks could materially adversely affect its liquidity, results of operations, ratings and financial condition.

Critical accounting judgments and estimates

The Group prepares its consolidated financial statements in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, the application of which often requires management to make judgements and estimates that affect amounts reported in the consolidated profit and loss and balance sheet. In determining and applying accounting policies, judgment is often required in respect of items where the choice of a specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group; it may later be determined that a different choice would have been more appropriate. Management considers that certain accounting estimates and assumptions relating to

outstanding claims provisions, risk margins, intangible assets and recoverability of deferred tax assets are its critical accounting estimates. A discussion of these critical accounting estimates is provided below. There is a risk that these judgments and estimates may be incorrect or that over time the valuations of the assets and liabilities develop differently to the judgments or estimates, any of which could have a material adverse effect on the Group's businesses, financial condition and results of operations.

Outstanding claims provisions

The gross and net discounted central estimate is determined by the Group Chief Actuary, supported by a team of actuaries in each of QBE's businesses. The valuation process is performed quarterly and includes extensive consultation with claims and underwriting staff as well as senior management. The central estimate of outstanding claims is subject to a comprehensive independent review at least annually.

The determination of the amounts that the Group will ultimately pay for claims arising under insurance and reinsurance contracts involves a number of critical assumptions. Some of the uncertainties impacting these assumptions are as follows:

- changes in patterns of claims incidence, reporting and payment;
- volatility in the estimation of future costs for long tail insurance classes due to the longer period of time that elapses before a claim is paid in full;
- the existence of complex underlying exposures;
- the incidence of catastrophic events close to the balance date;
- changes in the legal environment, including the interpretation of liability laws and the quantum of damages; and
- changing social, political and economic trends (e.g. price and wage inflation).

The estimation of IBNR and IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, for which some information about the claims is generally available. The settlement of claims relating to liability and other long tail classes of business may not happen for many years after the event giving rise to the claim. As a consequence, liability and other long tail classes typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation. Claims in respect of property and other short tail classes are typically reported and settled soon after the claim event, giving rise to more certainty.

Central estimates for each class of business are determined using a variety of estimation techniques, generally based on an analysis of historical experience and with reference to external benchmarks where relevant. The gross central estimate is discounted to present value using the appropriate risk-free rate. Central estimates are calculated gross of any reinsurance recoveries.

There can be no assurance that the ultimate losses 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.

Risk margins

Risk margins are determined by the Group Board and are held to mitigate the potential for uncertainty in the central estimate. The determination of the appropriate level of risk margin takes into account similar factors to those used to determine the central estimate, such as:

- mix of business, in particular the mix of short tail and long tail business and the overall weighted average term to settlement; and
- the level of uncertainty in the net discounted central estimate due to estimation error, data quality, variability of key inflation assumptions and possible economic and legislative changes.

The variability by class of business is measured using techniques that determine a range of possible outcomes of ultimate payments and assign a likelihood to outcomes at different levels. These techniques generally use standard statistical distributions, and the measure of variability is referred to as the coefficient of variation.

At a fixed probability of adequacy, the appropriate risk margin for two or more classes of business or for two or more geographic locations combined is likely to be less than the sum of the risk margins for the individual classes. This reflects the benefit of diversification in general insurance. The statistical measure used to determine diversification is called the correlation. The higher the correlation between two classes of business, the more likely it is that a negative outcome in one class will correspond to a negative outcome in the other class. For example, high correlation exists between classes of business affected by court cases involving bodily injury claims such as motor third party liability, workers' compensation and public liability, particularly in the same jurisdiction.

The probability of adequacy for the Group is determined by analysing the variability of each class of business and the correlation between classes of business and divisions. Correlations are determined for aggregations of classes of business, where appropriate, at the divisional level. The correlations adopted by the Group are generally derived from industry analysis, the Group's historical experience and the judgement of experienced and qualified actuaries.

Intangible assets

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

In the second half of 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 31 December 2015 for this asset. Although the latest impairment testing indicated that the headroom at the balance date increased to \$196 million compared with \$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 2015, following management's review of expected future cash flows, a U.S.\$47 million impairment charge was recognized in relation to intangibles in North American Operations and Emerging Markets.

Recoverability of deferred tax assets ("DTA")

At 31 December 2015, a deferred tax asset of \$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 U.S. Dollars. As such, a stronger U.S. Dollar against certain other major currencies will have a negative impact on the Group's reported revenue and profit and conversely a weaker U.S. Dollar will increase the Group's reported revenue and profit. For the year ended 31 December 2015, approximately 44 per cent. of the Group's gross written premium was in U.S. Dollars, 24 per cent. of gross written premium was in Australian Dollars and 13 per cent. of gross written premium was in pounds sterling. For the year ended 31 December 2014, approximately 44 per cent. of the Group's gross written premium was in U.S. Dollars, 27 per cent. of gross written premium was in Australian Dollars and 10 per cent. of gross written premium was in pounds sterling. Although the Group's policy is to carefully manage its operational foreign currency exposures 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 does not hedge exposure to non-U.S. currencies effectively, 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-U.S. Dollar functional currency are translated to the Group's U.S. Dollar presentation currency using the cumulative average rate of exchange for that period. On an average basis, the Australian Dollar, euro and Sterling depreciated by 16 per cent., 16 per cent. and 7 per cent. respectively against the U.S. Dollar relative to the prior year. Balance sheet items of the Group and its foreign operations that have a non-U.S. Dollar functional currency are translated at the period end rate of exchange. On this basis, as at 31 December 2015, the Australian Dollar, euro and Sterling had depreciated 11 per cent., 10 per cent. and 5 per cent. respectively against the U.S. Dollar compared with closing rates at 31 December 2014.

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 per cent. of crop policies have revenue coverage for changes 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 at the planting date and crop incurred losses affected by any subsequent change in crop prices at the point of harvest, which could have an adverse effect on the Group's financial condition and results of operations. 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 1.3 per cent. across 2015, following a 1.6 per cent. reduction in the first half of the year and an increase of 0.1 per cent. in the corresponding prior period. 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 the Group's 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 year ended 31 December 2015, net claims incurred for the period included favourable prior year net undiscounted central estimate development of \$147 million similar to the \$152 million favourable development, excluding Argentine workers' compensation business which was disposed of on 10 August 2015, experienced in 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 the Group aggregate risk treaty which mainly impacted Equator Re.

Net claims incurred for 2015 included favourable prior year net undiscounted central estimate development of \$137 million compared with a net charge of \$1 million in 2014.

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 year ended 31 December 2015 included a risk margin release of \$19 million compared with a \$184 million release in the prior year. The probability of adequacy of net outstanding claims liabilities increased to 89.0 per cent. from 88.7 per cent. at 31 December 2014. During 2014, the Group's Italian and Spanish medical malpractice claims reserves were successfully reinsured, thereby reducing the volatility in the net claims 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. If the Group does not compete effectively there will be adverse consequences to its prospects and financial position.

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.

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 and 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 events, 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 licences 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. In addition, insurance, corporate and tax regulators are becoming more assertive and are requiring companies to provide increasing levels of evidence of compliance. 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.

The Solvency II Directive came into force in Europe on 1 January 2016. It represents the most significant regulatory development in European insurance markets for a number of decades. Its risk-based solvency framework links business strategies, risk management and governance to an insurer's required capital. The Solvency II requirements are also phasing in a more comprehensive reporting regime both in respect of private reporting to Member State regulators and in respect of information to be made available publicly.

Although there are still some residual uncertainties around the Solvency II regime, it can 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 operations of the Issuer sought the approval of the Prudential Regulation Authority of the United Kingdom to enable it to make use of an internal capital model to set its regulatory capital. On 5 December 2015, the Prudential Regulation Authority published a list of 19 insurers whose full or partial models have been approved for use under Solvency II from 1 January 2016, and the full internal capital model of the Issuer's European operation was one of those approved by the Prudential Regulation Authority.

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. These adjustments may require the Issuer's European Operations to incur more

cost or suffer greater restrictions on its business than expected which will have a material adverse effect on its operations, financial position or business prospects. Any significant changes in government policies or political structures in the jurisdictions in which the Group operates could have an impact on its business. In the United Kingdom, a referendum to decide whether Britain is to remain a part of the European Union is scheduled for 23 June 2016. The outcome of the referendum and the consequences of a vote in favour of leaving the European Union are uncertain. The uncertainty could increase the volatility of financial markets and have an adverse effect on global market conditions. If the United Kingdom were to leave the European Union there may be adverse changes in the fiscal, monetary and regulatory environment in which the Group operates. These changes may adversely affect its 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 introduced a common framework for required capital and eligible capital across general insurers and life insurers. APRA's intention was 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 date of implementation of this regulation has been deferred pending the outcome of the Financial System Inquiry ("FSI") described below. At present, the Group is not on the list of groups intended to be 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.

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 Australia's evolving needs and support its economic growth. Whilst the FSI 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 FSI found that while the insurance sector has become more concentrated, with the top five insurers making up 80 per cent. of the market, the main barriers to entry are commercial rather than regulatory. The Federal Government released its response to the FSI on 20 October 2015. The Federal Government's response to the FSI in relation to general insurance is foregrounded on promoting industry-led initiatives to increase guidance and disclosure in general insurance, as well as aligning the interests of financial firms and consumers. Also under consideration by the Federal Government is a recommendation by the FSI that the Federal Government should move to adopt an industry funding model for ASIC.

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 which has recently been accepted by the Federal Government.

The implementation of any recommendations from these reviews will ultimately be a decision for the Federal Government and its agencies. The Issuer is assessing the impact of the strategic policies set out in that response on the Group.

The Australian Federal Government recently announced that it would provide additional funding to ASIC aimed at deepening the surveillance and enforcement capability of ASIC with a specific focus on investigating financial advice, responsible lending and life insurance, enhancing data analytics as well as modernising data management systems, and strengthening ASIC's powers. An increase in investigations and regulatory scrutiny may add to the cost of the Group's business or otherwise adversely affect its operations.

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 Wall Street Reform and Consumer Protection Act of 2010 (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. There are also requirements for increased collateral or margin for cleared and non-cleared transactions. 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, and increased collateral and margin requirements may increase the Group’s costs and may inhibit 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 have been assigned an “A (Excellent)” Financial Strength Rating by A.M. Best. This rating was affirmed on 15 January 2016. The Issuer’s main insurance and reinsurance subsidiaries in Europe have been assigned an “A (Excellent)” Financial Strength Rating by A.M. Best. This rating was affirmed on 8 March 2016.

The Issuer has been assigned an “A-” (Issuer Credit) , “Baa1” (Issuer Debt), “A-” (Issuer Default) and “bbb” (Issuer Credit) rating by each of S&P, Moody’s, Fitch and A.M. Best, respectively.

By way of background, 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 the

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 November 2015, Moody's upgraded the Issuer's senior unsecured debt and long-term ratings to Baa1 from Baa2 with an outlook of stable.

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/or 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 37 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 misleading or deceptive conduct in the lead up to the revised profit guidance released to the Issuer by QBE on 9 December 2013. The Issuer intends to defend these allegations and lodged with the Federal Court its defence in the first instance on 24 November 2015.

On 1 October 2015, the Issuer sold its Mortgage & Lender Services business in the US. Whilst the purchaser assumed responsibility for all potential future litigation in relation to this business, the sale contract specifically excludes liabilities associated with class action litigation or regulatory examinations that are currently underway. This business is subject to litigation and regulatory examinations in the normal course of business. The Issuer does not believe that the outcome of class action litigation currently underway will be material. The Issuer does not have sufficiently reliable information to assess potential liability for current regulatory examinations.

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 31 December 2015, the Issuer's net investment yield on policyholders' funds was 2.1 per cent. (a decrease against 2.4 per cent. for the year ending 31 December 2014)

with net investment yield on shareholders' funds of 2.3 per cent. (remaining constant against 2.3 per cent. for the year ending 31 December 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 2015 will be sustained thereafter.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Notes.

Risks applicable to all Notes

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Senior Notes when its cost of borrowing is lower than the interest rate on those Senior Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer will also have a right to redeem the Senior Notes at any time if it is liable to pay additional amounts on account of withholding tax.

There is a risk that redemption may occur at a time which does not suit Noteholders.

If the Issuer's financial condition were to deteriorate, Noteholders 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 Notes may not be made or the market price of the Notes may decrease. This risk is even greater in respect of Subordinated Notes and Capital Notes, because the Issuer may in respect of such Notes defer payments of interest (in the case of Subordinated Notes) or decline to make interest payments altogether (in the case of Capital Notes). 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 "*Risk Factors — Risks Relating to the Issuer and the Group*". If the Issuer is liquidated, dissolved or wound up, Noteholders 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, which means that any Subordinated Notes and Capital Notes may be Converted or Written-Off. See "*Risk Factors — Subordinated Notes and Capital Notes are subject to mandatory Conversion or Write-Off in the event of the non-viability of the Issuer*" below.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned

Notes may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate and such conversion may affect the secondary market and the market value of such Notes. If the Notes convert from a fixed rate to a floating rate, the spread on the Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Interest on the Notes is subject to interest rate risks

Notwithstanding that the applicable Pricing Supplement may specify that the rate of interest applicable to the Notes may be reset, an investment in 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 Notes. In addition, a holder of securities with a fixed interest rate that will periodically be reset during the term of the relevant securities is also exposed to the risk of fluctuating interest rate levels and uncertain interest income.

A Required Percentage of Noteholders may be required to declare an Event of Default

If an Event of Default occurs in respect of a Series of Senior Notes or Subordinated Notes, such Notes may only be accelerated if any one or more persons holding or representing in the aggregate not less than the Required Percentage in nominal amount of the relevant Notes of the Series outstanding declare that the Notes are due and payable. The Required Percentage will be 25 per cent. unless otherwise stated in the applicable Pricing Supplement. A holder of less than the Required Percentage will not have a right to accelerate its holding of Notes without support from other holders. If holders with a Required Percentage wish to accelerate, their decision will bind all other holders.

Holders of Notes issued in the form of Global Notes and deposited with a common depository for Euroclear and Clearstream, Luxembourg or with a nominee for DTC will have to rely on their procedures, including for transfer, payment and communications

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depository for Euroclear and Clearstream, Luxembourg or with a nominee for DTC (each as defined under “*Form of the Notes*”). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants, and investors will have to rely on the procedures of the relevant clearing system and of their respective participants, including for transfer, payment and communications.

A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, potential investors should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

Notes may not be a suitable investment for all investors

The Notes will constitute unsecured obligations of the Issuer. An investor in Notes relies on the creditworthiness of the Issuer and no other person. The 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 and do not represent policy liabilities of any member of the Group. Investment in the Notes involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the Notes.

Each potential investor in any 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 Notes (and, in the case of Subordinated Notes or Capital Notes, Ordinary Shares which may be issued on Conversion of such Notes), the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement to this Offering Circular;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the 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 Notes, including where the currency for payments in respect of the Notes is different from the potential investor's currency;
- (d) understand thoroughly the terms of the 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 and Capital Notes are complex financial instruments and are not a suitable investment for all investors. In particular, the Subordinated Notes and Capital Notes are not intended to be promoted, offered, distributed and/or sold to retail investors. A potential investor should not invest in Subordinated Notes or Capital Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how such Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

No guarantee

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

Future issues or redemptions of securities may impact the Notes

The Conditions of the Notes do not in any way restrict the Issuer or the Group from issuing further securities or from incurring further indebtedness.

The Issuer's obligations under the Notes are structurally subordinated

The Issuer is the non-operating holding company of the other companies in the Group and its key assets are investments in its subsidiaries. In a Winding-Up of the Issuer, the Noteholders have no claim on any of those subsidiaries. The Noteholders' 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, is 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.

Modification and waiver

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

The Conditions also provide that the Issuer may, without the consent of the Noteholders, agree to certain variations and waivers to the Conditions which will bind the Noteholders. In the case of Subordinated Notes and Capital Notes, the prior written approval of APRA is required in respect of any variation in respect of the Coupons, the Euro Agency Agreement, the Deed of Covenant or the Australian Note Deed Poll or the Conditions in respect of the Subordinated Notes and the Capital Notes where such variation may affect the eligibility of the Subordinated Notes as Tier 2 Capital or the Capital Notes as Tier 1 Capital, as the case may be.

Amendments may be made to the Australian Agency and Registry Agreement without the consent of Noteholders.

Risks applicable to Subordinated Notes and Capital Notes

The Issuer's obligations under Subordinated Notes and Capital Notes are subordinated

The Issuer's obligations under the Subordinated Notes and Capital Notes will be unsecured and subordinated and, unless they have been Converted or Written-Off, 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.

The Issuer's obligations under the Capital Notes rank junior in priority of payment to claims under the Subordinated Notes.

Accordingly, the Issuer's obligations under the Subordinated Notes and Capital will not be satisfied unless the Issuer can satisfy in full all of its other obligations ranking senior to those Notes. There is no restriction on the amount or terms of senior ranking, equal ranking or other securities which may be issued or incurred by the Issuer.

In the case of Subordinated Notes, 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 (the "**Solvency Condition**") (see "*Risk Factors – There are restrictions on the payment of interest, principal and other amounts under Subordinated Notes*" below). 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 in respect of a redemption or to receive payments of interest may be subordinated to other creditors of the Issuer whose rights against the Issuer are not subject to an equivalent solvency condition. There is a risk that the Issuer may cease to be Solvent and therefore a risk that interest may not be paid in full or at all.

In the case of Capital Notes, payment of interest is at the Issuer's discretion and subject to the interest payment conditions. The interest payment conditions require, among other things, that making the payment will not result in the Issuer breaching APRA's current capital adequacy arrangements, making the payment would not result in the Issuer becoming, or being likely to become, insolvent or APRA not objecting to the interest being paid. There is a risk that one or more elements of the payment conditions will not be satisfied, and there is therefore a risk that interest may not be paid in full or at all (see "*Risk Factors – Interest may not be paid on Capital Notes*").

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 or Capital 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.

Although Subordinated Notes or Capital Notes, as the case may be, may pay a higher rate of interest than comparable Notes which are not subordinated, there is a risk that an investor in Subordinated Notes or Capital Notes, as the case may be, will lose all or some of its investment should the Issuer become insolvent.

There are restrictions on the payment of interest, principal and other amounts under Subordinated Notes

In the case of Subordinated Notes, if the Solvency Condition is not satisfied in respect of any 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, unless the applicable Pricing Supplement specifies otherwise, 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 "*Risk Factors – Subordinated Notes and Capital Notes are subject to mandatory Conversion or Write-Off in the event of non-viability of the Issuer*" below), all of the Issuer's obligations to make payments in respect of such Notes (including in respect of accrued but unpaid interest) will cease and Noteholders 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 Notes. In addition, as a result of the Deferral Provisions of the Notes, the market price of the 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 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.

Interest may not be paid on Capital Notes

There is a risk that interest will not be paid on Capital Notes. Capital Notes do not require the Issuer to pay interest. Interest will only be paid at the Issuer's discretion and the Issuer is under no obligation to pay any interest.

The payment of interest on Capital Notes is also subject to the interest payment conditions. The interest payment conditions require, among other things, that making the payment will not result in the Issuer breaching APRA's current capital adequacy arrangements, making the payment would not result in the Issuer becoming, or being likely to become, insolvent or APRA not objecting to the interest being paid. There is a risk that one or more elements of the payment conditions will not be satisfied, and there is therefore a risk that interest may not be paid in full or at all.

Failure to make interest payments on the Capital Notes is likely to have an adverse effect on the market price of the Notes. In addition, as a result of the exercise of the Issuer's discretion and the operation of the interest payment conditions in respect of the Notes, the market price of the 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 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 the Issuer's discretion and the interest payment conditions.

Interest payments on Capital Notes are non-cumulative, and therefore if interest is not paid Noteholders will have no recourse whatsoever to payment from the Issuer and will not receive payment of such interest. Failure to pay

interest will not constitute an Event of Default. In the event that the Issuer does not pay scheduled interest, Noteholders:

- (a) have no right to apply for the Issuer to be wound up or placed in administration, or to cause an External Administrator to be appointed in respect of the Issuer merely on the grounds that the Issuer does not pay such interest when scheduled; and
- (b) may not exercise any right of set-off and will not have offsetting rights or claims on the Issuer.

If the Issuer does not pay an interest payment in full on an Interest Payment Date, then the Issuer is restricted from paying any Ordinary Share Dividend or undertaking any Buy-Back or Capital Reduction, but that restriction applies only for a limited period and is subject to exceptions.

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

Certain terms of the Issuer's outstanding instruments could limit the Issuer's ability to make payments on the Subordinated Notes and Capital 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 or the Capital Notes (including by restricting circumstances in which interest can be paid on the Notes or the Notes can be redeemed) and is not restricted in any way from doing so by the Conditions.

In addition, the terms and conditions of any subordinated instruments that are on issue may restrict payments on any Capital Notes that are on issue.

The rights of a holder of Subordinated Notes or Capital Notes if interest is not paid are limited

In the case of Subordinated Notes, in the event that the Issuer does not pay any interest when due and payable, there are limited remedies available to holders of Subordinated Notes. If the Issuer has not paid the interest 30 days after it became due, a "Payment Default" will occur and any one or more persons holding or representing in the aggregate not less than the Required Percentage (as specified in the applicable Pricing Supplement) in nominal amounts of the Subordinated Notes of the Series for the time being outstanding may bring proceedings:

- (a) to recover any amount then due and payable but unpaid on the Subordinated Notes (subject to the Issuer being able to make the payment and 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.

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.

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

In the case of Capital Notes, interest payments are non-cumulative, and therefore if interest is not paid Noteholders will have no recourse whatsoever to payment from the Issuer and will not receive payment of such interest. Failure to pay interest will not constitute an Event of Default. In the event that the Issuer does not pay scheduled interest, Noteholders:

- (a) have no right to apply for the Issuer to be wound up, or placed in administration, or to cause an External Administrator to be appointed in respect of the Issuer merely on the grounds that the Issuer does not pay such interest when scheduled; and
- (b) may not exercise any right of set-off and will not have offsetting rights or claims on the Issuer.

If the Issuer does not pay an interest payment in full on an Interest Payment Date, then the Issuer is restricted from paying any Ordinary Share Dividend or undertaking any Buy-Back or Capital Reduction, but that restriction applies only for a limited period and is subject to exceptions.

There are no available remedies if the Issuer is acquired

If a person or persons acquire control of the Issuer, the Conditions do not provide any right or remedy for the Noteholders 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 Scheduled 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 Noteholders. See "*Subordinated Notes and Capital Notes are subject to mandatory Conversion or Write-Off in the event of the non-viability of the Issuer or on a Common Equity Capital Trigger Event*" below.

No rights to set-off

Neither the Issuer nor a holder of Subordinated Notes or Capital Notes has any contractual right to set-off any sum at any time due and payable to a Noteholder or the Issuer (as applicable) under or in relation to a Subordinated Note or Capital Note against amounts owing by the Noteholder to the Issuer or by the Issuer to the Noteholder (as applicable).

Future issues or redemptions of securities may impact the Subordinated Notes and Capital Notes

The Issuer may in the future issue securities that:

- (a) 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 or Capital Notes;
- (b) have the same or different interest or distribution rates as that applicable to the Subordinated Notes or Capital Notes;
- (c) have payment tests and distribution restrictions or other covenants which affect the Subordinated Notes or Capital Notes (including by restricting circumstances in which interest can be paid or the Notes can be redeemed); or
- (d) have the same or different terms and conditions as the Subordinated Notes or Capital Notes. The Group may incur further indebtedness and may issue further securities before, or after the issue of the Notes.

An investment in Subordinated Notes and Capital 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 Notes or on the likelihood of the Issuer making payments in respect of the Notes. The Conditions 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 Notes, and carry no rights to require the Subordinated Notes or Capital 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 Notes or on the Issuer's or the Group's financial position or performance.

Subordinated Notes and Capital Notes have no voting rights

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

Capital Notes are perpetual securities with no fixed maturity date

Capital Notes are perpetual securities with no fixed maturity date. Accordingly, the Issuer is under no obligation to repay all or any part of the principal amount of the Capital Notes, the Issuer has no obligation to redeem the Capital Notes at any time and Noteholders have no right to call for their redemption or Conversion or otherwise accelerate the repayment of the principal amount of the Capital Notes. It is therefore possible that redemption will not occur at any point in time.

Therefore, to realise an investment in Capital Notes an investor would have to sell the Notes at the prevailing market price. Depending on market conditions at the time, the Capital Notes may be trading at a market price below the prevailing principal amount and/or the market for the Capital Notes may not be liquid. Brokerage fees may also be payable if Capital Notes are sold through a broker. The Issuer does not guarantee that investors will be able to sell their Capital Notes at an acceptable price or at all.

Holders of Subordinated Notes and Capital Notes have limited or no rights to accelerate principal

In the case of Subordinated Notes, Noteholders may not declare the principal amount of the Notes to be due and payable other than on the occurrence of a Winding-Up of the Issuer.

In the case of Capital Notes, Noteholders have no rights to declare the principal amount of the Notes to be due and payable, however the Notes are automatically to be redeemed in the case of a Winding-Up of the Issuer.

Subordinated Notes and Capital Notes are subject to mandatory Conversion or Write-Off in the event of the non-viability of the Issuer

Subordinated Notes and Capital Notes are subject to Conversion into Ordinary Shares in the capital of the Issuer or Write-Off if a Non-Viability Trigger Event occurs. The applicable Pricing Supplement will specify whether the Conversion Option or the Write-Off Option applies.

Non-Viability Trigger Event

It is a requirement under APRA's prudential standards, which came into effect on 1 January 2013, that any instruments, in order to be eligible for inclusion as regulatory capital known as Additional Tier 1 Capital and Tier 2 Capital (including term subordinated debt), contain provisions for conversion or write-off in the event of non-viability.

Under the Conditions of the Capital Notes and the Subordinated Notes, a Non-Viability Trigger Event occurs when APRA has provided a written determination to the Issuer that:

- (a) the conversion or write-off of certain regulatory capital instruments of the Issuer is necessary because 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 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. 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. 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 the date on which a Non-Viability Trigger Event occurs (the “**Non-Viability Conversion Date**”), the Issuer may be required:

- (a) where the Conversion Option is specified in the applicable Pricing Supplement:
 - (i) to Convert immediately and irrevocably all or some of the Notes into Ordinary Shares; or
 - (ii) alternatively, if, for any reason (including if 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 Notes into Ordinary Shares (an “**Inability Event**”)) Conversion has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date, the Issuer will be required to Write-Off and immediately and irrevocably terminate all or some of the Notes with effect on and from the Conversion Date; or
- (b) where the Write-Off Option is specified in the applicable Pricing Supplement, to Write-Off and immediately and irrevocably terminate all or some of the Notes.

For the purposes of paragraph (a) and (b) above, the Notes will be Converted or Written-Off (as applicable) on an approximately proportionate basis with:

- (a) in the case of Subordinated Notes, other Relevant Tier 2 Capital Instruments of the Issuer; or
- (b) in the case of Capital Notes, other Relevant Tier 1 Capital Instruments of the Issuer.

Noteholders should note that APRA will not approve partial conversion or partial write-off in those exceptional circumstances where a public sector injection of funds is deemed necessary. In circumstances where APRA considers that the Issuer would be non-viable without a public sector injection of capital, the Issuer must immediately convert or write-off all Relevant Capital Instruments in the case of Subordinated Notes, or all Relevant Tier 1 Capital Instruments in the case of Capital Notes. If APRA does not consider that a public sector injection of capital is required, and APRA is satisfied that conversion or write-off of an amount of Relevant Capital Instruments or Relevant Tier 1 Capital Instruments will be sufficient to ensure that the Issuer does not become non-viable, the Issuer must immediately convert or write-off that amount.

Noteholders should be aware that:

- (a) Additional Tier 1 Capital securities (such as the Capital Notes) will be converted or written-off before any Tier 2 Capital securities containing conversion or write-off features are converted or written-off (such as the Subordinated Notes);
- (b) where a Non-Viability Trigger Event occurs because APRA determines that, without a public sector injection of capital or equivalent support, the Issuer would become non-viable, all of the Capital Notes and Subordinated Notes will be Converted or Written-Off; and
- (c) the Group has on issue \$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, \$550 million of perpetual capital securities, \$700 million of subordinated notes due 2044 (the “**USD Subordinated Notes due 2044**”), AUD\$200 million of subordinated notes due 2040 (the “**AUD Subordinated Notes due 2040**”) and \$300 million of subordinated notes due 2045 (the “**USD Subordinated Notes due 2045**”) (“**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, the AUD Subordinated Notes due 2040 and the USD Subordinated Notes due 2045) 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 Capital Notes and 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 Noteholders). Holders of the Capital Notes and 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 AUD Subordinated Notes due 2040 and the USD Subordinated Notes due 2045). The Issuer has no obligation to issue or keep on issue other Relevant Capital Instruments.

Conversion Option

- (a) Potential investors in Subordinated Notes and Capital Notes should understand that, if a Non-Viability Trigger Event occurs and Notes are Converted into Ordinary Shares, investors are obliged to accept the shares even if they do not at the time consider such shares to be an appropriate investment for them at the time and despite any change in the financial position of the Issuer since the issue of the Notes or any disruption to the market for those shares or to capital markets generally. Investors have no right to elect to have Notes Written-Off instead of being Converted.
- (b) 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 volume weighted average price of shares traded on the Australian Securities Exchange (“ASX”) (“VWAP”) over five relevant business days but cannot be greater than a maximum conversion number based on 20 per cent. of the VWAP during the period of 20 relevant business days preceding the issue date of the relevant Notes (the “Issue Date VWAP”). The Issue Date VWAP is adjusted for only limited corporate actions of the Issuer, namely bonus issues, divisions and similar transactions. Accordingly, this may result in an investor in Subordinated Notes or Capital Notes receiving on Conversion Ordinary Shares worth significantly less than the Nominal Amount of the investor’s Notes. In addition the calculation of the number of Ordinary Shares that a holder may receive upon a Conversion of Subordinated Notes or Capital Notes relies upon a conversion of Australian dollar amounts in which shares are traded on ASX into the Specified Currency in which the Subordinated Notes or Capital Notes are issued, where that currency is not Australian dollars. In recent years, exchange rates between currencies have been highly volatile and there is a risk that the exchange rate between Australian dollars and the currency in which the Subordinated Notes or Capital Notes are denominated may be subject to material changes. Depending upon the exchange rates prevailing around the time that a Non-Viability Trigger Event occurs, the Ordinary Shares that an investor in Subordinated Notes or Capital Notes actually receives upon a Conversion relating to a particular Non-Viability Trigger Event may be worth significantly less than the Ordinary Shares the investor may have received had the Conversion taken place on a different date or that the investor otherwise expected to receive and investors may suffer loss as a result.
- (c) 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.
- (d) If, (i) 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); (ii) the Subordinated Notes are held by a person which the Issuer believes in good faith may not be a resident of Australia; (iii) for any reason (whether or not due to the fault of a Noteholder) the Issuer has not received any information required by it so as to impede the Issuer issuing the Ordinary Shares to a Noteholder 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, 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 (iv) 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.
- (e) 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 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.

- (f) 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 Notes and the Ordinary Shares being issued without disclosure by the Issuer as required by the Corporations Act. The restrictions may apply to sales by any nominee for investors as well as sales by investors and by restricting sales investors may suffer loss. Noteholders 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 other action. See “*Risk Factors — Restrictions on holding and trading Ordinary Shares*” below.
- (g) The rules and regulations of ASX in certain circumstances limit the Issuer’s ability, without shareholder approval, to issue Ordinary Shares and other equity securities (which may include convertible notes) without the approval of holders of Ordinary Shares. If the issue or Conversion of Notes would contravene that limit, then the Issuer may be prevented from Converting Notes and such Notes may be required to be Written-Off.
- (h) As described further under “*Description of the Issuer and Summary Financial Information - Major Shareholders*” below, there are provisions of Australian law that are relevant to the ability of any person to acquire interests in the Issuer beyond the limits prescribed by those laws. These provisions could apply to the Conversion of Notes into Ordinary Shares and, in some circumstances, could apply to the acquisition of Subordinated Notes or Capital Notes.
- (i) Noteholders should take care to ensure that by acquiring any Subordinated Notes or Capital Notes which provide for such Notes to be Converted to Ordinary Shares, Noteholders do not breach any applicable restrictions on the ownership of interests in the Issuer. Without limiting this, if Conversion of Subordinated Notes or Capital Notes into Ordinary Shares (whether in the hands of the Noteholder or a nominee) would breach those restrictions, the Issuer may be prevented from Converting such Notes and where Conversion is required under the Conditions such Notes may be required to be Written-Off.
- (j) 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 and Capital 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 “*General Information*” below), dividend withholding tax (as to which, see “*Taxation*” 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 “*Description of the Ordinary Shares*”, below.
- (k) 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 Noteholders.
- (l) Investors should also understand that if the Issuer is required to convert a Note but, for any reason, Conversion of that Note has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date (including, without limitation, an Inability Event), the Conversion will not occur and the rights of the relevant Noteholder (including without limitation in respect of a redemption and to the payment of interest) in relation to the Nominal Amount of that 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.

Write-Off Option

If the applicable Pricing Supplement specifies that a Tranche of Notes are to be Written-Off upon a Non-Viability Trigger Event, upon the occurrence of a Non-Viability Trigger Event, investors will lose some or all of the value of their investment and will not receive any compensation. Investors have no right to elect to have Notes Converted instead of Written-Off.

Restrictions on holding and trading Ordinary Shares and 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 per cent. or below to more than 20 per cent., or from a starting point that is above 20 per cent. and below 90 per cent., 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 per cent. 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 Ordinary Shares issued on Conversion, 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 in an Australian company where the Treasurer of the Commonwealth of Australia (the "**Australian Treasurer**") is satisfied that such acquisition or issue would result in a foreign person (including a foreign-controlled corporation) (whether alone or together with any associates) beginning to "control" the company (whether or not the company was previously controlled by a foreign person). A foreign person will be taken to control the company if:

- (a) the foreign person (alone or together with any associates) is in a position to control at least 20 per cent. of the voting power or potential voting power or holds any legal or equitable interest in 20 per cent. or more of the issued securities of the company;
- (b) two or more foreign persons (together with any associates of any of those foreign persons) are in a position to control 40 per cent. or more of the voting power or potential voting power or hold any legal or equitable interest in 40 per cent. or more of the issued securities of the company or;
- (c) the foreign person (alone or together with any associates) is in a position to determine the policy of the company in relation to any matter.

In any of these cases, and in certain other circumstances, 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 non-operating holding company ("**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 per cent. 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 per cent. 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 per cent. 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 Capital Notes, 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 Capital Notes or Subordinated Notes of a Noteholder within five Scheduled Trading Days after the Non-Viability Conversion Date, the rights of the Noteholder 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 “*Risk Factors — Subordinated Notes and Capital Notes are subject to mandatory Conversion or Write-Off in the event of the non-viability of the Issuer or on a Common Equity Capital Trigger Event*” 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 Capital Notes or 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 that the Ordinary Shares may be freely traded on the ASX without further action by the Noteholder (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 Capital Notes or Subordinated Notes may also be restricted where one or more of the seller and the purchaser of those Ordinary Shares, Capital Notes or Subordinated Notes are in possession of “inside information” that is information that is not generally available and which a reasonable person would expect to have a material effect on the price or 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 Noteholder 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 Capital Notes or Subordinated Notes will be Written-Off in the circumstances described in “*Risk Factors — Write-Off*” above.

The Corporations Act and ASX Listing Rules impose restrictions on certain persons and their associated 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 Noteholders 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.

Subordinated Notes and Capital Notes are subject to early optional redemption if a Tax Event or Regulatory Event occurs

The Issuer may be entitled to redeem Subordinated Notes and Capital Notes in a broader range of circumstances than Senior Notes.

Unless otherwise specified in the applicable Pricing Supplement, the Issuer will be entitled to redeem Subordinated Notes or Capital Notes as a whole, but not in part (subject to APRA's prior written approval) if a Tax Event or Regulatory Event occurs.

A "**Tax Event**" occurs in summary where the Issuer receives 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, governmental agency or regulatory authority in a relevant jurisdiction after the Issue Date, there is more than an insubstantial risk that:

- (a) the Issuer would be required to pay certain additional amounts on account of withholding tax;
- (b) in the case of Subordinated Notes, if 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 or Capital Notes (which costs, in the case of Capital Notes, shall include a reduction in its franking account balance on account of an increase in the rate of franking attaching to the Capital Notes) as a result of the application of any laws relating to any taxes, duties or other governmental charges or civil liabilities.

A "**Regulatory Event**" occurs on 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 of the Level 2 Insurance Group, or its then equivalent (in the case of the Subordinated Notes) or all of the Capital Notes as Tier 1 Capital of the Level 2 Insurance Group, or its then equivalent (in the case of the Capital Notes).

The Issuer will not be entitled to redeem Notes in these circumstances if the Issuer expected the event on the Issue Date.

Each Note redeemed because of a Tax Event or a Regulatory Event will be redeemed at its Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

The Issuer may only elect to redeem any Subordinated Notes or Capital Notes on the occurrence of a Regulatory Event or a Tax Event if either:

- (a) before or concurrently with the redemption, the Issuer replaces the Notes the subject of the redemption 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 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 Notes the subject of the redemption.

Noteholders should not expect that APRA's approval will be given for any early redemption of Subordinated Notes or Capital Notes.

Noteholders cannot require the Issuer to redeem the Notes in these circumstances.

Redemption on account of a Tax Event or a Regulatory Event may occur at any time and there is a risk that it may occur at a time which does not suit Noteholders.

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 Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Change of law

In the case of Subordinated Notes and Capital Notes, 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 and Capital Notes are only issued after APRA has confirmed their regulatory treatment, if APRA subsequently determines that some or all of the Subordinated Notes or Capital Notes do not qualify as Tier 2 Capital or Additional Tier 1 Capital (as applicable), the Issuer may decide that a Regulatory Event has occurred and may elect to redeem all (but not some) of the relevant 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 Notes for certain potential investors who are Australian residents for tax purposes 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 the interpretation thereof may trigger an option for the Issuer to redeem all (but not some) of the Notes in accordance with the Conditions (in the case of Subordinated Notes and Capital Notes, 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 Noteholders, including powers to direct the Issuer not to pay or transfer any amount to any person (including in respect of any Subordinated Notes or Capital Notes), to conduct its business in a particular way or not to issue Ordinary Shares in connection with a Conversion of Subordinated Notes or Capital 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 Notes or Ordinary Shares

The Foreign Account Tax Compliance Act provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”) establish 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**”).

FATCA withholding

Under FATCA, a 30 per cent. withholding may be imposed (i) in respect of certain payments of U.S. source income, (ii) from 1 January 2019 in respect of gross proceeds from the sale or disposal of property that produce interest or dividends which are U.S. source income and (iii) from 1 January 2019, 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**”).

A FATCA withholding may be required if (i) an investor does not provide information sufficient for the Issuer or any other financial institution through which payments on the Notes or Ordinary Shares are made to determine whether the investor is subject to FATCA withholding or (ii) an FFI to or through which payments on the Notes or Ordinary Shares are made is a “non-participating FFI”.

FATCA withholding is not expected to apply in respect of the Notes if the Notes are treated as debt for U.S. federal income tax purposes and the payment is made under a grandfathered obligation, generally being any obligation 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.

Australian IGA

Australia and the United States signed an intergovernmental agreement (“**Australian IGA**”) in respect of FATCA on 28 April 2014. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the Australian IGA (“**Australian IGA Legislation**”).

Australian financial institutions which are Reporting Australian Financial Institutions under the Australian IGA must comply with specific due diligence procedures to identify their account holders (e.g. the Noteholders) and provide the Australian Taxation Office (“**ATO**”) with information on financial accounts (for example, the Notes or Ordinary Shares) held by U.S. persons and recalcitrant account holders and on payments made to non-participating FFIs. The ATO is required to provide such information to the IRS. Consequently, Noteholders may be requested to provide certain information and certifications to the Issuer and to any other financial institutions through which payments on the Notes or Ordinary Shares are made in order for the Issuer and such other financial institutions to comply with their FATCA obligations.

A Reporting Australian Financial Institution that complies with its obligations under the Australian IGA will not generally be subject to FATCA withholding on amounts it receives, and will not generally be required to deduct FATCA withholding from payments it makes with respect to the Notes or Ordinary Shares, other than in certain prescribed circumstances.

No additional amounts paid as a result of FATCA withholding

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

FATCA is particularly complex legislation

Investors should consult their own tax advisers to determine how FATCA and the Australian IGA may apply to them under the Notes.

Common Reporting Standard

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (“**CRS**”) will require certain financial institutions to report information regarding certain accounts (which may include the Notes or Ordinary Shares) to their local tax authority and follow related due diligence procedures. Noteholders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed the CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS. The CRS will apply to Australian financial institutions with effect from 1 July 2017.

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 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 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 Notes. As a result there exist significant additional risks which may affect the returns on Notes to potential investors.

There is no prior market for Notes

The 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 Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Although in-principle approval has been received for the listing and quotation of Notes to be issued under the Programme on the Official List of the SGX-ST, there can be no assurance that that listing will be obtained or maintained. Even if such a listing is obtained and maintained, such a listing does not assure the liquidity of the Notes nor provide the ability to trade the Notes through the SGX-ST.

Exchange rate risks and exchange controls

The Issuer will pay amounts owing to the investors in respect of the Notes in the Specified Currency. 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 the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency 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 the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of any repayments of amounts invested in respect of the Notes and (c) the Investor's Currency-equivalent market value of the 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 Notes than expected, or no amounts.

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

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

Although the Notes may be rated upon issuance there is no obligation on the Issuer or any other member of the Group to maintain that rating.

Credit ratings agencies review and amend their rating methodology and review ratings assigned to instruments (such as the 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 Notes.

Restrictions on use of credit rating

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by a European Union registered credit rating agency or the relevant non-European Union rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

In addition, any credit rating in respect of any Notes or the Issuer is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive the Offering

Circular and anyone who receives the Offering Circular must not distribute it to any person who is not entitled to receive it.

DOCUMENTS INCORPORATED BY REFERENCE

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

- the financial statements of the Issuer filed with ASIC in respect of the two most recent financial years ending 31 December 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;
- the most recent half year report released by the Issuer to the ASX;
- all documents listed by the Issuer and stated to be incorporated in this Offering Circular by reference, including, in the case of any issue of Notes, a Pricing Supplement and ASX disclosures which are stated to form part of the Offering Circular.

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

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular 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 offices set out in the section entitled *Directory* at the end of this Offering Circular. In addition, certain documents will be available from the specified offices of the Principal Paying Agent.

The financial reports incorporated in this Offering Circular by reference are also available on the Issuer's website at 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 Offering Circular.

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

DESCRIPTION OF THE ISSUER AND SUMMARY FINANCIAL INFORMATION

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 37 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 writes general insurance and reinsurance business in the United States.
- European Operations writes general insurance business principally in the United Kingdom and in Canada and throughout mainland Europe, both general insurance and reinsurance business through Lloyd’s of London and worldwide reinsurance business through offices in London, Ireland, Bermuda and mainland Europe.
- Australia & New Zealand operations primarily underwrites general insurance risks throughout Australia and New Zealand, providing all major lines of insurance for personal and commercial risks.
- Emerging Markets writes general insurance business in North, Central and South America and provides personal, commercial and specialist general insurance covers throughout the Asia Pacific region.
- Equator Re is based in Bermuda and provides reinsurance protection to related entities. All inward premium received by Equator Re is currently derived from within the Group and is eliminated on consolidation.

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.

- **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 New South Wales 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 and in several countries in the Asia Pacific region, including Hong Kong. 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.

TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since 31 December 2015.

There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year, other than as disclosed in the Issuer's Annual Report for its year ended 31 December 2015 (as incorporated by reference in this Offering Circular) and the contingent liabilities described under "Legal and arbitration proceedings" below.

PROFIT FORECASTS OR ESTIMATES

The Issuer does not intend to make or imply any profit forecasts or profit estimates in this Offering Circular. No statement contained in this Offering Circular should be interpreted as such a forecast or estimate.

ADMINISTRATIVE AND MANAGEMENT BODIES

Directors

Currently the Issuer's board of directors consists of the following nine directors, all of whom may be contacted at the Issuer's registered office.

- **W. Marston Becker JD, BSBA**

W. Marston (Marty) Becker is based in the United States. He was appointed as an independent non-executive director of the Issuer in 2013 and Chairman in April 2014. Marty is a member of the Audit, Investment, Remuneration and the Risk and Capital Committees.

Marty is the Chairman of West Virginia Media Holdings and previously served as President and Chief Executive Officer of Alterra Capital Holdings Limited. Marty has over 35 years' experience in general insurance, reinsurance, investment banking and private equity and has held various insurance and reinsurance executive positions.

- **John Green B. JURIS/LLB, FAICD, SF FIN.**

John M Green is based in Australia and became an independent non-executive director of the Issuer in 2010. As well as Deputy Chairman, he is Chairman of the Remuneration Committee, Deputy Chairman of the Investment Committee and a member of the Risk and Capital Committee.

John is a non-executive director of WorleyParsons, a member of the Council of the National Library of Australia, a book publisher at Pantera Press, a novelist and a business writer. John was for many years an executive director at Macquarie Group and, before that, he was a partner at two major law firms.

- **Margaret Leung B. Ec**

Margaret Leung is based in Hong Kong, and was appointed as an independent non-executive director of the Issuer in 2013. Margaret is the Deputy Chairman of the Remuneration Committee and a member of the Audit Committee.

Margaret is a director of China Construction Bank Corporation, Chong Hing Bank, Hong Kong Exchanges and Clearing Limited, Sun Hung Kai Properties, Li & Fung Ltd and First Pacific Company Limited. Margaret was previously the Chief Executive Officer of Hang Seng Bank Limited.

- **John Neal**

John Neal joined the Group in 2003 and was appointed Group Chief Executive Officer in August 2012. Prior to his current role, John held the position of Chief Executive Officer of Global Underwriting Operations and previously held several leadership positions in QBE European Operations, most recently as Chief Underwriting Officer.

John has 30 years' experience in the insurance industry and, before joining the Group, John was the Chief Executive Officer of Ensign, a Lloyd's managing agent. John developed Ensign to become the United Kingdom's leading commercial motor insurance brand. The Group acquired Ensign in 2003.

- **Sir Brian Pomeroy MA, FCA**

Sir Brian Pomeroy is based in the United Kingdom and was appointed as an independent non-executive director of the Issuer in June 2014. Sir Brian is Chairman of the Audit Committee and a member of the Risk and Capital Committee.

Sir Brian is a non-executive member of the Board of the Financial Conduct Authority in the United Kingdom and has extensive experience of the insurance industry through his role as a nominated member of the Council of Lloyd's and his previous position as a non-executive director on the Group's European regulated boards. He was the senior partner of Deloitte Consulting in the United Kingdom until 1999.

- **Ms Jann Skinner B. Com, FCA, FAICD**

Jann Skinner is based in Australia and was appointed as an independent non-executive director of the Issuer in 2014. Jann is Chairman of the Risk and Capital Committee, Deputy Chairman of the Audit Committee and a member of the Remuneration Committee.

Jann was a non-executive director on the Group's Australian regulated boards, where she was also Chair of the Audit and Risk and Capital Committees. She has over 30 years' professional accounting experience and was an audit partner at PricewaterhouseCoopers, specialising in the financial services sector, particularly general and life insurance.

- **Mr Stephen Fitzgerald B. Ec**

Stephen Fitzgerald is based in the United Kingdom and was appointed as an independent non-executive director of the Issuer in 2014. He is Chairman of the Investment Committee and a member of the Risk and Capital Committee.

Stephen is Deputy Chair of PineBridge Investments (New York) and a member of the Board of Guardians of the Future Fund. Previously, Stephen was Chairman of Goldman Sachs, Australia and New Zealand. He joined Goldman Sachs in 1992 and was named a Managing Director in 1998 and a Partner in 2002. He also served on the Goldman Sachs Partnership Committee and has been based in London, Tokyo, Hong Kong and Sydney.

- **Mr Patrick Regan BSc, ACA**

Patrick Regan joined the Group in June 2014 in the role of Group Chief Financial Officer, and became an executive director in October 2014. Prior to joining the Group, Patrick was the Chief Financial Officer at Aviva plc in London from 2010 to 2014 with responsibility for finance, strategy, investor relations and mergers & acquisitions.

Patrick has more than 26 years of professional accounting experience of which nearly 20 years has been in insurance and financial services. Patrick was previously the Chief Financial Officer/Chief Operating Officer of Willis Group and has held several roles at RSA and AXA.

- **Mr Rolf Tolle, Diploma in Political Science**

Rolf Tolle is based in the United Kingdom and was appointed as an independent non-executive director in March 2016. Rolf is the Deputy Chairman of the Risk and Capital Committee and a member of the Investment Committee. He has many years of experience in specialist insurance and reinsurance businesses, having held senior positions in a number of global companies, including Lloyds.

Key executive officers

The following are the Group's key executive officers:

- **John Neal - Group Chief Executive Officer (see above)**
- **Patrick Regan B.Sc, ACA – Group Chief Financial Officer (see above)**
- **David Duclos BSBA – Chief Executive Officer, North American operations**

David Duclos was appointed Chief Executive Officer of QBE North American Operations in 2013. Prior to joining the Group, David held various management positions at XL over an eight year period, most notably as Chief Executive of Insurance in which he was responsible for all global insurance operations.

David has more than 35 years' experience in the insurance industry. He began his career at INA/CIGNA as an underwriter, where he spent 21 years, rising through a variety of regional and national management roles. David also worked in senior level positions at Kemper Insurance for three years before joining XL.

- **Tim Plant B AgrSc, MBA, AMP – Chief Executive Officer, Australian & New Zealand Operations**

Tim Plant joined the Group in 1992 and was appointed Chief Executive Officer, Australian & New Zealand Operations in 2015. Prior to his current role, Tim was the Executive General Manager, Corporate Partners & Direct for Australia & New Zealand Operations. Tim has also held executive positions for

Australian Operations, including Executive General Manager, Technical; and Managing Director, Elders Insurance. Tim has more than 20 years' insurance and reinsurance experience and has worked for Australian Eagle Insurance, Swiss Re and QBE in London.

- **Richard Pryce B HIS (HONS) – Chief Executive Officer, European operations**

Richard Pryce joined the Group in 2012 and was appointed Chief Executive Officer, European Operations in 2013.

Richard began his insurance career with R.W. Sturge syndicate at Lloyd's where he became Claims Director. In 1996, Richard moved to Ockham (which was subsequently acquired by ACE) as Professional Lines Class Underwriter for Syndicate 204. Richard went on to run ACE's Financial Lines business in London before becoming President of ACE Global Markets in 2003 and ACE UK in 2007. Richard has worked in the London insurance market for 33 years.

- **Colin Fagen B Com, MBA – Group Chief Operations Officer**

Colin Fagen has worked for the Group for over 16 years. He was appointed Group Chief Operations Officer in February 2016. Prior to this he held the position of Group Chief Strategy Officer and Chief Executive Officer, Australian & New Zealand Operations. Colin has been involved in the Insurance Industry for over 21 years in operational, marketing, relationship management and senior executive roles across all classes of general insurance.

Colin is Vice President of the Insurance Council of Australia and a director of the Australian and New Zealand Institute of Insurance and Finance.

- **David Fried BA – Chief Executive Officer, Emerging Markets**

David Fried joined the Group in 2013 as Chief Executive Officer, Asia Pacific Operations and was subsequently appointed Chief Executive Officer, Emerging Markets in 2014. Prior to joining the Group, David was the Regional Chief Executive Officer of Allianz Asia Pacific, where he was responsible for the insurer's life and non-life business across 14 countries.

David was previously at HSBC for 27 years, where he worked in numerous senior management and global strategic roles, including as the Group Head of Insurance where he managed HSBC's insurance operations across 54 countries.

- **Jenni Smith MBA – Group Executive Officer, People and Communications**

Jenni Smith joined the Group in 2003 and holds the role of Group Executive Officer, People and Communications. Jenni is also the Chair of the QBE Foundation.

Jenni has substantial international experience, having held executive roles in the United Kingdom advertising and television industry. Before joining the Group, Jenni held the position of General Manager Human Resources, International at Telstra Corporation.

- **Jason Brown B ECON ACA – Group Chief Risk Officer**

Jason Brown has been involved in the financial services industry for over 20 years, including in consulting, assurance and senior executive roles. Jason was Chief Risk Officer for QBE Australian & New Zealand Operations before being appointed Group Chief Risk Officer in March 2014. Jason joined the Group in 2002 and previously held the role of Executive General Manager, Technical & Operations

with responsibility for national underwriting, national claims, reinsurance, actuarial, legal, compliance, strategy and mergers & acquisitions.

Jason was previously a Principal at Ernst & Young in both assurance and consulting in Australia and the United Kingdom. He is also a Chartered Accountant.

MAJOR SHAREHOLDERS

The Issuer is a public limited company. As at 31 January 2016, the following shareholders each held more than 1 per cent. of the issued share capital of the Issuer:

- HSBC Custody Nominees (Australia) Limited – 28 per cent.
- JP Morgan Nominees Australia Limited – 17 per cent.
- National Nominees Limited – 12 per cent.
- Citicorp Nominees Pty Limited – 7 per cent.
- BNP Paribas Nominees Pty Ltd – 5 per cent.
- RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C) – 2 per cent.
- AMP Life Limited – 1 per cent.
- Key executive officers and directors (16 persons) as a group – 0.06 per cent.

There are several provisions of Australian law that are relevant to the ability of any person to gain control of the Issuer.

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

In summary, 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 per cent. or below to more than 20 per cent., or from a starting point that is above 20 per cent. and below 90 per cent., 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 per cent. 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 in Australian companies by foreign interests are also subject to review and prohibition by the Australian Treasurer.

There are also specific limitations on the acquisition of a shareholding in an insurance company or the NOHC of an insurance company under 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 per cent. 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 per cent. 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 insurers such as the Issuer.

There are no arrangements in place within the Group the operation of which may result in a change of control of the Issuer.

FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

Historical financial information

The financial information in relation to the Issuer for its year ended 31 December 2015 is contained in its Annual Report ended 31 December 2015 which is incorporated by reference into this Offering Circular. See “*Documents Incorporated by Reference*” above.

Auditing of historical annual financial statements

The historical financial statements referred to above have been audited. See the independent auditors’ report at pages 163 to 169 of the Annual Report ended 31 December 2015.

Significant change in the financial or trading position of the Group

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group since 31 December 2015 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2015.

LEGAL AND ARBITRATION PROCEEDINGS

Except for the matter listed below, and as described elsewhere in this Offering Circular and in the documents incorporated herein by reference, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12-month period before the date of this Offering Circular which may have, or have had in the recent past, material effects on the financial position or profitability of the Issuer and/or that of the Group.

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 misleading or deceptive conduct in the lead up to the revised profit guidance released to the market by the Issuer on 9 December 2013. The Issuer intends to defend these allegations and lodged with the Federal Court its defence in the first instance on 24 November 2015.

TERMS AND CONDITIONS OF THE SENIOR NOTES

The following are the Terms and Conditions of the Senior Notes which will be incorporated by reference into each Global Note, each Australian Domestic Note and each definitive Senior Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Senior Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Senior Notes may complete such Terms and Conditions for the purpose of such Senior Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note, each Australian Domestic Note and each definitive Senior Note.

This Senior Note is one of a Series of Senior Notes issued by QBE Insurance Group Limited (ABN 28 008 485 014) (the “**Issuer**”) pursuant to the Euro Agency Agreement or the Australian Note Deed Poll (each as defined below).

References herein to the “**Senior Notes**” shall be references to the Senior Notes of this Series and shall mean:

- (a) in relation to any Senior Notes in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) which are represented by a global note (a “**Global Note**”), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any Australian Domestic Note;
- (d) any definitive note in bearer form (a “**Definitive Bearer Note**”) issued in exchange for a Global Note in bearer form; and
- (e) any definitive note in registered form (a “**Definitive Registered Note**”) (whether or not issued in exchange for a Global Note in registered form).

References herein to a Registered Note shall include a reference to an Australian Domestic Note (unless otherwise stated).

References herein to a Global Note or a Definitive Registered Note shall not be taken to include any Australian Domestic Note. Australian Domestic Notes may not be issued in bearer form.

The Senior Notes (other than the Australian Domestic Notes) and the Coupons (as defined below) are issued pursuant to an agency agreement dated 2 May 2016 (the “**Euro Agency Agreement**” as the same may be amended, restated and/or supplemented from time to time) between the Issuer, The Bank of New York Mellon, London Branch, as issuing and principal paying agent and agent bank (the “**Principal Paying Agent**”, which expression shall include any additional or successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), The Bank of New York Mellon, London Branch, as exchange agent (the “**Exchange Agent**” which expression shall include any successor exchange agent), The Bank of New York Mellon (Luxembourg) S.A., as registrar (the “**Registrar**”, which expression shall include any additional or successor registrar) and as transfer agent and the other transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents).

Australian Domestic Notes are debt obligations of the Issuer constituted by, and owing under, the note deed poll dated 2 May 2016 and made by the Issuer (the “**Australian Note Deed Poll**”). In connection with the Australian Domestic Notes, the Issuer has entered into an agency and registry agreement dated 2 May 2016 (the “**Australian Agency and Registry Agreement**” as the same may be amended, restated and/or supplemented from time to time) between the Issuer, Austraclear Services Limited, as registrar (the “**Australian Registrar**”, which expression shall include any successor registrar), Austraclear Services Limited, as calculation agent (the “**Australian Calculation Agent**”, which expression shall include any successor calculation agent) and the other agents named therein.

Interest bearing Definitive Bearer Notes have interest coupons (“**Coupons**”) and, in the case of Senior Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise

requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

No certificates will be issued to Noteholders of Australian Domestic Notes unless the Issuer determines that certificates should be available or if certificates are required by any applicable law or directive.

The final terms for this Senior Note (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Senior Note which complete these Terms and Conditions (the “**Conditions**”) for the purposes of this Senior Note. References to the “**applicable Pricing Supplement**” are to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Senior Note.

Any reference to “**Noteholders**” or “**holders**” in relation to any Senior Notes shall mean (in the case of Bearer Notes) the holders of the Senior Notes and (in the case of Registered Notes) the persons in whose name the Senior Notes are registered and shall, in relation to any Senior Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Senior Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Senior Notes together with any further Tranche or Tranches of Senior Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for one or more of their date and price of issue, the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders (other than in respect of Australian Domestic Notes) are entitled to the benefit of the Deed of Covenant (the “**Deed of Covenant**”) dated 2 May 2016 and made by the Issuer. The original Deed of Covenant is held by the Principal Paying Agent.

Copies of:

- (a) the Euro Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the Specified Office of the Issuer and the Principal Paying Agent;
- (b) the Australian Note Deed Poll and the Australian Agency and Registry Agreement are available for inspection during normal business hours at the Specified Office of the Issuer; and
- (c) the applicable Pricing Supplement are available from the Specified Office of the Issuer and the Principal Paying Agent,

provided that such documents shall only be obtainable by a Noteholder, a Couponholder or a genuine prospective Noteholder, and provided further that the applicable Pricing Supplement shall only be obtainable by Noteholder, a Couponholder or a genuine prospective Noteholder of that Series, and such current or prospective Noteholder or Couponholder (as applicable) must produce evidence satisfactory to the Issuer or, as the case may be, the Principal Paying Agent as to its holding or prospective holding of such Senior Notes and identity.

The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Euro Agency Agreement, the Deed of Covenant, the Australian Note Deed Poll, the Australian Agency and Registry Agreement and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Euro Agency Agreement, the Deed of Covenant, the Australian Note Deed Poll and the Australian Agency and Registry Agreement.

Words and expressions defined in the Euro Agency Agreement or the Australian Note Deed Poll (as applicable) or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Euro Agency Agreement or the Australian Note Deed Poll (as applicable) and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

In these Terms and Conditions:

- (a) “euro”, “€” and “EUR” each means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;
- (b) “Australian Dollar”, “A\$” and “AUD” each means the lawful currency of Australia;
- (c) “Swiss Franc” and “CHF” each means the lawful currency of Switzerland;
- (d) “Sterling”, “£” and “GBP” each means the lawful currency of the United Kingdom;
- (e) “Japanese Yen”, “¥” and “JPY” each means the lawful currency of Japan; and
- (f) “U.S. Dollar”, “U.S.\$” and “USD” each means the lawful currency of the United States of America.

1 Status

The Senior Notes and any relative Coupons are direct, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and with all other unsecured and unsubordinated obligations of the Issuer (other than any obligations preferred by applicable law).

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

2 Form, denomination and currency

2.1 Bearer Notes and Registered Notes

Senior Notes are issued as Bearer Notes or as Registered Notes as specified in the applicable Pricing Supplement and, in the case of Senior Notes in definitive form (“**Definitive Notes**”), are serially numbered.

Bearer Notes may not be exchanged for Registered Notes and vice versa.

2.2 Denomination

Senior Notes are issued in one or more denominations (“**Specified Denomination(s)**”), as specified in the applicable Pricing Supplement, provided that:

- (a) in the case of Australian Domestic Notes, Senior Notes shall only be offered and applications may only be invited (in each case directly or indirectly) if:
 - (i) the aggregate consideration payable to the Issuer by the subscriber is at least A\$500,000 (disregarding moneys lent by the Issuer or its associates) or the Senior Notes are otherwise issued in a manner which does not require disclosure in accordance with Part 6D.2 or Chapter 7 of the Corporations Act;
 - (ii) the offer or invitation from which the issue results does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act; and
 - (iii) the offer or invitation complies with all other applicable laws and directives in the jurisdiction in which the offer, invitation or issue takes place; and
- (b) in any other case, the minimum Specified Denomination shall be €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 (or in each case the equivalent in the Specified Currency). No Definitive Bearer Notes will be issued with a denomination above €199,000 (or its equivalent the Specified Currency).

Senior Notes in one Specified Denomination may not be exchanged for Senior Notes in another Specified Denomination.

2.3 Currency

Senior Notes are issued in the currency (“**Specified Currency**”) specified in the applicable Pricing Supplement.

3 Title and transfer

3.1 Title generally

Subject as set out in Conditions 3.2, 3.3 and 3.4:

- (a) title to Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of a transfer in accordance with the provisions of the Euro Agency Agreement or the Australian Note Deed Poll and the Australian Agency and Registry Agreement (as applicable); and
- (b) the Issuer and the Agents will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

3.2 Title to Global Notes in Euroclear and/or Clearstream, Luxembourg

For so long as the Senior Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Senior Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Senior Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Senior Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Senior Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Senior Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Senior Notes**” and related expressions shall be construed accordingly.

3.3 Title to Global Notes in DTC

For so long as the Depository Trust Company (“**DTC**”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Senior Notes represented by such Registered Global Note for all purposes under the Euro Agency Agreement and the Senior Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

3.4 Title to Australian Domestic Notes

In respect of Australian Domestic Notes, each entry in the Australian Register in respect of a Senior Note constitutes:

- (a) an irrevocable undertaking by the Issuer to the Noteholder to:
 - (i) pay principal, (if applicable) interest and any other amount in accordance with these Conditions; and
 - (b) comply with other Conditions of the Senior Note; and
- (b) an entitlement to the other benefits given to Noteholder in respect of the Senior Note under these Conditions.

Entries in the Australian Register in relation to an Australian Domestic Note constitute conclusive evidence that the person so entered is the absolute owner of the Senior Note subject to correction for fraud or error.

Where two or more persons are entered in the Australian Register as the joint holder of an Australian Domestic Note then they are taken to hold the Senior Note as joint tenants with rights of survivorship, but the Australian Registrar is not bound to register more than four persons as joint holders of a Senior Note.

3.5 Transfers of interests in Global Notes

Interests in Senior Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg or DTC, as the case may be.

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Senior Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be and in accordance with the terms and conditions specified in the Euro Agency Agreement. Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) or to a successor of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) or such successor's nominee and will be subject to compliance with all applicable legal and regulatory restrictions and the terms and conditions of the Euro Agency Agreement.

3.6 Transfers of Definitive Registered Notes

Subject as provided in Conditions 3.10, 3.11, 3.12 and 3.13 below, upon the terms and subject to the conditions set forth in the Euro Agency Agreement and subject to compliance with all applicable legal and regulatory restrictions, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

- (a) the holder or holders must:
 - (i) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the Specified Office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and
 - (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and
- (b) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Euro Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being days on which commercial banks are open for business in the city where the Specified Office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its Specified Office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the

transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

3.7 Transfers of Australian Domestic Notes

- (a) Australian Domestic Notes held in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.
- (b) If Australian Domestic Notes are not held in the Austraclear System, application for the transfer of Australian Domestic Notes must be made by the lodgement of a Transfer Form with the Australian Registrar. Transfer Forms are available from the Australian Registrar. Each form must be duly stamped (if applicable) and accompanied by such evidence (if any) as the Australian Registrar may require to prove the title of the transferor or the transferor's right to transfer the Australian Domestic Notes and be signed by both the transferor and the transferee.
- (c) Australian Domestic Notes may be transferred in whole but not in part. Australian Domestic Notes may only be transferred:
 - (i) the aggregate consideration payable by the relevant Noteholder is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the Issuer or its associates to the subscriber or its associates) or if the offer or invitation (including any resulting issue) otherwise does not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act;
 - (ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act; and
 - (iii) the offer or invitation complies with all other applicable laws and directives in the jurisdiction in which the offer, invitation or issue takes place.

3.8 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8, the Issuer, Registrar or Australian Registrar (as applicable) shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

3.9 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3.10 Transfers of interests in Regulation S Global Notes and Australian Domestic Notes

Prior to expiry of the Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note or an Australian Domestic Note to a transferee in the United States or who is a U.S. person will only be made:

- (a) in respect of a Regulation S Global Note only, upon receipt by the Registrar of a written certification substantially in the form set out in the Euro Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the Specified Office of the Registrar or any Transfer Agent, from the transferor of the Senior Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (b) in respect of a Regulation S Global Note or an Australian Domestic Note, otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel,

that such transfer is in compliance with any applicable securities laws of any State of the United States,

and in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of Condition 3.10(a) above, such transferee may take delivery through a Legended Note in a global or definitive form. After expiry of the Distribution Compliance Period:

- (i) beneficial interests in Regulation S Global Notes may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC; and
- (ii) such certification requirements will no longer apply to such transfers.

3.11 Transfers of beneficial interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the Distribution Compliance Period, the interests in the Senior Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg;
- (b) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

3.12 Closed periods

Other than in respect of an Australian Domestic Note, no Noteholder may require the transfer of a Registered Note or part of a Registered Note to be registered:

- (a) during the period of 15 days ending on the due date for any payment of principal on that Registered Note;
- (b) after notice is given that such Registered Note will be redeemed pursuant to Conditions 8.2 or 8.3;
- (c) during the period of 15 days before any Optional Redemption Date pursuant to Condition 8.4; and
- (d) during the period of five Registry Business Days ending on (and including) any Record Date.

3.13 Exchanges of Definitive Registered Notes generally

Holders of Definitive Registered Notes may exchange such Senior Notes for interests in a Registered Global Note of the same type at any time.

4 Interest generally

4.1 Fixed Rate Notes and Floating Rate Notes

Senior Notes may bear interest at a fixed (“**Fixed Rate Notes**”) or floating rate (“**Floating Rate Notes**”) or a combination of both, depending upon the Interest Basis specified in the applicable Pricing Supplement. If the applicable Pricing Supplement so specifies, the applicable Rate of Interest may be reset from one Interest Period to another.

4.2 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Conditions 4, 5 and 6, whether by the Principal Paying Agent or the Australian Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Australian Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Accrual of interest

Each Senior Note (or in the case of the redemption of part only of a Senior Note, that part only of such Senior Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused (upon due presentation in the case of Senior Notes other than Australian Domestic Notes). In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Senior Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Senior Note has been received by the Principal Paying Agent, the Registrar or the Australian Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15.

5 Interest on Fixed Rate Notes

5.1 Application

This Condition 5 applies only in respect of Senior Notes to which Fixed Rate Note Provisions are applicable according to the applicable Pricing Supplement.

5.2 Fixed Rate Note specifications

The applicable Pricing Supplement will specify the Calculation Amount, the Interest Commencement Date, the Maturity Date, the Rate(s) of Interest, the Interest Payment Date(s), the Fixed Coupon Amount(s), any applicable Broken Amount(s), the Day Count Fraction and any applicable Determination Date.

5.3 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and up to (and including) the Maturity Date.

5.4 Specified Fixed Coupon Amounts and Broken Amounts

The amount of interest payable on each Interest Payment Date in respect of the Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount if so specified in the applicable

Pricing Supplement. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

5.5 Calculation of interest

Except in the case of Senior Notes where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Senior Notes represented by such Global Note;
- (b) in the case of Fixed Rate Notes which are Australian Domestic Notes, the outstanding nominal amount of the Senior Note; and
- (c) otherwise, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

6 Interest on Floating Rate Notes

6.1 Application

This Condition 6 applies only in respect of Senior Notes to which Floating Rate Note Provisions are applicable according to the applicable Pricing Supplement.

6.2 Floating Rate Note specifications

The applicable Pricing Supplement will specify the Calculation Amount, the Interest Commencement Date, the Specified Period(s) or Specified Interest Payment Dates, the Business Day Convention, any Additional Business Centre(s), the Margin, the Day Count Fraction and any other information on the manner in which the Rate of Interest is to be determined.

6.3 Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (a) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (b) if no express Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

6.4 Business Day Convention

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or

(y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) in any case where Specified Periods are specified in accordance with Condition 6.3(b) above, the Floating Rate Convention, such Interest Payment Date:
 - (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of Condition 6.4(a)(ii)(B) below shall apply *mutatis mutandis*; or
 - (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event:
 - (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day; and
 - (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred;
- (b) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day;
- (c) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (d) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

6.5 Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement and the following provisions of these Conditions relating to either Screen Rate Determination, ISDA Determination or BBSW Determination shall apply accordingly, depending upon which is specified in the relevant Pricing Supplement.

6.6 Screen Rate Determination

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (a) the Relevant Rate (where the Relevant Rate on the Relevant Screen Page is a composite quotation or is customarily supplied by one entity) which appears on the Relevant Screen Page; or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the Relevant Rates of the persons whose Relevant Rates appear on the Relevant Screen Page,

(expressed as a percentage rate per annum) at the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable).

If Condition 6.6(b) applies and five or more of such Relevant Rates are available on the Relevant Screen Page, the highest (or, if there is more than one such highest Relevant Rate, one only of such Relevant Rates) and the lowest (or, if there is more than one such lowest Relevant Rate, one only of such Relevant

Rates) shall be disregarded by the Principal Paying Agent or the Australian Calculation Agent (as applicable) for the purpose of determining the arithmetic mean.

If the Relevant Screen Page is not available or if, in the case of Condition 6.6(a) above, no such Relevant Rate appears or, in the case of Condition 6.6(b) above, fewer than three Relevant Rates appear, the Principal Paying Agent or the Australian Calculation Agent (as applicable) shall request the relevant Reference Banks to provide the Principal Paying Agent or the Australian Calculation Agent (as applicable) with the rate or rates that each such Reference Bank is quoting to leading banks in respect of the Relevant Rate at approximately the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent or the Australian Calculation Agent (as applicable) with such rate or rates, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such rates plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable).

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent or the Australian Calculation Agent (as applicable) with such rate or rates as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent or the Australian Calculation Agent (as applicable) determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates (being the nearest equivalent to the Relevant Rate) that at least two out of five leading banks selected by the Principal Paying Agent or the Australian Calculation Agent (as applicable) in the Relevant Financial Centre are quoting at or about the Relevant Time on the Interest Determination Date to leading banks carrying on business in the Relevant Financial Centre; except that if fewer than two of such banks are quoting to leading banks in the Relevant Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Maximum Rate of Interest or Minimum Rate of Interest applicable to the preceding Interest Period and to the relevant Interest Period).

6.7 ISDA Determination

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period shall be determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable) as a rate equal to the relevant ISDA Rate plus or minus (as appropriate) the Margin (if any).

For the purposes of this Condition 6.7, “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (b) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (c) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the applicable Pricing Supplement.

For the purposes of this Condition 6.7, “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

6.8 BBSW Determination

If “**BBSW Determination**” is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest applicable to the Floating Rate Notes for each Interest Period is the BBSW Rate plus or minus (as appropriate) the Margin (if any).

In these Terms and Conditions, “**BBSW Rate**” means, for an Interest Period:

- (a) the average mid rate for prime bank eligible securities having a tenor closest to the Specified Maturity as displayed on Reuters page “BBSW” (or its successor or replacement page) at approximately the Relevant Time on the Interest Determination Date; or
- (b) if such rate does not appear on such page by 10:30 a.m. (Sydney time) on the Interest Determination Date, then the rate for that Interest Determination Date will be the arithmetic mean of the mid of the bid and ask rates quoted or that would have been quoted by five Reference Banks to the Principal Paying Agent or the Australian Calculation Agent (as applicable) for prime bank eligible securities having a tenor closest to the Specified Maturity at approximately 10:00 a.m. (Sydney time) on the Interest Determination Date in the Relevant Financial Centre.

If in respect of an Interest Determination date the BBSW Rate cannot be determined in accordance with the foregoing procedures, then the BBSW Rate for that Interest Determination Date shall be the rate determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable) having regard to comparable indices then available.

The BBSW Rate calculated or determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable) will be expressed as a percentage rate per annum and will be rounded up, if necessary, to the next higher one ten-thousandth of a percentage point (0.0001%).

6.9 Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Australian Calculation Agent (as applicable) by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement), the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement) or the relevant BBSW Rate (where BBSW Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or Australian Calculation Agent (as applicable) shall determine such rate at such time and by reference to such sources as it determines appropriate.

For the purposes of this Condition 6.9, “**Designated Maturity**” means, in relation to Screen Rate Determination, the Specified Duration and means, in relation to BBSW Determination, the Specified Maturity.

6.10 Minimum and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 6.6 and 6.7 above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Conditions 6.6 and 6.7 above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

6.11 Determination of Rate of Interest and calculation of Interest Amounts on Floating Rate Notes

The Principal Paying Agent or the Australian Calculation Agent (as applicable) will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or the Australian Calculation Agent (as applicable) will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (a) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Senior Notes represented by such Global Note;
- (b) in the case of Floating Rate Notes which are Australian Domestic Notes, the outstanding nominal amount of the Senior Note; or
- (c) otherwise, the Calculation Amount,

and in each case multiplying such amount by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Floating Rate Note which is in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Senior Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

6.12 Notification of Rate of Interest and Interest Amounts on Floating Rate Notes

The Principal Paying Agent or the Australian Calculation Agent (as applicable) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange and/or quotation system on which the relevant Floating Rate Notes are for the time being admitted to listing, trading and/or quotation (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in any event no later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange and/or quotation system on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15.

7 Payments

7.1 Method of payment

Subject to the other provisions of this Condition 7:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the Principal Financial Centre; and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

7.2 Payments subject to fiscal and other laws

Payments will be subject in all cases to:

- (a) any fiscal or other laws and regulations applicable thereto in the place of payment (whether by operation of law or agreement of the Issuer); and

- (b) any FATCA Withholding,

but without prejudice to the provisions of Condition 9.

7.3 Payment Day

If the date for payment of any amount in respect of any Senior Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 10) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Senior Notes in definitive form only, the relevant place of presentation; and
 - (ii) each Additional Financial Centre specified in the applicable Pricing Supplement;
- (b) either:
 - (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Principal Financial Centre; or
 - (ii) in relation to any sum payable in euro, a day which is a TARGET Business Day; and
- (c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. Dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

7.4 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Senior Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9.3;
- (b) the Final Redemption Amount of the Senior Notes;
- (c) the Early Redemption Amount of the Senior Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Senior Notes; and
- (e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Senior Notes.

Any reference in the Conditions to interest in respect of the Senior Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9.3.

7.5 Payments in respect of Definitive Bearer Notes and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the Specified Office of any Paying Agent outside the United States (which expression, as

used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes which are Definitive Bearer Notes (other than Long Maturity Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note which is a Definitive Bearer Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note which is a Definitive Bearer Note becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Senior Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

7.6 Payments in respect of Global Notes in bearer form

Payments of principal and interest (if any) in respect of any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the Specified Office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)). A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "Payment Day" set out in Condition 7.3.

7.7 Payments in respect of Registered Notes

(a) Payments of principal

Payments of principal in respect of each Registered Note other than an Australian Domestic Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the Specified Office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the Clearing System Business Day (being for this purpose also a Registry Business Day) immediately prior to the relevant due date.

(b) Payments of interest in respect of Registered Notes

Payments of interest in respect of each Registered Note other than an Australian Domestic Note (whether or not in global form) will be made in the Specified Currency on the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register

at the close of business on the fifteenth day (whether or not such fifteenth day is a Registry Business Day) before the relevant due date (“**Record Date**”).

Upon application of the holder to the Specified Office of the Registrar not less than three Registry Business Days before the due date for any payment of interest in respect of a Registered Note other than an Australian Domestic Note, the payment may be made by transfer on the due date in the manner provided in Condition 7.7(a). Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder.

Payment of the interest due in respect of each Registered Note (other than an Australian Domestic Note) on redemption will be made in the same manner as payment of the nominal amount of such Registered Note.

Notwithstanding the above, in respect of Registered Global Notes, all payments will be made to the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment.

(c) Certain payments in respect of Global Notes to DTC

Notwithstanding any other provision in this Condition 7.7, all amounts payable to DTC or its nominee as registered holder of a Global Note in registered form in respect of Senior Notes denominated in a Specified Currency other than U.S. Dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. Dollars in accordance with the provisions of the Euro Agency Agreement (except, in the case of any Senior Note, to the extent specified by the relevant beneficial holder in accordance with DTC procedures, as more fully described in the Euro Agency Agreement).

(d) No responsibility for records

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.8 General provisions applicable to payments on Global Notes

The holder of a Global Note shall be the only person entitled to receive payments in respect of Senior Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Senior Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition 7.8, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. Dollars, such U.S. Dollar payments of principal and/or interest in respect of such Senior Notes will be made at the Specified Office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with Specified Offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such Specified Offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such Specified Offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

7.9 Payments in respect of Australian Domestic Notes

Monies payable by the Issuer in respect of an Australian Domestic Note shall be paid:

- (a) in the case of a payment of interest, to the holder appearing in the Australian Register at the close of business on the Record Date; and
- (b) in the case of a payment of principal, to the holder appearing in the Australian Register at 10:00 a.m. (Sydney time) on the date which is fixed for payment.

If Australian Domestic Notes are:

- (i) held in the Austraclear System, payments in respect of each Senior Note will be made by crediting on the relevant payment date the amount then due to the account of the Noteholder in accordance with the Austraclear Regulations; or
- (ii) not held in the Austraclear System, payments in respect of each Senior Note will be made by crediting on the relevant payment date the amount then due to an account previously notified to the Issuer and the Australian Registrar by the holder in respect of that Senior Note. If the holder has not notified the Issuer and the Australian Registrar of such an account by the time specified in Condition 7.9(a) or 7.9(b) (as applicable) payments in respect of the relevant Senior Note will be made by cheque dispatched by post on the relevant payment date at the risk of the Noteholder. Cheques 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 Senior Note as a result of payment not being received by the holder on the due date.

8 Redemption and purchase

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled, each Senior Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement.

8.2 Redemption for withholding tax reasons

The Senior Notes may be redeemed at the option of the Issuer (in whole or in part) at any time (if this Senior Note is a Fixed Rate Note) or on any Interest Payment Date (if this Senior Note is a Floating Rate Note) by giving not less than 30 and not more than 60 days' notice to the Principal Paying Agent or the Australian Registrar (as applicable) and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if on the date of the next payment due under the Senior Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of:

- (a) any change in, or amendment to, the laws or regulations of Australia or any political subdivision thereof, or any authority thereof or therein, having power to tax, or any change in the application or official interpretation of such laws or regulations; or
- (b) any change in the application or official interpretation of such laws or regulations,

and such change or amendment only occurs or became effective on or after the date on which agreement is reached to issue the first Tranche of the Senior Notes and such obligation cannot be avoided by the Issuer taking measures reasonably available to it, provided that:

- (i) the due date for redemption shall be no earlier than the latest practicable date on which the Issuer could make such payment without being obliged to pay such additional amount; and

- (ii) prior to the giving of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Principal Paying Agent or the Australian Registrar (as applicable):
 - (A) a certificate signed by a director of the Issuer setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and stating that the Issuer is entitled to effect such redemption; and
 - (B) an opinion of legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Each Senior Note redeemed pursuant to this Condition 8.2 will be redeemed at its Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given not less than 20 nor more than 40 days' notice to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable), redeem the Senior Notes (in whole or in part) then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case if applicable as may be specified in the applicable Pricing Supplement.

In the case of a partial redemption of Notes, the notes to be redeemed (the “**Redeemed Notes**”) will be selected:

- (a) in the case of Redeemed Notes (other than Australian Domestic Notes) represented by definitive Notes, individually by lot;
- (b) in the case of Redeemed Notes that are Australian Domestic Notes, in a fair and reasonable manner as determined by the Issuer and in compliance with any law, directive or requirement of any clearing system in which the Senior Notes are held;
- (c) in the case of Redeemed Notes represented by Global Notes, in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note,

in each case not more than 30 days prior to the date fixed for redemption (such selection date, the “**Selection Date**”).

In the case of:

- (i) Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption; and
- (ii) Redeemed Notes represented by a Global Note, no exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least five days prior to the Selection Date.

8.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Senior Note giving to the Issuer in accordance with Condition 15 not less than 20 nor more than 40 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Senior Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

In the case of Senior Notes other than Australian Domestic Notes, Registered Notes may be redeemed under this Condition 8.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied.

To exercise the right to require redemption of a Definitive Bearer Note or Definitive Registered Note, the holder of the Senior Note must, if the Senior Note is held outside Euroclear, Clearstream, Luxembourg or DTC, deliver at the Specified Office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period:

- (a) a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any Specified Office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify:
 - (i) a bank account to which payment is to be made under this Condition;
 - (ii) in the case of a Definitive Registered Note, the nominal amount thereof to be redeemed; and
 - (iii) if less than the full nominal amount of the Definitive Registered Note so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 3.6; and
- (b) such Senior Note, or evidence satisfactory to the Paying Agent or Registrar (as applicable) that this Senior Note will, following delivery of the Put Notice be held to its order or under its control.

If the Senior Note to be redeemed is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Senior Note the holder of this Senior Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or DTC (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg or DTC or any common depositary, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg or DTC from time to time and, if this Senior Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly.

To exercise the right to require redemption of an Australian Domestic Note, the holder of the Senior Note must complete, sign and deliver to the Specified Office of the Australian Registrar within the notice period:

- (c) a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any Specified Office of the Australian Registrar (an "**Australian Domestic Note Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition; and
- (d) such evidence as the Australian Registrar may require to establish the rights of that holder to the relevant Senior Note.

Any Put Notice or Australian Domestic Note Put Notice given by a holder of any Senior Note pursuant to this Condition 8.4 shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 8.4 and instead to declare such Senior Note forthwith due and payable pursuant to Condition 11.

8.5 Early Redemption Amounts

For the purpose of Condition 8.2 and Condition 11, each Senior Note will be redeemed at its Early Redemption Amount calculated, if not specified in the applicable Pricing Supplement, as follows:

- (a) in the case of a Senior Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (b) in the case of a Senior Note with a Final Redemption Amount which is or may be less or greater than the Issue Price, at the amount specified in the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount.

8.6 Purchases

The Issuer or any subsidiary of the Issuer may at any time purchase Senior Notes or any other bond, note or other debt instrument issued by the Issuer from time to time (whether ranking senior to, equally with or subordinate to the Senior Notes) (provided that, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise.

8.7 Cancellation

All Senior Notes which are redeemed or purchased for cancellation by the Issuer shall be cancelled forthwith:

- (a) in the case of Bearer Notes, by surrendering each such Senior Note together with all unmatured Coupons and all unexchanged Talons to the Principal Paying Agent;
- (b) in the case of Registered Notes (other than Australian Domestic Notes), by surrendering such Registered Note to the Registrar; and
- (c) in the case of Australian Domestic Notes, without any further action being required.

Any Senior Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Senior Notes shall be discharged.

9 Taxation

9.1 Withholding Tax

All payments of principal, interest and other amounts by or on behalf of the Issuer in respect of the Senior Notes or the Coupons shall be made free and clear of, and without withholding or deduction for, any present or future Taxes imposed or levied by or on behalf of Australia or any political subdivision of, or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

9.2 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 9.3, 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 Noteholder, the full amount payable to such Noteholder shall be deemed to have been duly paid and satisfied by the Issuer.

9.3 Additional Amounts

If a law of Australia requires that any payments in respect of the Senior Notes or Coupons be subject to deduction or withholding with respect to any present or future Taxes imposed or levied by or on behalf of Australia or any political subdivision of, or any authority therein or thereof having power to tax, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Senior Notes or Coupons after such deduction or withholding shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Senior Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Senior Note or Coupon:

- (a) in respect of which the Noteholder, or a third party recipient on behalf of a Noteholder, is liable for those Taxes by reason of its having some connection with Australia, other than the mere holding of the Senior Notes or the receipt of the relevant payment provided that a Noteholder 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 Noteholder 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;
- (d) to, or to a third party on behalf of, an Australian resident Noteholder or a non-resident Noteholder 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;
- (e) which is imposed or withheld as a consequence of a determination having been made under Part IVA of the Tax Act (or any modification thereof or provision substituted therefor) by the Commissioner of Taxation of the Commonwealth of Australia that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the scheme which was the subject of that determination;
- (f) which is an estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other charge; or
- (g) in respect of Senior Notes that are not Australian Domestic Notes, presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day.

9.4 FATCA

The Issuer and any Paying Agent may withhold or make deductions from payments to a Noteholder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Noteholder or a beneficial owner of Senior Notes may be subject to FATCA, and may deal with such amount deducted or withheld in accordance with FATCA. If any withholding or deduction arises under or in connection with FATCA, the Issuer will not be required to pay any further amounts to the Noteholder on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Noteholder or a beneficial owner of Senior Notes for or in respect of any such withholding or deduction.

10 Prescription

- (a) The Senior Notes (whether in bearer or registered form) and any Coupons will become void unless presented for payment (or in the case of Australian Domestic Notes, a claim for payment is made) within a period of 10 years (in the case of principal) and five years (in the case of interest and other amounts) after the Relevant Date in respect of such payment.
- (b) There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 10 or Condition 7.5 or any Talon which would be void pursuant to Condition 7.5.

11 Events of Default and consequences

If any one or more of the following events (each an “**Event of Default**”) shall occur with respect to any Senior Note:

- (a) if default is made in the payment of any principal or interest due in respect of the Senior Notes or any of them and the default continues for a period of seven days (in the case of payment of principal) or 14 days (in the case of payment of interest);
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the receipt by the Issuer of a notice served by a Noteholder on the Issuer or the Principal Paying Agent requiring the same to be remedied;
- (c) if there is any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Issuer having an aggregate value of A\$500,000,000 which is not discharged within 30 days;
- (d) the Issuer is or becomes unable to pay its debts as and when they fall due, applies for or consents to or suffers the appointment of a liquidator or receiver or administrator of the Issuer or of the whole or any part of the undertaking, property, assets or revenues of the Issuer (other than in respect of monies borrowed or raised on a non-recourse basis) or makes or enters into a general assignment or any arrangement or composition with or for the benefit of creditors generally; or
- (e) an order is made or an effective resolution passed for the winding up of the Issuer other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency,

then, for so long as such event is continuing, any one or more persons holding or representing in the aggregate not less than the Required Percentage in nominal amount of the Senior Notes of the Series for the time being outstanding may, by written notice to the Issuer at the Specified Office of the Issuer (with a copy to the Principal Paying Agent or the Australian Registrar (as applicable)), effective upon the date of receipt thereof by the Issuer, declare the Senior Notes to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 8.5), together with accrued interest (if any) to the date of repayment.

Notwithstanding any other provision of this Condition 11, no Event of Default (other than Condition 11(e)) in respect of the Senior Notes shall occur solely on account of any failure by the Issuer to perform or observe any of its obligations in relation to, or the agreement or declaration of any moratorium with respect to, or the taking of any proceeding in respect of, any Regulatory Capital Instrument.

12 Replacement of Senior Notes, Coupons and Talons

Should any Senior Note (other than an Australian Domestic Note) or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require.

Mutilated or defaced Senior Notes or Coupons must be surrendered before replacements will be issued.

13 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the Specified Office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Senior Note to which it appertains) a further Talon, subject to the provisions of Condition 10.

14 Agents

14.1 Appointment and replacement of Agents

The names of the initial Agents and their initial Specified Offices are listed in the definition of “Specified Office” in Condition 20.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the Specified Office through which any Agent acts, subject to Condition 14.2. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the relevant Noteholders in accordance with Condition 15.

14.2 Required Agents

The Issuer shall:

- (a) at all times maintain a Principal Paying Agent;
- (b) if and for so long as there are any Registered Notes outstanding, at all times maintain a Registrar (in the case of Registered Notes other than Australian Domestic Notes) or an Australian Registrar (in the case of Australian Domestic Notes);
- (c) if and for so long as any Senior Notes are:
 - (i) admitted to the Official List of Singapore Exchange Securities Trading Limited; and/or
 - (ii) admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system,

and the rules of the relevant listing authority, stock exchange and/or quotation system so require, at all times maintain a Paying Agent and a Transfer Agent (in the case of Registered Notes) having its Specified Office in Singapore and/or in such other place as may be required by such other listing authority, stock exchange and/or quotation system;

- (d) if and for so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. Dollars are held through DTC or its nominee, at all times maintain an Exchange Agent with a Specified Office in New York City; and
- (e) forthwith appoint a Paying Agent having a Specified Office in New York City in the circumstances described in Condition 7.8.

14.3 Role of the Euro Agents

In acting under the Euro Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders.

The Euro Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14.4 Role of the Australian Agents

Each person in whose account an Australian Domestic Note is recorded is deemed to acknowledge in favour of the Australian Registrar and each relevant person that:

- (a) the Australian Registrar's decision to act as the Australian Registrar in respect of the Senior Note does not constitute a recommendation or endorsement by the Australian Registrar or the relevant person in relation to the Senior Note but only indicates that such Senior Note is considered by the Registrar to be compatible with the performance by it of its obligations as Australian Registrar under its agreement with the Issuer to act as Australian Registrar in respect of the Senior Note;
- (b) in acting under the Australian Agency and Registry Agreement in connection with the Senior Notes, the Australian 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 Noteholders save insofar as any funds received by the Australian Registrar are required in accordance with the Australian Agency and Registry Agreement, pending their application in accordance with the Australian Agency and Registry Agreement, to be held by it in a segregated account on trust for the persons entitled thereto; and
- (c) the Noteholder does not rely on any fact, matter or circumstance contrary to this Condition 14.4.

15 Notices

15.1 Bearer Notes

Subject to Condition 15.3, all notices regarding Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*). Any such notice will be deemed to have been given on the date of the first publication.

15.2 Registered Notes

Subject to Condition 15.3, all notices regarding Registered Notes will be deemed to be validly given if:

- (a) sent by prepaid post (airmail if posted to an address overseas) to the registered holders (or the first named of joint holders) at their respective addresses recorded in the Register or the Australian Register (as applicable) and will be deemed to have been given on the fourth day after mailing; or
- (b) in the case of Australian Domestic Notes only, published in *The Australian Financial Review* or any other English language daily newspaper of general circulation in Australia and will be deemed to have been given on the date of the first publication.

15.3 Global Notes

So long as any Global Notes representing the Senior Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for publication as described in Condition 15.1 or 15.2 (as applicable), the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Senior Notes. Any such notice shall be deemed to have been given to the holders of the Senior Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

15.4 Listed Notes

If and for so long as any Senior Notes are:

- (a) admitted to the Official List of Singapore Exchange Securities Trading Limited; and/or
- (b) admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system,

and the rules of the relevant listing authority, stock exchange and/or quotation system prescribe a specific manner for the giving of notices, all notices relating to such Senior Notes shall in addition to any requirements for those notices in these Conditions, also be given in a manner which complies with those rules.

15.5 Notices given by Noteholders

Subject to Condition 15.6, notices to be given by any Noteholder shall be in writing and given by:

- (a) in the case of Senior Notes other than Australian Domestic Notes, lodging the same, together (in the case of any Senior Note in definitive form) with the relative Senior Note or Senior Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes); or
- (b) in the case of Australian Domestic Notes, prepaid post (airmail if posted to an address overseas) or delivery to the Specified Office of the Issuer.

All such notices will be deemed to be validly given in respect of paragraph (a), on the date of lodgement in accordance with that paragraph, or, in the case of paragraph (b), on the seventh day after mailing, or, if delivered to the Specified Office of the Issuer, the date of delivery (unless delivered after 5:00 p.m. in the place of receipt or on a day that is not a day on which commercial banks are open for business in the place of receipt, in which case the notice will be taken to be given at 9:00 a.m. on the next day that is a day on which commercial banks are open for business in the place of receipt).

15.6 Notices given by Noteholders in respect of Global Notes

Whilst any of the Senior Notes are represented by a Global Note, any notices to be given by any Noteholder may be given by any holder of a Senior Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15.7 Couponholders

Couponholders are taken for all purposes to have received any notice given to the Noteholders.

16 Meetings of Noteholders, modification and waiver

16.1 Meetings and quorum

The Euro Agency Agreement and the Australian Note Deed Poll each contain provisions (which have effect as if incorporated in these Conditions) for convening meetings of the Noteholders of any Series to consider any matter affecting their interest, including the sanctioning by Extraordinary Resolution of any modification of, or waiver with respect to, these Conditions, the Euro Agency Agreement, the Deed of Covenant or the Australian Note Deed Poll (as applicable) insofar as the same may apply to such Senior Notes.

Such a meeting may be convened by the Issuer or by Noteholders holding not less than 10 per cent. in nominal amount of the Senior Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in the aggregate not less than 50 per cent. in nominal amount of the Senior Notes of the Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Senior Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Senior Notes or the Coupons (including modifying the date of maturity of the Senior Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Senior Notes or altering the currency of payment of the Senior Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Senior Notes of the Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Senior Notes for the time being outstanding.

16.2 Extraordinary Resolutions

The Euro Agency Agreement and the Australian Note Deed Poll each provide that:

- (a) a resolution passed at a meeting duly convened and held in accordance with the provisions of the Euro Agency Agreement or the Australian Note Deed Poll (as applicable) by a majority consisting of not less than 75 per cent. of the votes cast on such resolution;
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in principal amount of the Senior Notes of the Series for the time being outstanding; or
- (c) a consent given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the Noteholders of not less than 75 per cent. in principal amount of the Senior Notes of the Series for the time being outstanding,

shall, in each case, be effective as an extraordinary resolution of the Noteholders (an “**Extraordinary Resolution**”).

An Extraordinary Resolution passed by the Noteholders of any Series will be binding on all the Noteholders of that Series, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders of that Series.

16.3 Issuer modifications

The Issuer may make or agree to, without the consent of the Noteholders or Couponholders, any amendment or modification of, or addition to, any provisions of the Senior Notes, the Coupons, the Euro Agency Agreement, the Deed of Covenant or the Australian Note Deed Poll:

- (a) which is not materially prejudicial to the interests of the Noteholders as a whole; or
- (b) which is of a formal, minor or technical nature, or is made to correct a manifest or proven error, to cure any ambiguity or defect or to comply with mandatory provisions of the law.

Any such amendment, modification or addition shall be binding on the Noteholders, and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 as soon as practicable thereafter.

16.4 Noteholder approval not required

The Issuer does not require the approval of Noteholders to vary or terminate any registry agreement or other deed or agreement (other than the Australian Note Deed Poll and these Terms and Conditions) in respect of any Australian Domestic Notes.

17 Further issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Senior Notes, or the same in all respects save for one or more of the amount, the Issue Date, the Issue Price and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Senior Notes.

The Issuer may also from time to time, without the consent of the Noteholders, on giving not less than 30 days' prior notice to the Noteholders, consolidate Senior Notes denominated or redenominated in euro with one or more issues of other notes (“**Other Notes**”) issued by it and denominated in the currency of any of the Member States of the European Union provided that such Other Notes are denominated in, or have been redenominated into euro and otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Senior Notes.

In the event of any such consolidation, the Issuer may, without the consent of the Noteholders, provide for additional, and/or substitute denominations of such Senior Notes.

Notice of any such consolidation and/or provision of additional or substitute denominations will be given to the Noteholders in accordance with Condition 15.

The Issuer shall not be restricted from creating or issuing any other notes.

18 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Senior Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19 Governing law and submission to jurisdiction

19.1 Governing law

The Euro Agency Agreement, the Deed of Covenant, the Senior Notes (other than the Australian Domestic Notes), the Coupons and any non-contractual obligations arising out of or in connection with the Euro Agency Agreement, the Deed of Covenant, the Senior Notes (other than the Australian Domestic Notes) and the Coupons are governed by, and shall be construed in accordance with, English law.

The Australian Note Deed Poll and the Australian Domestic Notes are governed by, and shall be construed in accordance with, the laws in force in the State of New South Wales, Australia.

19.2 Submission to jurisdiction

The Issuer irrevocably agrees for the benefit of the Noteholders and the Couponholders (as applicable):

- (a) that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Senior Notes (other than the Australian Domestic Notes) and/or the Coupons, (including a dispute relating to any non-contractual obligations arising out of or in connection with the Senior Notes (other than the Australian Domestic Notes) and/or the Coupons) and accordingly submits to the jurisdiction of the English courts; and
- (b) that 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 the Australian Domestic Notes and accordingly submits to the jurisdiction of the courts New South Wales, Australia.

The Issuer waives any objection to the courts of England or the courts of the State of New South Wales, Australia (as the case may be) on the grounds that they are an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Senior Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Senior Notes and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

The Issuer appoints QBE European Operations Plc at its office at Plantation Place, 30 Fenchurch Street, London EC3M 3BD, United Kingdom as its agent for service of process (“**Process Agent**”), and undertakes that, in the event of QBE European Operations Plc ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

19.4 Other documents

The Issuer has in the Euro Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

20 Definitions and interpretation

20.1 Definitions

Additional Business Centre means a place specified as such in the applicable Pricing Supplement.

Additional Financial Centre means a place specified as such in the applicable Pricing Supplement.

Agents means the Principal Paying Agent, the Registrar, the Australian Registrar, the Australian Calculation Agent and the other Paying Agents, Transfer Agents and Exchange Agents.

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

Austraclear Regulations means the regulations known as the “Austraclear Regulations” (as amended or replaced from time to time) together with any instructions or directions established by Austraclear to govern the use of the Austraclear System.

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

Australian Agency and Registry Agreement shall have the meaning given in the preamble.

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

Australian Calculation Agent shall have the meaning given in the preamble.

Australian Dollar, A\$ and AUD shall each have the meaning given in the preamble.

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

Australian Domestic Note Put Notice shall have the meaning given in Condition 8.4.

Australian Note Deed Poll shall have the meaning given in the preamble.

Australian Register means the relevant register of holders of the Australian Domestic Notes maintained by the Australian Registrar.

Australian Registrar shall have the meaning given in the preamble.

BBSW Rate shall have the meaning given in Condition 6.8.

Bearer Notes shall have the meaning given in the preamble.

Broken Amount means an amount specified as such in the applicable Pricing Supplement.

Business Day means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Relevant Financial Centre and each Additional Business Centre specified in the applicable Pricing Supplement.

Business Day Convention shall have the meaning given in the applicable Pricing Supplement.

Calculation Amount means the amount specified as such in the applicable Pricing Supplement.

Clearing System Business Day means Monday to Friday inclusive except December 25 and January 1.

Clearstream, Luxembourg means Clearstream Banking, *société anonyme*.

Conditions shall have the meaning given in the preamble.

Corporations Act means the *Corporations Act 2001* of Australia.

Coupon shall have the meaning given in the preamble.

Couponholders means the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

Day Count Fraction means:

- (a) in respect of Fixed Rate Notes where “Actual/Actual (ICMA)” is specified in the applicable Pricing Supplement:
 - (i) in the case of Senior Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of:
 - (A) the number of days in such Determination Period; and
 - (B) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Senior Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) in respect of Fixed Rate Notes where “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (c) in respect of Floating Rate Notes:
 - (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
 - (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
 - (iii) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

- (iv) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “Australian Bond Basis” is specified in the applicable Pricing Supplement, one divided by the number of Interest Payment Dates in a year;
- (vi) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [D_2 - D_1]}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30; or

- (vii) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [D_2 - D_1]}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D₂** will be 30;

- (viii) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [D_2 - D_1]}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Interest Period, unless (A) that day is the last day of February or (B) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (A) that day is the last day of February but not the Maturity Date or (B) such number would be 31, in which case **D₂** will be 30.

Deed of Covenant shall have the meaning given in the preamble.

Definitive Bearer Note shall have the meaning given in the preamble.

Definitive Notes shall have the meaning given in Condition 2.1.

Definitive Registered Note shall have the meaning given in the preamble.

Determination Date means a date specified as such in the applicable Pricing Supplement.

Determination Period means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

Designated Account means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register.

Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the Principal Financial Centre and (in the case of a payment in euro) any bank which processes payments in euro.

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each Tranche of Senior Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue).

DTC shall have the meaning given in Condition 3.3.

Early Redemption Amount means the amount so specified in the applicable Pricing Supplement, or where no such amount is specified, the amount calculated in accordance with Condition 8.5.

euro, € and EUR shall each have the meaning given in the preamble.

Euro Agency Agreement shall have the meaning given in the preamble.

Euro-zone means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty.

Euroclear means Euroclear Bank S.A./N.V..

Exchange Agent shall have the meaning given in the preamble.

Extraordinary Resolution shall have the meaning given Condition 16.

FATCA means:

- (a) sections 1471 to 1474 of the United States of America Internal Revenue Code of 1986 or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

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

Final Redemption Amount means the amount specified as such in the applicable Pricing Supplement.

Fixed Coupon Amount means an amount specified as such in the applicable Pricing Supplement.

Fixed Rate Note shall have the meaning given in Condition 4.1.

Floating Rate Note shall have the meaning given in Condition 4.1.

Global Note shall have the meaning given in the preamble.

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 its Subsidiaries for the time being.

Interest Amount shall have the meaning given in Condition 6.11.

Interest Commencement Date means the date specified as such in the applicable Pricing Supplement.

Interest Determination Date means a date specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is the London interbank offered rate (“**LIBOR**”) (other than Sterling or Euro LIBOR), the second Business Day prior to the start of each Interest Period;
- (b) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is Sterling LIBOR, the first day of each Interest Period;

- (c) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate (“**EURIBOR**”), the second day which is a TARGET Business Day prior to the start of each Interest Period;
- (d) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is the Australian Bank Bill Swap Rate (“**BBSW**”), the first day of each Interest Period; or
- (e) if BBSW Determination is specified in the applicable Pricing Supplement, the first day of each Interest Period.

Interest Payment Date means (in the case of a Fixed Rate Note) a date so specified in the applicable Pricing Supplement and (in the case of a Floating Rate Note) the date on which interest is to be payable as determined under Condition 6.3

Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

ISDA Definitions means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., as amended or supplemented as at the Issue Date.

ISDA Rate shall have the meaning given in Condition 6.7.

Issue Date means the date specified as such in the applicable Pricing Supplement.

Issue Price means the amount specified as such in the applicable Pricing Supplement.

Issuer shall have the meaning given in the preamble.

Japanese Yen, ¥ and JPY shall each have the meaning given in the preamble.

Legended Note means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A. **Legend** shall be interpreted accordingly.

Long Maturity Note means a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Senior Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Senior Note.

Margin means the amount specified as such in the applicable Pricing Supplement.

Maturity Date means the date specified as such in the applicable Pricing Supplement.

Maximum Rate of Interest means the rate specified as such in the applicable Pricing Supplement.

Maximum Redemption Amount means the amount specified as such in the applicable Pricing Supplement.

Minimum Rate of Interest means the rate specified as such in the applicable Pricing Supplement.

Minimum Redemption Amount means the amount specified as such in the applicable Pricing Supplement.

Noteholders or holders shall have the meaning given in the preamble.

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 Senior Notes or Coupons in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the Senior Notes or Coupons in carrying on a business at or through a permanent establishment outside Australia.

Optional Redemption Amount means the amount specified as such in the relevant Pricing Supplement.

Optional Redemption Date means a date specified as such in the applicable Pricing Supplement.

Other Notes shall have the meaning given in Condition 17.

Paying Agent shall have the meaning given in the preamble.

Payment Day shall have the meaning given in Condition 7.3.

Pricing Supplement means Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Senior Note.

Principal Financial Centre means the principal financial centre of the country of the Specified Currency specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if the Specified Currency is Sterling, London;
- (b) if the Specified Currency is Swiss Francs, Geneva;
- (c) if the Specified Currency is euro, Frankfurt;
- (d) if the Specified Currency is Japanese Yen, Tokyo;
- (e) if the Specified Currency is U.S. Dollars, New York; or
- (f) if the Specified Currency is Australian Dollars, Sydney.

Principal Paying Agent shall have the meaning given in the preamble.

Proceedings shall have the meaning given in Condition 19.2.

Process Agent shall have the meaning given in Condition 19.3.

Put Notice shall have the meaning given in Condition 8.4.

QIB means a “qualified institutional buyer” within the meaning of Rule 144A.

Rate of Interest means the rate:

- (a) so specified in the applicable Pricing Supplement (if any); or
- (b) otherwise, the rate calculated in accordance with Conditions 6.6, 6.7, 6.8, 6.9 and 6.10 (as applicable).

Record Date

- (a) in respect of an Australian Domestic Note and in respect of a payment of interest, means the date which is five Registry 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; and

- (b) in respect of a Registered Note other than an Australian Domestic Note, shall have the meaning given in Condition 7.7(b).

Redeemed Note shall have the meaning given in Condition 8.3.

Reference Banks means the principal offices of four major banks in the Relevant Financial Centre, selected by the Principal Paying Agent or the Australian Calculation Agent (as applicable) (in each case, after prior consultation with the Issuer).

Reference Rate means the rate specified as such in the applicable Pricing Supplement.

Register means the relevant register of holders of the Registered Notes maintained by the Registrar.

Registered Global Note means a Global Note that is a Registered Note (but, for the avoidance of doubt, does not include an Australian Domestic Note) and includes:

- (a) a Rule 144A Global Note; and
- (b) a Regulation S Global Note,

(and any reference to “Registered Global Notes” shall be construed as a reference to Rule 144A Global Notes and/or Regulation S Global Notes, as the context requires).

Registered Notes shall have the meaning given in the preamble.

Registrar shall have the meaning given in the preamble.

Registry Business Day means a day on which commercial banks are open for business in the city where the Specified Office of the Registrar or the Australian Registrar (as applicable) is located.

Regulation S means Regulation S under the Securities Act.

Regulation S Global Note means a Registered Global Note representing Senior Notes sold outside the United States in reliance on Regulation S.

Regulatory Capital Instrument means a share, note or other security or instrument that is eligible to be included as regulatory capital of any member of the Group or that is eligible to fund regulatory capital of any member of the Group under any capital adequacy guidelines, prudential standards or similar requirements made by the Australian Prudential Regulation Authority or any other prudential regulator or Governmental Agency performing a similar function in any relevant jurisdiction.

Relevant Date in relation to any Senior Note and any payment in respect of such Senior Note, means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

Relevant Financial Centre means the financial centre specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if the Reference Rate is the LIBOR, London;
- (b) if the Reference Rate is EURIBOR, Brussels;
- (c) if BBSW Determination applies, Sydney; or

- (d) in any other case, the financial centre with which the relevant Reference Rate is most closely connected.

Relevant Rate means the Reference Rate benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to Reference Rate benchmark) equal to the Specified Duration.

Relevant Screen Page means the page, section, caption, column or other part (“Page”) of a particular information service specified as such in the applicable Pricing Supplement, such other Page as may succeed or replace it on that information service or such other Page on such other information service as the Principal Paying Agent or Australian Calculation Agent (as applicable) may determine replaces or succeeds that Page (after prior consultation with the Issuer).

Relevant Time means the time specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if the Reference Rate is the LIBOR, 11.00 a.m.;
- (b) if the Reference Rate is EURIBOR, 11.00 a.m.;
- (c) if BBSW Determination applies, 10.10 a.m.; or
- (d) in any other case, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits or equivalent interbank securities as are customarily used in the interbank market in the Relevant Financial Centre (as applicable) in the Specified Currency in the interbank market in the Relevant Financial Centre.

Representative Amount means the amount specified as such in the applicable Pricing Supplement, or if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

Required Percentage means the amount specified as such in the applicable Pricing Supplement.

Rule 144A means Rule 144A under the Securities Act.

Rule 144A Global Note means a Registered Global Note representing Senior Notes sold in the United States or to, or for the account or benefit of, U.S. persons to QIBs.

Securities Act means the United States Securities Act of 1933, as amended.

Selection Date shall have the meaning given in Condition 8.3.

Senior Notes shall have the meaning given in the preamble.

Series shall have the meaning given in the preamble.

Specified Currency shall have the meaning given in Condition 2.3.

Specified Denomination(s) shall have the meaning given in Condition 2.2.

Specified Duration means the period of time specified as such in the applicable Pricing Supplement, or if none is specified, a period of time equal to the relative Interest Period, ignoring any adjustment as a consequence of Condition 6.4.

Specified Interest Payment Date means a date specified as such in the applicable Pricing Supplement.

Specified Maturity means the period of time specified as such in the applicable Pricing Supplement.

Specified Office means, in respect of.

- (a) the Issuer, Level 27, 8 Chifley Square, Sydney NSW 2000;
- (b) the Principal Paying Agent and the Exchange Agent, One Canada Square, London E14 5AL;
- (c) the Registrar and the Transfer Agent, 2-4 Eugene Ruppert, Vertigo Building, Polaris, L-2453 Luxembourg;
- (d) the Australian Registrar, 20 Bridge Street, Sydney NSW 2000; and
- (e) any other Agent, such office to be notified to the Noteholders from time to time,

or in any case, such other office as notified to the Noteholders from time to time.

Specified Period means a period specified as such in the applicable Pricing Supplement.

Sterling, £ and GBP shall each have the meaning given in the preamble.

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

Swiss Franc and CHF shall each have the meaning given in the preamble.

Talon shall have the meaning given in the preamble.

TARGET Business Day means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System, which utilises a single shared platform and which was launched on 19 November 2007 (the “**TARGET2 System**”), or any successor thereto, is operating credit or transfer instructions in respect of payments in euro.

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 Noteholder.

Tranche shall have the meaning given in the preamble.

Transfer Agents shall have the meaning given in the preamble.

Transfer Certificate shall have the meaning given in Condition 3.10.

Transfer Form means a form available from the Australian Registrar or such other form as the Issuer may determine from time to time and notify to the holders of Australian Domestic Notes.

Treaty means the Treaty establishing the European Community, as amended.

U.S. Dollar, U.S.\$ and USD shall each have the meaning given in the preamble.

20.2 Interpretation

- (a) Unless otherwise specified, a reference to a Condition is a reference to a provision of these Conditions.
- (b) Headings and boldings are for convenience only and do not affect the interpretation of these Conditions.
- (c) The singular includes the plural and vice versa.
- (d) 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.
- (e) A reference to the “**Corporations Act**” as it relates to the Issuer is to that Act as may be modified in relation to the Issuer by ASIC.
- (f) Unless otherwise specified, 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.
- (g) A day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.
- (h) 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.
- (i) 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.
- (j) All references to the records of Euroclear and Clearstream, Luxembourg shall be to the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of such customers' interests in the Senior Notes.
- (k) For the purposes of Condition 16.3, in determining whether an amendment is not materially prejudicial to the interests of Noteholders as a whole, the taxation and regulatory capital consequences to Noteholders (or any class of Noteholders) and other special consequences which are personal to a Noteholder (or any class of Noteholders) do not need to be taken into account.

TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

The following are the Terms and Conditions of the Subordinated Notes which will be incorporated by reference into each Global Note, each Australian Domestic Note and each definitive Subordinated Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Subordinated Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Subordinated Notes may complete such Terms and Conditions for the purpose of such Subordinated Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note, each Australian Domestic Note and each definitive Subordinated Note.

This Subordinated Note is one of a Series of Subordinated Notes issued by QBE Insurance Group Limited (ABN 28 008 485 014) (the “**Issuer**”) pursuant to the Euro Agency Agreement or the Australian Note Deed Poll (each as defined below).

References herein to the “**Subordinated Notes**” shall be references to the Subordinated Notes of this Series and shall mean:

- (a) in relation to any Subordinated Notes in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) which are represented by a global note (a “**Global Note**”), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any Australian Domestic Note;
- (d) any definitive note in bearer form (a “**Definitive Bearer Note**”) issued in exchange for a Global Note in bearer form; and
- (e) any definitive note in registered form (a “**Definitive Registered Note**”) (whether or not issued in exchange for a Global Note in registered form).

References herein to a Registered Note shall include a reference to an Australian Domestic Note (unless otherwise stated).

References herein to a Global Note or a Definitive Registered Note shall not be taken to include any Australian Domestic Note. Australian Domestic Notes may not be issued in bearer form.

The Subordinated Notes (other than the Australian Domestic Notes) and the Coupons (as defined below) are issued pursuant to an agency agreement dated 2 May 2016 (the “**Euro Agency Agreement**” as the same may be amended, restated and/or supplemented from time to time) between the Issuer, The Bank of New York Mellon, London Branch, as issuing and principal paying agent and agent bank (the “**Principal Paying Agent**”, which expression shall include any additional or successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), The Bank of New York Mellon, London Branch, as exchange agent (the “**Exchange Agent**” which expression shall include any successor exchange agent), The Bank of New York Mellon (Luxembourg) S.A., as registrar (the “**Registrar**”, which expression shall include any additional or successor registrar) and as transfer agent and the other transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents).

Australian Domestic Notes are debt obligations of the Issuer constituted by, and owing under, the note deed poll dated 2 May 2016 and made by the Issuer (the “**Australian Note Deed Poll**”). In connection with the Australian Domestic Notes, the Issuer has entered into an agency and registry agreement dated 2 May 2016 (the “**Australian Agency and Registry Agreement**” as the same may be amended, restated and/or supplemented from time to time) between the Issuer, Austraclear Services Limited, as registrar (the “**Australian Registrar**”, which expression shall include any successor registrar), Austraclear Services Limited, as calculation agent (the “**Australian Calculation Agent**”, which expression shall include any successor calculation agent) and the other agents named therein.

Interest bearing Definitive Bearer Notes have interest coupons (“**Coupons**”) and, in the case of Subordinated Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

No certificates will be issued to Noteholders of Australian Domestic Notes unless the Issuer determines that certificates should be available or if certificates are required by any applicable law or directive.

The final terms for this Subordinated Note (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Subordinated Note which complete these Terms and Conditions (the “**Conditions**”) for the purposes of this Subordinated Note. References to the “**applicable Pricing Supplement**” are to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Subordinated Note.

Any reference to “**Noteholders**” or “**holders**” in relation to any Subordinated Notes shall mean (in the case of Bearer Notes) the holders of the Subordinated Notes and (in the case of Registered Notes) the persons in whose name the Subordinated Notes are registered and shall, in relation to any Subordinated Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Subordinated Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Subordinated Notes together with any further Tranche or Tranches of Subordinated Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for one or more of their date and price of issue, the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders (other than in respect of Australian Domestic Notes) are entitled to the benefit of the Deed of Covenant (the “**Deed of Covenant**”) dated 2 May 2016 and made by the Issuer. The original Deed of Covenant is held by the Principal Paying Agent.

Copies of:

- (a) the Euro Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the Specified Office of the Issuer and the Principal Paying Agent;
- (b) the Australian Note Deed Poll and the Australian Agency and Registry Agreement are available for inspection during normal business hours at the Specified Office of the Issuer; and
- (c) the applicable Pricing Supplement are available from the Specified Office of the Issuer and the Principal Paying Agent,

provided that such documents shall only be obtainable by a Noteholder, a Couponholder or a genuine prospective Noteholder, and provided further that the applicable Pricing Supplement shall only be obtainable by Noteholder, a Couponholder or a genuine prospective Noteholder of that Series, and such current or prospective Noteholder or Couponholder (as applicable) must produce evidence satisfactory to the Issuer or, as the case may be, the Principal Paying Agent as to its holding or prospective holding of such Subordinated Notes and identity.

The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Euro Agency Agreement, the Deed of Covenant, the Australian Note Deed Poll, the Australian Agency and Registry Agreement and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Euro Agency Agreement, the Deed of Covenant, the Australian Note Deed Poll and the Australian Agency and Registry Agreement.

Words and expressions defined in the Euro Agency Agreement or the Australian Note Deed Poll (as applicable) or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between

the Euro Agency Agreement or the Australian Note Deed Poll (as applicable) and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

In these Terms and Conditions:

- (a) “euro”, “€” and “EUR” each means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;
- (b) “Australian Dollar”, “A\$” and “AUD” each means the lawful currency of Australia;
- (c) “Swiss Franc” and “CHF” each means the lawful currency of Switzerland;
- (d) “Sterling”, “£” and “GBP” each means the lawful currency of the United Kingdom;
- (e) “Japanese Yen”, “¥” and “JPY” each means the lawful currency of Japan; and
- (f) “U.S. Dollar”, “U.S.\$” and “USD” each means the lawful currency of the United States of America.

1 Status and Subordination

1.1 Status and ranking

The Subordinated Notes and any relative Coupons are direct, subordinated and unsecured obligations of the Issuer and rank 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.

1.2 Subordination in a Winding-Up

In a Winding-Up of the Issuer, a claim by a Noteholder, or any other person on behalf of the Noteholder, 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 Noteholder’s claim is paid; and
- (b) until the claims in respect of Senior Ranking Debt have been paid in full, the Noteholder 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.

1.3 Agreements and acknowledgments of Noteholders

Each Noteholder irrevocably acknowledges and agrees that:

- (a) this Condition 1 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 or other rights as an unsecured creditor in the Winding-Up or administration of the Issuer in any jurisdiction to defeat the subordination in this Condition 1;
- (c) the debt subordination effected by this Condition 1 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 this Condition 1.

1.4 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 7 or, if Condition 7.3 applies, Written-Off.

1.5 No consent of creditors under Senior Ranking Debt

Nothing in this Condition 1 shall be taken to require the consent of any creditor under any Senior Ranking Debt to any amendment of these Conditions.

1.6 No security interest

Nothing in this Condition 1 shall be taken to create an Encumbrance on or over any right of a Noteholder.

1.7 No guarantee, insurance or other support

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

2 Form, denomination and currency

2.1 Bearer Notes and Registered Notes

Subordinated Notes are issued as Bearer Notes or as Registered Notes as specified in the applicable Pricing Supplement and, in the case of Subordinated Notes in definitive form (“**Definitive Notes**”), are serially numbered.

Bearer Notes may not be exchanged for Registered Notes and vice versa.

2.2 Denomination

Subordinated Notes are issued in one or more denominations (“**Specified Denomination(s)**”), as specified in the applicable Pricing Supplement, provided that:

- (a) in the case of Australian Domestic Notes, Subordinated Notes shall only be offered and applications may only be invited (in each case directly or indirectly) if:
 - (i) the aggregate consideration payable to the Issuer by the subscriber is at least A\$500,000 (disregarding moneys lent by the Issuer or its associates) or the Subordinated Notes are otherwise issued in a manner which does not require disclosure in accordance with Part 6D.2 or Chapter 7 of the Corporations Act;
 - (ii) the offer or invitation from which the issue results does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act; and
 - (iii) the offer or invitation complies with all other applicable laws and directives in the jurisdiction in which the offer, invitation or issue takes place; and
- (b) in any other case, the minimum Specified Denomination shall be €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 (or in each case the equivalent in the Specified Currency). No Definitive Bearer Notes will be issued with a denomination above €199,000 (or its equivalent the Specified Currency).

Subordinated Notes in one Specified Denomination may not be exchanged for Subordinated Notes in another Specified Denomination.

Each Subordinated Note must be paid for in full on application.

2.3 Currency

Subordinated Notes are issued in the currency (“**Specified Currency**”) specified in the applicable Pricing Supplement.

3 Title and transfer

3.1 Title generally

Subject as set out in Conditions 3.2, 3.3 and 3.4:

- (a) title to Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of a transfer in accordance with the provisions of the Euro Agency Agreement or the Australian Note Deed Poll and the Australian Agency and Registry Agreement (as applicable); and
- (b) the Issuer and the Agents will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

3.2 Title to Global Notes in Euroclear and/or Clearstream, Luxembourg

For so long as the Subordinated Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Subordinated Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Subordinated Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Subordinated Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Subordinated Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Subordinated Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Subordinated Notes**” and related expressions shall be construed accordingly.

3.3 Title to Global Notes in DTC

For so long as the Depository Trust Company (“**DTC**”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Subordinated Notes represented by such Registered Global Note for all purposes under the Euro Agency Agreement and the Subordinated Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

3.4 Title to Australian Domestic Notes

In respect of Australian Domestic Notes, each entry in the Australian Register in respect of a Subordinated Note constitutes:

- (a) an irrevocable undertaking by the Issuer to the Noteholder to:
 - (i) pay principal, (if applicable) interest and any other amount in accordance with these Conditions; and
 - (ii) comply with other Conditions of the Subordinated Note; and
- (b) an entitlement to the other benefits given to Noteholder in respect of the Subordinated Note under these Conditions.

Entries in the Australian Register in relation to an Australian Domestic Note constitute conclusive evidence that the person so entered is the absolute owner of the Subordinated Note subject to correction for fraud or error.

Where two or more persons are entered in the Australian Register as the joint holder of an Australian Domestic Note then they are taken to hold the Subordinated Note as joint tenants with rights of survivorship, but the Australian Registrar is not bound to register more than four persons as joint holders of a Subordinated Note.

3.5 Transfers of interests in Global Notes

Interests in Subordinated Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg or DTC, as the case may be.

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Subordinated Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be and in accordance with the terms and conditions specified in the Euro Agency Agreement. Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) or to a successor of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) or such successor's nominee and will be subject to compliance with all applicable legal and regulatory restrictions and the terms and conditions of the Euro Agency Agreement.

3.6 Transfers of Definitive Registered Notes

Subject as provided in Conditions 3.10, 3.11, 3.12 and 3.13 below, upon the terms and subject to the conditions set forth in the Euro Agency Agreement and subject to compliance with all applicable legal and regulatory restrictions, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

- (a) the holder or holders must:
 - (i) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the Specified Office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and
 - (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and
- (b) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Euro Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being days on which commercial banks are open for business in the city where the Specified Office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its Specified Office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the

transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

3.7 Transfers of Australian Domestic Notes

- (a) Australian Domestic Notes held in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.
- (b) If Australian Domestic Notes are not held in the Austraclear System, application for the transfer of Australian Domestic Notes must be made by the lodgement of a Transfer Form with the Australian Registrar. Transfer Forms are available from the Australian Registrar. Each form must be duly stamped (if applicable) and accompanied by such evidence (if any) as the Australian Registrar may require to prove the title of the transferor or the transferor's right to transfer the Australian Domestic Notes and be signed by both the transferor and the transferee.
- (c) Australian Domestic Notes may be transferred in whole but not in part. Australian Domestic Notes may only be transferred:
 - (i) the aggregate consideration payable by the relevant Noteholder is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the Issuer or its associates to the subscriber or its associates) or if the offer or invitation (including any resulting issue) otherwise does not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act;
 - (ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act; and
 - (iii) the offer or invitation complies with all other applicable laws and directives in the jurisdiction in which the offer, invitation or issue takes place.

3.8 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 10, the Issuer, Registrar or Australian Registrar (as applicable) shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

3.9 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3.10 Transfers of interests in Regulation S Global Notes and Australian Domestic Notes

Prior to expiry of the Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note or an Australian Domestic Note to a transferee in the United States or who is a U.S. person will only be made:

- (a) in respect of a Regulation S Global Note only, upon receipt by the Registrar of a written certification substantially in the form set out in the Euro Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the Specified Office of the Registrar or any Transfer Agent, from the transferor of the Subordinated Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (b) in respect of a Regulation S Global Note or an Australian Domestic Note, otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory

evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of Condition 3.10(a) above, such transferee may take delivery through a Legended Note in a global or definitive form. After expiry of the Distribution Compliance Period:

- (i) beneficial interests in Regulation S Global Notes may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC; and
- (ii) such certification requirements will no longer apply to such transfers.

3.11 Transfers of beneficial interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the Distribution Compliance Period, the interests in the Subordinated Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg;
- (b) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

3.12 Closed periods

No Noteholder may require the transfer of a Registered Note to be registered:

- (a) during the period of 15 days ending on the due date for any payment of principal on that Registered Note;
- (b) after notice is given that such Registered Note will be redeemed pursuant to Conditions 10.2 or 10.3; and
- (c) during the period of five Registry Business Days ending on (and including) any Record Date.

3.13 Exchanges of Definitive Registered Notes generally

Holders of Definitive Registered Notes may exchange such Subordinated Notes for interests in a Registered Global Note of the same type at any time.

4 Interest generally

4.1 Fixed Rate Notes and Floating Rate Notes

Subordinated Notes may bear interest at a fixed (“**Fixed Rate Notes**”) or floating rate (“**Floating Rate Notes**”) or a combination of both, depending upon the Interest Basis specified in the applicable Pricing Supplement.

4.2 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Conditions 4, 5 and 6, whether by the Principal Paying Agent or the Australian Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Australian Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Accrual of interest

Each Subordinated Note (or in the case of the redemption, Conversion or Write-Off of part only of a Subordinated Note, that part only of such Subordinated Note) will cease to bear interest (if any) from the earlier of the date for its redemption or the date it is Converted or Written-Off unless, in connection with redemption only, payment of principal is improperly withheld or refused (upon due presentation in the case of Subordinated Notes other than Australian Domestic Notes). In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Subordinated Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Subordinated Note has been received by the Paying Agent, the Registrar or the Australian Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 17.

4.4 Optional interest deferral

- (a) Unless otherwise specified in the applicable Pricing Supplement, 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 amounts which may be payable under Condition 11.3, 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 Noteholders and the Principal Paying Agent prior to the Record Date relating to such Optional Interest Payment Date. Notwithstanding the requirements to give notice pursuant to this Condition 4.4, 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 4.4.
- (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 Noteholders. 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 10.

4.5 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 Noteholders, 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 4.6 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 Agents and Noteholders. In the absence of such a certificate, the Agents and Noteholders 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.

4.6 Additional Interest

- (a) Interest will accrue on Deferred Interest at the applicable Interest Rate from time to time in accordance with this Condition 4.6 and such interest shall constitute “**Additional Interest**”. Any Additional Interest shall be payable in accordance with this Condition 4 and this Condition 4.6, subject to deferral on the same basis as is provided in this Condition 4.6.
- (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 4.6, constitute Deferred Interest.

4.7 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.

4.8 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 4.6 as if that amount were Deferred Interest.

5 Interest on Fixed Rate Notes

5.1 Application

This Condition 5 applies only in respect of Subordinated Notes to which Fixed Rate Note Provisions are applicable according to the applicable Pricing Supplement.

5.2 Fixed Rate Note specifications

The applicable Pricing Supplement will specify the Calculation Amount, the Interest Commencement Date, the Maturity Date, the Rate(s) of Interest, the Interest Payment Date(s), the Fixed Coupon Amount(s), any applicable Broken Amount(s), the Day Count Fraction and any applicable Determination Date.

5.3 Interest on Fixed Rate Notes

Unless previously redeemed in full, Converted in full, Written-Off in full or otherwise cancelled in full, and subject to the Deferral Provisions, each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and up to (and including) the Maturity Date.

5.4 Specified Fixed Coupon Amounts and Broken Amounts

Subject to the Deferral Provisions, the amount of interest payable on each Interest Payment Date in respect of the Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount if so specified in the applicable Pricing Supplement. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

5.5 Calculation of interest

Except in the case of Subordinated Notes where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Subordinated Notes represented by such Global Note;
- (b) in the case of Fixed Rate Notes which are Australian Domestic Notes, the outstanding nominal amount of the Subordinated Note; and
- (c) otherwise, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination (or where such Subordinated Note has been Converted or Written-Off in part, the Face Value of that Subordinated Note), without any further rounding.

6 Interest on Floating Rate Notes

6.1 Application

This Condition 6 applies only in respect of Subordinated Notes to which Floating Rate Note Provisions are applicable according to the applicable Pricing Supplement.

6.2 Floating Rate Note specifications

The applicable Pricing Supplement will specify the Calculation Amount, the Interest Commencement Date, the Specified Period(s) or Specified Interest Payment Dates, the Business Day Convention, any Additional Business Centre(s), the Margin, the Day Count Fraction and any other information on the manner in which the Rate of Interest is to be determined.

6.3 Interest Payment Dates

Unless previously redeemed in full, Converted in full, Written-Off in full or otherwise cancelled in full, and subject to the Deferral Provisions, each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (a) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (b) if no express Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

6.4 Business Day Convention

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) in any case where Specified Periods are specified in accordance with Condition 6.3(b) above, the Floating Rate Convention, such Interest Payment Date:
 - (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of Condition 6.4(a)(ii)(B) below shall apply *mutatis mutandis*; or
 - (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event:
 - (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day; and
 - (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred;
- (b) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day;
- (c) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

- (d) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

6.5 Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement and the following provisions of these Conditions relating to either Screen Rate Determination, ISDA Determination or BBSW Determination shall apply accordingly, depending upon which is specified in the relevant Pricing Supplement.

6.6 Screen Rate Determination

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (a) the Relevant Rate (where the Relevant Rate on the Relevant Screen Page is a composite quotation or is customarily supplied by one entity) which appears on the Relevant Screen Page; or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the Relevant Rates of the persons whose Relevant Rates appear on the Relevant Screen Page,

(expressed as a percentage rate per annum) at the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable).

If Condition 6.6(b) applies and five or more of such Relevant Rates are available on the Relevant Screen Page, the highest (or, if there is more than one such highest Relevant Rate, one only of such Relevant Rates) and the lowest (or, if there is more than one such lowest Relevant Rate, one only of such Relevant Rates) shall be disregarded by the Principal Paying Agent or the Australian Calculation Agent (as applicable) for the purpose of determining the arithmetic mean.

If the Relevant Screen Page is not available or if, in the case of Condition 6.6(a) above, no such Relevant Rate appears or, in the case of Condition 6.6(b) above, fewer than three Relevant Rates appear, the Principal Paying Agent or the Australian Calculation Agent (as applicable) shall request the relevant Reference Banks to provide the Principal Paying Agent or the Australian Calculation Agent (as applicable) with the rate or rates that each such Reference Bank is quoting to leading banks in respect of the Relevant Rate at approximately the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent or the Australian Calculation Agent (as applicable) with such rate or rates, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such rates plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable).

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent or the Australian Calculation Agent (as applicable) with such rate or rates as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent or the Australian Calculation Agent (as applicable) determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates (being the nearest equivalent to the Relevant Rate) that at least two out of five leading banks selected by the Principal Paying Agent or the Australian Calculation Agent (as applicable) in the Relevant Financial Centre are quoting at or about the Relevant Time on the Interest Determination Date to leading banks carrying on business in the Relevant Financial Centre; except that if fewer than two of such banks are quoting to leading banks in the Relevant Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin applicable to the preceding Interest Period and to the relevant Interest Period).

6.7 ISDA Determination

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period shall be determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable) as a rate equal to the relevant ISDA Rate plus or minus (as appropriate) the Margin (if any).

For the purposes of this Condition 6.7, “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (b) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (c) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the applicable Pricing Supplement.

For the purposes of this Condition 6.7, “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

6.8 BBSW Determination

If “BBSW Determination” is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest applicable to the Floating Rate Notes for each Interest Period is the BBSW Rate plus or minus (as appropriate) the Margin (if any).

In these Terms and Conditions, “**BBSW Rate**” means, for an Interest Period:

- (a) the average mid rate for prime bank eligible securities having a tenor closest to the Specified Maturity as displayed on Reuters page “BBSW” (or its successor or replacement page) at approximately the Relevant Time on the Interest Determination Date; or
- (b) if such rate does not appear on such page by 10:30 a.m. (Sydney time) on the Interest Determination Date, then the rate for that Interest Determination Date will be the arithmetic mean of the mid of the bid and ask rates quoted or that would have been quoted by five Reference Banks to the Principal Paying Agent or the Australian Calculation Agent (as applicable) for prime bank eligible securities having a tenor closest to the Specified Maturity at approximately 10:00 a.m. (Sydney time) on the Interest Determination Date in the Relevant Financial Centre.

If in respect of an Interest Determination date the BBSW Rate cannot be determined in accordance with the foregoing procedures, then the BBSW Rate for that Interest Determination Date shall be the rate determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable) having regard to comparable indices then available.

The BBSW Rate calculated or determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable) will be expressed as a percentage rate per annum and will be rounded up, if necessary, to the next higher one ten-thousandth of a percentage point (0.0001%).

6.9 Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Australian Calculation Agent (as applicable) by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement), the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement) or the relevant BBSW Rate (where BBSW Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for

which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or Australian Calculation Agent (as applicable) shall determine such rate at such time and by reference to such sources as it determines appropriate.

For the purposes of this Condition 6.9, “**Designated Maturity**” means, in relation to Screen Rate Determination, the Specified Duration and means, in relation to BBSW Determination, the Specified Maturity.

6.10 Determination of Rate of Interest and calculation of Interest Amounts on Floating Rate Notes

The Principal Paying Agent or the Australian Calculation Agent (as applicable) will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or the Australian Calculation Agent (as applicable) will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (a) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Subordinated Notes represented by such Global Note;
- (b) in the case of Floating Rate Notes which are Australian Domestic Notes, the outstanding nominal amount of the Subordinated Note; or
- (c) otherwise, the Calculation Amount,

and in each case multiplying such amount by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Floating Rate Note which is in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Subordinated Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination (or where such Subordinated Note has been Converted or Written-Off in part, the Face Value of that Subordinated Note), without any further rounding.

6.11 Notification of Rate of Interest and Interest Amounts on Floating Rate Notes

The Principal Paying Agent or the Australian Calculation Agent (as applicable) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange and/or quotation system on which the relevant Floating Rate Notes are for the time being admitted to listing, trading and/or quotation (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 17 as soon as possible after their determination but in any event no later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange and/or quotation system on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 17.

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

7.1 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 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 7.1(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 Condition 7.1(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.

7.2 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 or be Written-Off (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 Noteholders at the time that the Conversion or Write-Off 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 Noteholders at that time as may be necessary or desirable to ensure Conversion or Write-Off 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 7.3 and despite any other provision in these Conditions, on the Non-Viability Conversion Date the Required Amount of Subordinated Notes will Convert or be Written-Off, 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 Noteholders and the Agents 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 Noteholder’s Subordinated Notes Converted or Written-Off together with relevant particulars of any related calculations or determinations as they relate to that Noteholder made by the Issuer.
- (b) If, in accordance with Condition 7.1(b)(ii), the Issuer is required to convert or write-off only an amount of Relevant Capital Instruments that is less than all Relevant Capital Instruments, the Issuer will determine the Required Amount of Subordinated Notes which will Convert or be

Written-Off 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 or Write-Off Subordinated Notes and convert or write-off 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 or Writing-Off the Subordinated Notes or converting or writing-off or procuring the conversion or writing-off of other Relevant Tier 2 Capital Instruments, the Issuer will endeavour to treat Noteholders and holders of other Relevant Tier 2 Capital Instruments (and Noteholders 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 or Write-Off some but not all Subordinated Notes in whole, may elect to Convert or Write-Off 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 or Write-Off 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 or Write-Off of Subordinated Notes as required by this Condition 7.2:
- (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 Noteholders whose Notes are to be Converted in accordance with Condition 7.2(a)(i)(B); or
 - (v) any requirement to select or adjust the amount of Subordinated Notes to be Converted in accordance with Condition 7.2(b)(iii).
- (d) From (and including) the Non-Viability Conversion Date, subject to Condition 7.3 and Condition 19.2(c), the Issuer shall treat the Noteholder 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.

7.3 Specification of Conversion or Write-Off

- (a) The applicable Pricing Supplement shall specify whether Conversion or Write-Off is applicable to the Subordinated Notes upon the occurrence of a Non-Viability Trigger Event.
- (b) Where:
 - (i) the applicable Pricing Supplement specifies Conversion as applicable and, 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; or

- (ii) the applicable Pricing Supplement specifies Write-Off as applicable,

the rights of the relevant Noteholder (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 Amount) in relation to the Nominal Amount of that Subordinated Note required to be Converted or Written-Off (as applicable) are immediately and irrevocably written-off and terminated (“**Written-Off**”) with effect on and from the Non-Viability Conversion Date.

7.4 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 Amount, 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 7) shall continue to apply in respect of the Subordinated Note as so reduced;
- (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;
- (c) other than in respect of an Australian Domestic Note, the Noteholder must immediately:
 - (i) in the case of Bearer Notes, present and surrender each such Subordinated Note together with, in the case of Definitive Bearer Notes, all unmatured Coupons and all unexchanged Talons attached to it, to the Specified Office of the Principal Paying Agent; and
 - (ii) in the case of Registered Notes (other than Australian Domestic Notes), present and surrender such Subordinated Note to the Specified Office of the Registrar,

and, at the option of the Issuer, that Subordinated Note (and, as applicable, those Coupons and Talons) must either:

- (iii) be endorsed to reflect the Conversion or Write-Off; or
 - (iv) be surrendered, in which case the Principal Paying Agent or the Registrar (as the case may be) must authenticate and deliver (or procure the delivery of) a new Subordinated Note (and, as applicable, Coupons and Talons) to the Noteholder representing the Subordinated Notes (and, as applicable, the Coupons and Talons) held by the Noteholder following the Conversion or Write-Off, and in any such case, delivery of the new Subordinated Note will be to the Specified Office of the Principal Paying Agent or the Registrar (as the case may be) or by uninsured mail (at the risk of the Noteholder) to such address as the Noteholder may request; and
- (d) in respect of a Registered Note (including an Australian Domestic Note) only, the Issuer shall notify the Registrar or the Australian Registrar (as the case may be) of the nominal amount of such Subordinated Note that has been Converted or Written-Off and instruct the Registrar or Australian Registrar (as the case may be) to reflect such Conversion or Write-Off in the Register or Australian Register (as applicable) so that the nominal amount of such Subordinated Note is reduced by such amount as has been Converted or Written-Off.

Any failure or delay in performing the obligations in this Condition 7.4 shall not prevent, impede or delay the Conversion or Write-Off of the Subordinated Notes required by Condition 7.2.

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.

7.5 Surrender and cancellation of Subordinated Notes

If a Subordinated Note is Converted or Written-Off in full:

- (a) other than in respect of an Australian Domestic Note, the Noteholder must immediately present and surrender that Subordinated Note (together, in the case of a Subordinated Note that is a Definitive Bearer Note, with such unmatured Coupons and unexchanged Talons as are attached to it) at the Specified Office of:
 - (i) in the case of Bearer Notes, the Principal Paying Agent;
 - (ii) in the case of a Registered Note (other than an Australian Domestic Note), to the Registrar; and
- (b) the Principal Paying Agent, Registrar or Australian Registrar (as the case may be) shall cancel or arrange for the cancellation of the Subordinated Note,

but any failure or delay in so presenting or surrendering any Subordinated Note (in the case of Subordinated Notes other than Australian Domestic Notes) or its cancellation (in any case) shall not prevent, impede or delay the Conversion or Write-Off of the Subordinated Notes required by Condition 7.2.

7.6 No conversion at the option of Noteholders

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

7.7 Direction to Agents

The Issuer authorises and directs the Agents to take any and all action contemplated by these Conditions, the Deed of Covenant, the Euro Agency Agreement, the Australian Note Deed Poll and the Australian Agency (as applicable) and Registry Agreement which is necessary or convenient to give effect to any Conversion and/or any Write-Off upon the occurrence of a Non-Viability Trigger Event and each Noteholder irrevocably consents to any and all such action.

8 Conversion mechanics

8.1 Conversion

On a Non-Viability Conversion Date, where the applicable Pricing Supplement specifies Conversion as applicable, subject to Conditions 7.3 and 8.12, 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 Noteholder or as contemplated in Conditions 8.11 and 8.12. 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 7.2(b) and the other provisions of Condition 7 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 Noteholder’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 8.1(a). Each Noteholder is taken to have irrevocably directed that any amount payable under this Condition 8.1 is to be applied as provided for in this Condition 8.1 and no Noteholder 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 Noteholder’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 Noteholder shall have no rights whatsoever in respect of that fraction.

8.2 Adjustments to VWAP generally

For the purposes of calculating VWAP under Condition 8.1:

- (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 8.2(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 8.2 will be effective and binding on Noteholders and the Agents under these Conditions and will be construed accordingly.

8.3 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 8.3 will be effective and binding on Noteholders and the Agents under these Conditions and these Conditions will be construed accordingly.

8.4 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP, adjustments will be made in accordance with Conditions 8.2 and 8.3 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 8.5 to 8.7 (inclusive); and
- (b) if so made, will correspondingly cause an adjustment to the Maximum Conversion Number.

8.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to Condition 8.5(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 8.5(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 8.5(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 8.5 for any offer of Ordinary Shares not covered by Condition 8.5(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 8.5(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 Noteholders or otherwise requiring any consent or concurrence of the Noteholders.
- (f) Any adjustment made by the Issuer in accordance with this Condition 8.5 will be effective and binding on Noteholders and the Trustee under these Conditions and these Conditions will be construed accordingly.

8.6 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 8.6 will be effective and binding on the Trustee and Noteholders under these Conditions and these Conditions will be construed accordingly.
- (c) Each Noteholder 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 Noteholders or otherwise requiring any consent or concurrence of the Noteholders.

8.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of Conditions 8.5 and 8.6, no adjustment will be made to the Issue Date VWAP where any such adjustment (rounded if applicable) would be less than one per cent. of the Issue Date VWAP then in effect.

8.8 Announcement of adjustments to Issue Date VWAP

The Issuer will notify the Noteholders of any adjustment to the Issue Date VWAP under Condition 8 within 10 Business Days of the Issuer determining the adjustment.

8.9 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.

8.10 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 Noteholder 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 Noteholder and is not otherwise within the control of the Issuer).

The Noteholder 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 Noteholders when this restriction on trading ceases to apply.

8.11 Provision of information

Where a Nominal Amount of Subordinated Notes held by a Noteholder is required to be Converted under Condition 7, a Noteholder 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 Noteholder's security account details in CHESS or such other account to which the Ordinary Shares may be credited; and
- (c) such other information as is reasonably requested by and satisfactory to the Issuer for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to the Noteholder,

provided that any notice specifying a person other than the Noteholder 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.

8.12 Issue to nominee

- (a) Unless otherwise specified in the applicable Pricing Supplement, if any Subordinated Notes are required to be Converted under Condition 7 and:
 - (i) a Noteholder 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 Noteholder**");
 - (iii) if for any reason (whether or not due to the fault of a Noteholder) the Issuer has not received to its satisfaction any or all information required in accordance with Condition 8.11 so as to impede or delay the Issuer issuing the Ordinary Shares to a Noteholder or to Noteholders generally 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 Noteholder only to the extent (if at all) that:
 - (A) where subparagraph (i) applies, the Noteholder wishes to receive them;

- (B) where subparagraph (ii) applies, the Issuer is satisfied that the laws of both Australia and the Foreign Noteholder's country of residence permit the issue of the Ordinary Shares to the Foreign Noteholder (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 Noteholder is net of the FATCA Withholding,

and to the extent that the Issuer is not obliged to issue Ordinary Shares to that Noteholder, the Issuer will issue the balance of the Ordinary Shares to the nominee in accordance with subparagraph (vi) of this Condition 8.12; and

- (vi) otherwise, subject to applicable law, the Issuer will issue the balance of Ordinary Shares in respect of that Noteholder 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 Noteholder and will transfer Ordinary Shares to that Noteholder if, within 30 days of the Non-Viability Conversion Date, the Noteholder provides the nominee with the information required to be provided by that Noteholder under Condition 8.11 (as if a reference in sub-paragraph (c) of Condition 8.11 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 Noteholder.
- (b) The issue of Ordinary Shares to a nominee pursuant to paragraph (a)(vi) will satisfy all obligations of the Issuer to that Noteholder 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 Noteholder 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 8.12 shall affect the Conversion of the Subordinated Notes of a Noteholder which is not a person to which any of subparagraphs (a)(i) to (iii) (inclusive) applies.

8.13 No duty on sale

For the purpose of Condition 8.12, the Issuer does not owe any obligations or duties to the Noteholders in relation to the price at which Ordinary Shares are sold and has no liability for any loss suffered by a Noteholder as a result of the sale of Ordinary Shares by any such nominee.

8.14 Power of attorney

- (a) Each Noteholder appoints each of the Issuer, its officers and any External Administrator of the Issuer (each an "**Attorney**") severally to be the attorney of the Noteholder with power in the name and on behalf of the Noteholder 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 Noteholder to observe or perform the Noteholder'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 8.14 is given for valuable consideration and to secure the performance by the Noteholder of the Noteholder's obligations under these Conditions and is irrevocable.

8.15 Noteholder acknowledgments

Each Noteholder 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 7 and this Condition 8 are fundamental terms of the Subordinated Notes and are not subject to any other conditions other than those expressly provided in Condition 7 and this Condition 8;
- (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 Noteholders;
- (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 8.10, 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 7.2 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 8 other than (and subject always to Condition 7.3) to seek specific performance of the obligation to issue the Ordinary Shares to it or, where Condition 8.12 applies, to the nominee.

9 Payments

9.1 Method of payment

Subject to the other provisions of this Condition 9:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the Principal Financial Centre; and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

9.2 Payments subject to fiscal and other laws

Payments will be subject in all cases to:

- (a) any fiscal or other laws and regulations applicable thereto in the place of payment (whether by operation of law or agreement of the Issuer); and
- (b) any FATCA Withholding,

but without prejudice to the provisions of Condition 11.

9.3 Payment Day

If the date for payment of any amount in respect of any Subordinated Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Payment Day**” means any day which (subject to Condition 12) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Subordinated Notes in definitive form only, the relevant place of presentation; and
 - (ii) each Additional Financial Centre specified in the applicable Pricing Supplement;
- (b) either:
 - (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Principal Financial Centre; or
 - (ii) in relation to any sum payable in euro, a day which is a TARGET Business Day; and
- (c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. Dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

9.4 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Subordinated Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 11.3; and
- (b) the Redemption Amount of the Subordinated Notes.

Any reference in the Conditions to interest in respect of the Subordinated Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11.3.

9.5 Payments in respect of Definitive Bearer Notes and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 9.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in

each case at the Specified Office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes which are Definitive Bearer Notes (other than Long Maturity Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 12) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note which is a Definitive Bearer Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note which is a Definitive Bearer Note becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Subordinated Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

9.6 Payments in respect of Global Notes in bearer form

Payments of principal and interest (if any) in respect of any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the Specified Office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)). A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "Payment Day" set out in Condition 9.3.

9.7 Payments in respect of Registered Notes

(a) Payments of principal

Payments of principal in respect of each Registered Note other than an Australian Domestic Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the Specified Office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the Clearing System Business Day (being for this purpose also a Registry Business Day) immediately prior to the relevant due date.

(b) Payments of interest in respect of Registered Notes

Payments of interest in respect of each Registered Note other than an Australian Domestic Note (whether or not in global form) will be made in the Specified Currency on the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register

at the close of business on the fifteenth day (whether or not such fifteenth day is a Registry Business Day) before the relevant due date (“**Record Date**”).

Upon application of the holder to the Specified Office of the Registrar not less than three Registry Business Days before the due date for any payment of interest in respect of a Registered Note other than an Australian Domestic Note, the payment may be made by transfer on the due date in the manner provided in Condition 9.7(a). Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder.

Payment of the interest due in respect of each Registered Note (other than an Australian Domestic Note) on redemption will be made in the same manner as payment of the nominal amount of such Registered Note.

Notwithstanding the above, in respect of Registered Global Notes, all payments will be made to the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment.

(c) Certain payments in respect of Global Notes to DTC

Notwithstanding any other provision in this Condition 9.7, all amounts payable to DTC or its nominee as registered holder of a Global Note in registered form in respect of Subordinated Notes denominated in a Specified Currency other than U.S. Dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. Dollars in accordance with the provisions of the Euro Agency Agreement (except, in the case of any Subordinated Note, to the extent specified by the relevant beneficial holder in accordance with DTC procedures, as more fully described in the Euro Agency Agreement).

(d) No responsibility for records

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

9.8 General provisions applicable to payments on Global Notes

The holder of a Global Note shall be the only person entitled to receive payments in respect of Subordinated Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Subordinated Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition 9.8, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. Dollars, such U.S. Dollar payments of principal and/or interest in respect of such Subordinated Notes will be made at the Specified Office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with Specified Offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such Specified Offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such Specified Offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

9.9 Payments in respect of Australian Domestic Notes

Monies payable by the Issuer in respect of an Australian Domestic Note shall be paid:

- (a) in the case of a payment of interest, to the holder appearing in the Australian Register at the close of business on the Record Date; and
- (b) in the case of a payment of principal, to the holder appearing in the Australian Register at 10:00 a.m. (Sydney time) on the date which is fixed for payment.

If Australian Domestic Notes are:

- (i) held in the Austraclear System, payments in respect of each Subordinated Note will be made by crediting on the relevant payment date the amount then due to the account of the Noteholder in accordance with the Austraclear Regulations; or
- (ii) not held in the Austraclear System, payments in respect of each Subordinated Note will be made by crediting on the relevant payment date the amount then due to an account previously notified to the Issuer and the Australian Registrar by the holder in respect of that Subordinated Note. If the holder has not notified the Issuer and the Australian Registrar of such an account by the time specified in Condition 9.9(a) or 9.9(b) (as applicable) payments in respect of the relevant Subordinated Note will be made by cheque dispatched by post on the relevant payment date at the risk of the Noteholder. Cheques dispatched 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.

9.10 No set-off or offsetting rights

A Noteholder:

- (a) may not exercise any right of set-off against the Issuer in respect of any claim by the Issuer against that Noteholder; 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 Noteholder in respect of any claim by that Noteholder against the Issuer.

10 Redemption and purchase

10.1 Redemption at maturity

Unless previously Converted, Written-Off, redeemed or purchased and cancelled, each Subordinated Note will be redeemed by the Issuer at its Redemption Amount in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement.

10.2 Early redemption by the Issuer for tax or regulatory reasons

Subject to Condition 10.7, and unless otherwise specified in the applicable Pricing Supplement, the Subordinated Notes may be redeemed at the option of the Issuer (in whole or in part) at any time (if this Subordinated Note is a Fixed Rate Note) or on any Interest Payment Date (if this Subordinated Note is a Floating Rate Note) by giving not less than 30 and not more than 60 days' notice to the Principal Paying Agent or the Australian Registrar (as applicable) and, in accordance with Condition 17, the Noteholders (which notice shall be irrevocable), if a Tax Event or Regulatory Event occurs.

Each Subordinated Note redeemed pursuant to this Condition 10.2 will be redeemed at its Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

10.3 Redemption at the option of the Issuer (Issuer Call)

Subject to Condition 10.7, and if Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given not less than 20 nor more than 40 days' notice to the Noteholders in accordance with Condition 17 (which notice shall be irrevocable), redeem the Subordinated Notes (in whole or in part) then outstanding on any Optional Redemption Date specified in the applicable Pricing Supplement (which date shall not, for the avoidance of doubt, fall prior to the fifth anniversary of the Issue Date) at the Redemption Amount together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

In the case of a partial redemption of Notes, the notes to be redeemed (the “**Redeemed Notes**”) will be selected:

- (a) in the case of Redeemed Notes (other than Australian Domestic Notes) represented by definitive Notes, individually by lot;
- (b) in the case of Redeemed Notes that are Australian Domestic Notes, in a fair and reasonable manner as determined by the Issuer and in compliance with any law, directive or requirement of any clearing system in which the Subordinated Notes are held;
- (c) in the case of Redeemed Notes represented by Global Notes, in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note,

in each case not more than 30 days prior to the date fixed for redemption (such selection date, the “**Selection Date**”).

In the case of:

- (i) Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 17 not less than 15 days prior to the date fixed for redemption; and
- (ii) Redeemed Notes represented by a Global Note, no exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this condition 10.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 17 at least five days prior to the Selection Date.

10.4 No redemption at the option of the Noteholders

Without prejudice to Condition 13, a Noteholder cannot require the Issuer to redeem all or some of the Subordinated Notes held by that Noteholder before their Maturity Date.

10.5 Purchases

Subject to Condition 10.7, the Issuer or any subsidiary of the Issuer may at any time purchase Subordinated Notes or any other bond, note or other debt instrument issued by the Issuer from time to time (whether ranking senior to, equally with or subordinate to the Subordinated Notes) (provided that, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise and, if so purchased, such Subordinated Notes shall be cancelled.

10.6 Cancellation

All Subordinated Notes which are redeemed or purchased for cancellation by the Issuer shall be cancelled forthwith;

- (a) in the case of Bearer Notes, by surrendering each such Subordinated Note together with all unmatured Coupons and all unexchanged Talons to the Principal Paying Agent;
- (b) in the case of Registered Notes (other than Australian Domestic Notes), by surrendering such Registered Note to the Registrar; and
- (c) in the case of Australian Domestic Notes, without any further action being required.

Any Subordinated Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Subordinated Notes shall be discharged.

10.7 Early redemption and purchase restrictions

The Issuer may only elect to redeem any Subordinated Notes under this Condition 10, and the Issuer or any of its Related Entities may only elect to purchase any Subordinated Notes under Condition 10, 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.

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

11 Taxation

11.1 Withholding Tax

All payments of principal, interest and other amounts by or on behalf of the Issuer in respect of the Subordinated Notes or the Coupons shall be made free and clear of, and without withholding or deduction for, any present or future Taxes imposed or levied by or on behalf of Australia or any political subdivision of, or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

11.2 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 11.3, 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 Noteholder, the full amount payable to such Noteholder shall be deemed to have been duly paid and satisfied by the Issuer.

11.3 Additional Amounts

If a law of Australia requires that any payments in respect of the Subordinated Notes or Coupons be subject to deduction or withholding with respect to any present or future Taxes imposed or levied by or on behalf of Australia or any political subdivision of, or any authority therein or thereof having power to tax, the Issuer will, to the fullest extent then permitted by law, subject to the Deferral Provisions, pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Subordinated Notes or Coupons after such deduction or withholding shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Subordinated

Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Subordinated Note or Coupon:

- (a) in respect of which the Noteholder, or a third party recipient on behalf of a Noteholder, 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 Noteholder 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 Noteholder 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;
- (d) to, or to a third party on behalf of, an Australian resident Noteholder or a non-resident Noteholder 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;
- (e) which is imposed or withheld as a consequence of a determination having been made under Part IVA of the Tax Act (or any modification thereof or provision substituted therefor) by the Commissioner of Taxation of the Commonwealth of Australia that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the scheme which was the subject of that determination;
- (f) which is an estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other charge; or
- (g) in respect of Subordinated Notes that are not Australian Domestic Notes, presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day.

11.4 FATCA

The Issuer and any Paying Agent may withhold or make deductions from payments or from the issue of Ordinary Shares to a Noteholder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Noteholder 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 8.12. 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 Noteholder on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Noteholder or a beneficial owner of Subordinated Notes for or in respect of any such withholding or deduction.

12 Prescription

- (a) The Subordinated Notes (whether in bearer or registered form) and any Coupons will become void unless presented for payment (or in the case of Australian Domestic Notes, a claim for payment is made) within a period of 10 years (in the case of principal) and five years (in the case of interest and other amounts) after the Relevant Date in respect of such payment.

- (b) There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 12 or Condition 9.5 or any Talon which would be void pursuant to Condition 9.5.

13 Events of Default and consequences

13.1 Events of Default and enforcement

If any one or more of the following events (each an “**Event of Default**”) shall occur with respect to any Subordinated Note:

- (a) either:
- (i) the Issuer does not pay the Redemption Amount 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) an effective resolution is passed (or taken by applicable law to have been passed) by the shareholders of the Issuer,

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**”),

then, for so long as such event is continuing, any one or more persons holding or representing in the aggregate not less than the Required Percentage in nominal amount of the Subordinated Notes of the Series for the time being outstanding may:

- (c) in the case of a Payment Default, bring proceedings:
- (i) to recover any amount then due and payable but unpaid on the Subordinated Notes (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 the Subordinated Notes; or
 - (iii) for the Winding-Up of the Issuer; and
- (d) in the case of a Winding-Up Default, in addition to taking any of the actions specified in Condition 13.1(c), declare by notice to the Issuer that the Redemption Amount of each Subordinated Note is payable together (if appropriate) with interest accrued to (but excluding) the date of redemption, on a date specified in the notice and, subject to Condition 1, may prove in the Winding-Up of the Issuer in Australia for that amount.

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.

13.2 No other remedies against the Issuer

None of the Noteholders 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 13 or as otherwise expressly provided in these Conditions (but this does not subject to these Conditions affect the rights of the Noteholders, to seek an injunction or order for specific performance in respect of an obligation).

14 Replacement of Subordinated Notes, Coupons and Talons

Should any Subordinated Note (other than an Australian Domestic Note) or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require.

Mutilated or defaced Subordinated Notes or Coupons must be surrendered before replacements will be issued.

15 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the Specified Office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Subordinated Note to which it appertains) a further Talon, subject to the provisions of Condition 12.

16 Agents

16.1 Appointment and replacement of Agents

The names of the initial Agents and their initial Specified Offices are listed in the definition of “Specified Office” in Condition 22.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the Specified Office through which any Agent acts, subject to Condition 16.2. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the relevant Noteholders in accordance with Condition 17.

16.2 Required Agents

The Issuer shall:

- (a) at all times maintain a Principal Paying Agent;
- (b) if and for so long as there are any Registered Notes outstanding, at all times maintain a Registrar (in the case of Registered Notes other than Australian Domestic Notes) or an Australian Registrar (in the case of Australian Domestic Notes);
- (c) if and for so long as any Subordinated Notes are:
 - (i) admitted to the Official List of Singapore Exchange Securities Trading Limited; and/or
 - (ii) admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system,

and the rules of the relevant listing authority, stock exchange and/or quotation system so require, at all times maintain a Paying Agent and a Transfer Agent (in the case of Registered Notes) having its Specified Office in Singapore and/or in such other place as may be required by such other listing authority, stock exchange and/or quotation system;

- (d) if and for so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. Dollars are held through DTC or its nominee, at all times maintain an Exchange Agent with a Specified Office in New York City; and
- (e) forthwith appoint a Paying Agent having a Specified Office in New York City in the circumstances described in Condition 9.8.

16.3 Role of the Euro Agents

In acting under the Euro Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders.

The Euro Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

16.4 Role of the Australian Agents

Each person in whose account an Australian Domestic Note is recorded is deemed to acknowledge in favour of the Australian Registrar and each relevant person that:

- (a) the Australian Registrar's decision to act as the Australian Registrar in respect of the Subordinated Note does not constitute a recommendation or endorsement by the Australian 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 Australian Registrar under its agreement with the Issuer to act as Australian Registrar in respect of the Subordinated Note;
- (b) in acting under the Australian Agency and Registry Agreement in connection with the Subordinated Notes, the Australian 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 Noteholders save insofar as any funds received by the Australian Registrar are required in accordance with the Australian Agency and Registry Agreement, pending their application in accordance with the Australian Agency and Registry Agreement, to be held by it in a segregated account on trust for the persons entitled thereto; and
- (c) the Noteholder does not rely on any fact, matter or circumstance contrary to this Condition 16.4.

17 Notices

17.1 Bearer Notes

Subject to Condition 17.3, all notices regarding Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*). Any such notice will be deemed to have been given on the date of the first publication.

17.2 Registered Notes

Subject to Condition 17.3, all notices regarding Registered Notes will be deemed to be validly given if:

- (a) sent by prepaid post (airmail if posted to an address overseas) to the registered holders (or the first named of joint holders) at their respective addresses recorded in the Register or the Australian Register (as applicable) and will be deemed to have been given on the fourth day after mailing; or
- (b) in the case of Australian Domestic Notes only, published in *The Australian Financial Review* or any other English language daily newspaper of general circulation in Australia and will be deemed to have been given on the date of the first publication.

17.3 Global Notes

So long as any Global Notes representing the Subordinated Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for publication as described in Condition 17.1 or 17.2 (as applicable), the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Subordinated Notes. Any such notice shall be deemed to have been given to the holders of the Subordinated Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

17.4 Listed Notes

If and for so long as any Subordinated Notes are:

- (a) admitted to the Official List of Singapore Exchange Securities Trading Limited; and/or
- (b) admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system,

and the rules of the relevant listing authority, stock exchange and/or quotation system prescribe a specific manner for the giving of notices, all notices relating to such Subordinated Notes shall in addition to any requirements for those notices in these Conditions, also be given in a manner which complies with those rules.

17.5 Notices given by Noteholders

Subject to Condition 17.6, notices to be given by any Noteholder shall be in writing and given by:

- (a) in the case of Subordinated Notes other than Australian Domestic Notes, lodging the same, together (in the case of any Subordinated Note in definitive form) with the relative Subordinated Note or Subordinated Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes); or
- (b) in the case of Australian Domestic Notes, prepaid post (airmail if posted to an address overseas) or delivery to the Specified Office of the Issuer.

All such notices will be deemed to be validly given in respect of paragraph (a), on the date of lodgement in accordance with that paragraph, or, in the case of paragraph (b), on the seventh day after mailing, or, if delivered to the Specified Office of the Issuer, the date of delivery (unless delivered after 5:00 p.m. in the place of receipt or on a day that is not a day on which commercial banks are open for business in the place of receipt, in which case the notice will be taken to be given at 9:00 a.m. on the next day that is a day on which commercial banks are open for business in the place of receipt).

17.6 Notices given by Noteholders in respect of Global Notes

Whilst any of the Subordinated Notes are represented by a Global Note, any notices to be given by any Noteholder may be given by any holder of a Subordinated Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

17.7 Couponholders

Couponholders are taken for all purposes to have received any notice given to the Noteholders.

18 Meetings of Noteholders, modification and waiver

18.1 Meetings and quorum

The Euro Agency Agreement and the Australian Note Deed Poll each contain provisions (which have effect as if incorporated in these Conditions) for convening meetings of the Noteholders of any Series to consider any matter affecting their interest, including the sanctioning by Extraordinary Resolution of any modification of, or waiver with respect to, these Conditions, the Euro Agency Agreement, the Deed of

Covenant or the Australian Note Deed Poll (as applicable) insofar as the same may apply to such Subordinated Notes.

Such a meeting may be convened by the Issuer or by Noteholders holding not less than 10 per cent. in nominal amount of the Subordinated Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in the aggregate not less than 50 per cent. in nominal amount of the Subordinated Notes of the Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Subordinated Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Subordinated Notes or the Coupons (including modifying the date of maturity of the Subordinated Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Subordinated Notes or altering the currency of payment of the Subordinated Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Subordinated Notes of the Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Subordinated Notes for the time being outstanding.

18.2 Extraordinary Resolutions

The Euro Agency Agreement and the Australian Note Deed Poll each provide that:

- (a) a resolution passed at a meeting duly convened and held in accordance with the provisions of the Euro Agency Agreement or the Australian Note Deed Poll (as applicable) by a majority consisting of not less than 75 per cent. of the votes cast on such resolution;
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in principal amount of the Subordinated Notes of the Series for the time being outstanding; or
- (c) a consent given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the Noteholders of not less than 75 per cent. in principal amount of the Subordinated Notes of the Series for the time being outstanding,

shall, in each case, be effective as an extraordinary resolution of the Noteholders (an “**Extraordinary Resolution**”).

An Extraordinary Resolution passed by the Noteholders of any Series will be binding on all the Noteholders of that Series, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders of that Series.

18.3 Issuer modifications

The Issuer may make or agree to, without the consent of the Noteholders or Couponholders, any amendment or modification of, or addition to, any provisions of the Subordinated Notes, the Coupons, the Euro Agency Agreement, the Deed of Covenant or the Australian Note Deed Poll:

- (a) which is not materially prejudicial to the interests of the Noteholders as a whole;
- (b) which is of a formal, minor or technical nature, or is made to correct a manifest or proven error, to cure any ambiguity or defect or to comply with mandatory provisions of the law; or
- (c) which 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 Noteholders as a whole.

Any such amendment, modification or addition shall be binding on the Noteholders, and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 17 as soon as practicable thereafter.

18.4 Noteholder approval not required

The Issuer does not require the approval of Noteholders to vary or terminate any registry agreement or other deed or agreement (other than the Australian Note Deed Poll and these Terms and Conditions) in respect of any Australian Domestic Notes.

18.5 No variation which may affect Tier 2 Capital eligibility

The prior written approval of APRA is required in respect of any variation, amendment or modification of, or addition to any provisions of the Subordinated Notes, the Coupons, the Euro Agency Agreement, the Deed of Covenant or the Australian Note Deed Poll where such variation, amendment, modification or addition may affect the eligibility of the Subordinated Notes as Tier 2 Capital.

19 Further issues and consolidation

19.1 Further issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Subordinated Notes, or the same in all respects save for one or more of the amount, the Issue Date, the Issue Price and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Subordinated Notes, provided that the terms of any further notes ranking equally with, or forming a single Series with outstanding Subordinated Notes must be such that, those further notes, upon their issue, are eligible for inclusion in the Issuer's Tier 2 Capital.

The Issuer shall not be restricted from creating or issuing any other notes.

19.2 No other rights

No person, by virtue of being a Noteholder, 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.

19.3 Consolidation

The Issuer may also from time to time, without the consent of the Noteholders, on giving not less than 30 days' prior notice to the Noteholders, consolidate Subordinated Notes denominated or redenominated in euro with one or more issues of other notes ("**Other Notes**") issued by it and denominated in the currency of any of the Member States of the European Union provided that such Other Notes are denominated in, or have been redenominated into euro and otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Subordinated Notes.

In the event of any such consolidation, the Issuer may, without the consent of the Noteholders, provide for additional, and/or substitute denominations of such Subordinated Notes.

Notice of any such consolidation and/or provision of additional or substitute denominations will be given to the Noteholders in accordance with Condition 17.

20 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Subordinated Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21 Governing law and submission to jurisdiction**21.1 Governing law**

The Euro Agency Agreement, the Deed of Covenant, the Subordinated Notes (other than the Australian Domestic Notes), the Coupons and any non-contractual obligations arising out of or in connection with the Euro Agency Agreement, the Deed of Covenant, the Subordinated Notes (other than the Australian Domestic Notes) and the Coupons are governed by, and shall be construed in accordance with, English law except for:

- (a) the subordination provisions set forth in Condition 1; and
- (b) the provisions of Conditions 7 and 8;

which are governed by, and shall be construed in accordance with, the laws in force in the State of New South Wales, Australia.

The Australian Note Deed Poll and the Australian Domestic Notes are governed by, and shall be construed in accordance with, the laws in force in the State of New South Wales, Australia.

21.2 Submission to jurisdiction

The Issuer irrevocably agrees for the benefit of the Noteholders and the Couponholders (as applicable):

- (a) that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Subordinated Notes (other than the Australian Domestic Notes) and/or the Coupons, (including a dispute relating to any non-contractual obligations arising out of or in connection with the Subordinated Notes (other than the Australian Domestic Notes) and/or the Coupons) and accordingly submits to the jurisdiction of the English courts; and
- (b) that 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 the Australian Domestic Notes and accordingly submits to the jurisdiction of the courts New South Wales, Australia.

The Issuer waives any objection to the courts of England or the courts of the State of New South Wales, Australia (as the case may be) on the grounds that they are an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Subordinated Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Subordinated Notes and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

21.3 Appointment of Process Agent

The Issuer appoints QBE European Operations Plc at its office at Plantation Place, 30 Fenchurch Street, London EC3M 3BD, United Kingdom as its agent for service of process (“**Process Agent**”), and undertakes that, in the event of QBE European Operations Plc ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

21.4 Other documents

The Issuer has in the Euro Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

22 Definitions and interpretation

22.1 Definitions

ABN shall have the meaning given to Australian Business Number.

Additional Business Centre means a place specified as such in the applicable Pricing Supplement.

Additional Financial Centre means a place specified as such in the applicable Pricing Supplement.

Additional Interest shall have the meaning given in Condition 4.6.

Agents means the Principal Paying Agent, the Registrar, the Australian Registrar, the Australian Calculation Agent and the other Paying Agents, Transfer Agents and Exchange Agents.

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 their application 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.

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

Austraclear Regulations means the regulations known as the “Austraclear Regulations” (as amended or replaced from time to time) together with any instructions or directions established by Austraclear to govern the use of the Austraclear System.

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

Australian Agency and Registry Agreement shall have the meaning given in the preamble.

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

Australian Calculation Agent shall have the meaning given in the preamble.

Australian Dollar, A\$ and AUD shall each have the meaning given in the preamble.

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

Australian Note Deed Poll shall have the meaning given in the preamble.

Australian Register means the relevant register of holders of the Australian Domestic Notes maintained by the Australian Registrar.

Australian Registrar shall have the meaning given in the preamble.

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 Agents as being duly authorised to sign documents and to do other acts and things on behalf of the Issuer for the purposes of these Conditions and the Agency Agreement and the Deed of Covenant or the Australian Note Deed Poll and the Australian Agency and Registry Agreement (as applicable); and
- (b) without limiting paragraph (a) above, the Issuer's Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Company Secretary or General Counsel.

BBSW Rate shall have the meaning given in Condition 6.8.

Bearer Notes shall have the meaning given in the preamble.

Broken Amount means an amount specified as such in the applicable Pricing Supplement.

Business Day means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Relevant Financial Centre and each Additional Business Centre specified in the applicable Pricing Supplement.

Business Day Convention shall have the meaning given in the applicable Pricing Supplement.

Calculation Amount means the amount specified as such in the applicable Pricing Supplement.

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

Clearing System Business Day means Monday to Friday inclusive except December 25 and January 1.

Clearstream, Luxembourg means Clearstream Banking, *société anonyme*.

Conditions shall have the meaning given in the preamble.

Conversion Number shall have the meaning given in Condition 8.1(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.

Coupon shall have the meaning given in the preamble.

Couponholders means the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

Cum Value shall have the meaning given in Condition 8.2(a).

Day Count Fraction means:

- (a) in respect of Fixed Rate Notes where "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:
 - (i) in the case of Subordinated Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of

- (A) the number of days in such Determination Period; and
 - (B) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
- (ii) in the case of Subordinated Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
- (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) in respect of Fixed Rate Notes where “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (c) in respect of Floating Rate Notes:
- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
 - (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
 - (iii) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
 - (iv) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
 - (v) if “Australian Bond Basis” is specified in the applicable Pricing Supplement, one divided by the number of Interest Payment Dates in a year;
 - (vi) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [D_2 - D_1]}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30; or

- (vii) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [D_2 - D_1]}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (viii) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [D_2 - D_1]}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Interest Period, unless (A) that day is the last day of February or (B) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (A) that day is the last day of February but not the Maturity Date or (B) such number would be 31, in which case D₂ will be 30.

Deed of Covenant shall have the meaning given in the preamble.

Deferral Provision means any of Condition 4.4(a), 4.4(b) or 4.5.

Deferred Interest shall have the meaning given in Condition 4.4.

Definitive Bearer Note shall have the meaning given in the preamble.

Definitive Notes shall have the meaning given in Condition 2.1.

Definitive Registered Note shall have the meaning given in the preamble.

Designated Account means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register.

Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the Principal Financial Centre and (in the case of a payment in euro) any bank which processes payments in euro.

Determination Date means a date specified as such in the applicable Pricing Supplement.

Determination Period means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each Tranche of Subordinated Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue).

DTC shall have the meaning given in Condition 3.3.

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;
- (c) the AUD\$200,000,000 Subordinated Notes due 29 September 2040 issued by the Issuer on 29 September 2015;
- (d) the US\$300,000,000 Subordinated Notes due 12 November 2045 issued by the Issuer on 12 November 2015; and
- (e) any other instruments issued after 1 January 2013 as Relevant Tier 2 Capital Instruments.

euro, € and EUR shall each have the meaning given in the preamble.

Euro Agency Agreement shall have the meaning given in the preamble.

Euro-zone means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty.

Euroclear means Euroclear Bank SA/NV.

Exchange Agent shall have the meaning given in the preamble.

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.

Extraordinary Resolution shall have the meaning given Condition 18.

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:

- (a) sections 1471 to 1474 of the United States of America Internal Revenue Code of 1986 or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

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.

Fixed Coupon Amount means an amount specified as such in the applicable Pricing Supplement.

Fixed Rate Note shall have the meaning given in Condition 4.1.

Floating Rate Note shall have the meaning given in Condition 4.1.

Foreign Noteholder shall have the meaning given in Condition 8.12(a).

Global Note shall have the meaning given in the preamble.

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 its Subsidiaries for the time being.

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 Amount shall have the meaning given in Condition 6.10.

Interest Commencement Date means the date specified as such in the applicable Pricing Supplement.

Interest Determination Date means a date specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is the London interbank offered rate (“**LIBOR**”) (other than Sterling or Euro LIBOR), the second Business Day prior to the start of each Interest Period;
- (b) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (c) if Screen Rate Determination is specified in the applicable Pricing Supplement and Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate (“**EURIBOR**”), the second day which is a TARGET Business Day prior to the start of each Interest Period;
- (d) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is the Australian Bank Bill Swap Rate (“**BBSW**”), the first day of each Interest Period; or
- (e) if BBSW Determination is specified in the applicable Pricing Supplement, the first day of each Interest Period.

Interest Payment Date means (in the case of a Fixed Rate Note) a date so specified in the applicable Pricing Supplement and (in the case of a Floating Rate Note) the date on which interest is to be payable as determined under Condition 6.3

Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

ISDA Definitions means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., as amended or supplemented as at the Issue Date.

ISDA Rate shall have the meaning given in Condition 6.7.

Issue Date means, in respect of a Subordinated Note, the date on which that Subordinated Note is issued.

Issue Date VWAP means the VWAP during the applicable VWAP Period, as adjusted in accordance with Condition 8.

Issue Price means the amount specified as such in the applicable Pricing Supplement.

Issuer shall have the meaning given in the preamble.

Japanese Yen, ¥ and JPY shall each have the meaning given in the preamble.

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.

Legended Note means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A. **Legend** shall be interpreted accordingly.

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.

Long Maturity Note means a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Subordinated Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Subordinated Note.

Margin means the amount specified as such in the applicable Pricing Supplement.

Maturity Date means the date specified as such in the applicable Pricing Supplement.

Maximum Conversion Number shall have the meaning given in Condition 8.1(a).

Nominal Amount shall have the meaning given in Condition 8.1(a).

Non-Viability Determination shall have the meaning given in Condition 7.1(a).

Non-Viability Conversion Date shall have the meaning given in Condition 7.2(a).

Non-Viability Trigger Event shall have the meaning given in Condition 7.1(a).

Non-Viability Trigger Event Notice shall have the meaning given in Condition 7.2(a).

Noteholders or holders shall have the meaning given in the preamble.

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 or Coupons in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the Subordinated Notes or Coupons 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 means a date specified as such in the applicable Pricing Supplement.

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

Other Notes shall have the meaning given in Condition 19.3.

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

Paying Agent shall have the meaning given in the preamble.

Payment Day shall have the meaning given in Condition 9.3.

Payment Default shall have the meaning given in Condition 13.1(a).

Pricing Supplement means Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Subordinated Note.

Principal Financial Centre means the principal financial centre of the country of the Specified Currency specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if the Specified Currency is Sterling, London;
- (b) if the Specified Currency is Swiss Francs, Geneva;
- (c) if the Specified Currency is euro, Frankfurt;
- (d) if the Specified Currency is Japanese Yen, Tokyo;
- (e) if the Specified Currency is U.S. Dollars, New York; or
- (f) if the Specified Currency is Australian Dollars, Sydney.

Principal Paying Agent shall have the meaning given in the preamble.

Proceedings shall have the meaning given in Condition 21.2.

Process Agent shall have the meaning given in Condition 21.3.

QIB means a “qualified institutional buyer” within the meaning of Rule 144A.

Rate of Interest means the rate:

- (a) so specified in the applicable Pricing Supplement (if any); or
- (b) otherwise, the rate calculated in accordance with Conditions 6.6, 6.7, 6.8 and 6.9.

Record Date

- (a) in respect of an Australian Domestic Note and in respect of a payment of interest, means the date which is five Registry 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; and
- (b) in respect of a Registered Note other than an Australian Domestic Note, shall have the meaning given in Condition 9.7(b)

Redeemed Note shall have the meaning given in Condition 10.3.

Redemption Amount means, in respect of a Subordinated Note, the Face Value of that Subordinated Note at the time of its redemption in accordance with these Conditions.

Reference Banks means the principal offices of four major banks in the Relevant Financial Centre, selected by the Principal Paying Agent or the Australian Calculation Agent (as applicable) (in each case, after prior consultation with the Issuer).

Reference Rate means the rate specified as such in the applicable Pricing Supplement.

Register means the relevant register of holders of the Registered Notes maintained by the Registrar.

Registered Global Note means a Global Note that is a Registered Note (but, for the avoidance of doubt, does not include an Australian Domestic Note) and includes:

- (a) a Rule 144A Global Note; and
- (b) a Regulation S Global Note,

(and any reference to “Registered Global Notes” shall be construed as a reference to Rule 144A Global Notes and/or Regulation S Global Notes, as the context requires).

Registered Notes shall have the meaning given in the preamble.

Registrar shall have the meaning given in the preamble.

Registry Business Day means a day on which commercial banks are open for business in the city where the Specified Office of the Registrar or the Australian Registrar (as applicable) is located.

Regulation S means Regulation S under the Securities Act.

Regulation S Global Note means a Registered Global Note representing Subordinated Notes sold outside the United States in reliance on Regulation S.

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.

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

Relevant Date in relation to any Subordinated Note and any payment in respect of such Subordinated Note, means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 17.

Relevant Financial Centre means the financial centre specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if the Reference Rate is the LIBOR, London;
- (b) if the Reference Rate is EURIBOR, Brussels;
- (c) if BBSW Determination applies, Sydney; or

- (d) in any other case, the financial centre with which the relevant Reference Rate is most closely connected.

Relevant Rate means the Reference Rate benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to Reference Rate benchmark) equal to the Specified Duration.

Relevant Screen Page means the page, section, caption, column or other part (“Page”) of a particular information service specified as such in the applicable Pricing Supplement, such other Page as may succeed or replace it on that information service or such other Page on such other information service as the Principal Paying Agent or Australian Calculation Agent (as applicable) may determine replaces or succeeds that Page (after prior consultation with the Issuer).

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 7.1(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 7.1(a).

Relevant Time means the time specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if the Reference Rate is the LIBOR, 11.00 a.m.;
- (b) if the Reference Rate is EURIBOR, 11.00 a.m.;
- (c) if BBSW Determination applies, 10.10 a.m.; or
- (d) in any other case, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits or equivalent interbank securities as are customarily used in the interbank market in the Relevant Financial Centre (as applicable) in the Specified Currency in the interbank market in the Relevant Financial Centre.

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.

Representative Amount means the amount specified as such in the applicable Pricing Supplement, or if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

Required Amount shall have the meaning given in Condition 7.2(a).

Required Percentage means the amount specified as such in the applicable Pricing Supplement.

Rule 144A means Rule 144A under the Securities Act.

Rule 144A Global Note means a Registered Global Note representing Subordinated Notes sold in the United States or to, or for the account or benefit of, U.S. persons to QIBs.

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

Securities Act means the United States Securities Act of 1933, as amended.

Selection Date shall have the meaning given in Condition 10.3.

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).

Series shall have the meaning given in the preamble.

Solvency Condition shall have the meaning given in Condition 4.5.

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.

Specified Currency shall have the meaning given in Condition 2.3.

Specified Denomination(s) shall have the meaning given in Condition 2.2.

Specified Duration means the period of time specified as such in the applicable Pricing Supplement, or if none is specified, a period of time equal to the relative Interest Period, ignoring any adjustment as a consequence of Condition 6.4.

Specified Interest Payment Date means a date specified as such in the applicable Pricing Supplement.

Specified Maturity means the period of time specified as such in the applicable Pricing Supplement.

Specified Office means, in respect of.

- (a) the Issuer, Level 27, 8 Chifley Square, Sydney NSW 2000;
- (b) the Principal Paying Agent and the Exchange Agent, One Canada Square, London E14 5AL;
- (c) the Registrar and the Transfer Agent, 2-4 Eugene Ruppert, Vertigo Building, Polaris, L-2453 Luxembourg;
- (d) the Australian Registrar, 20 Bridge Street, Sydney NSW 2000; and
- (e) any other Agent, such office to be notified to the Noteholders from time to time,

or in any case, such other office as notified to the Noteholders from time to time.

Specified Period means a period specified as such in the applicable Pricing Supplement.

Sterling, £ and GBP shall each have the meaning given in the preamble.

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

Subordinated Notes shall have the meaning given in the preamble.

Subsidiary has the meaning given to that term in the Corporations Act.

Swiss Franc and CHF shall each have the meaning given in the preamble.

Talon shall have the meaning given in the preamble.

TARGET Business Day means a day on which the Trans European Automated Real-time Gross Settlement Express Transfer (TARGET2) System, which utilises a single shared platform and which was launched on 19 November 2007 (the “**TARGET2 System**”), or any successor thereto, is operating credit or transfer instructions in respect of payments in euro.

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.

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, governmental agency or regulatory authority in a relevant jurisdiction after the Issue Date, there is more than an insubstantial risk that:

- (a) the Issuer would be required to pay additional amounts as provided or referred to in Condition 11;
- (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 the application of any laws relating to 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.

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 Noteholder;

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 the Ordinary Shares:
 - (i) are not suspended from trading on ASX (excluding any intra-day trading halt which the Issuer reasonably 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 the ASX.

Tranche shall have the meaning given in the preamble.

Transfer Agents shall have the meaning given in the preamble.

Transfer Certificate shall have the meaning given in Condition 3.10.

Transfer Form means a form available from the Australian Registrar or such other form as the Issuer may determine from time to time and notify to the holders of Australian Domestic Notes.

Treaty means the Treaty establishing the European Community, as amended.

U.S. Dollar, U.S.\$ and USD shall each have the meaning given in the preamble.

VWAP means the average of the daily volume weighted average prices (in AUD) of Ordinary Shares traded on ASX during the relevant VWAP Period, subject to any adjustments made under Condition 8 (such average being rounded to the nearest full Australian cent) (and, where the Specified Currency is not AUD, with each such daily price converted into the Specified Currency on the basis of:

- (a) where the Specified Currency is USD, the noon buying rate in New York City for cable transfers of Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York; or
- (b) where the Specified Currency is not AUD or USD, the rates to be determined in the manner set out in the applicable Pricing Supplement,

in each case expressed in units of the Specified Currency per A\$1.00) 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, unless otherwise specified in the applicable Pricing Supplement:

- (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 shall have the meaning given in Condition 13.1(b).

Written-Off shall have the meaning given in Condition 7.3 and “**Write-Off**” has a corresponding meaning.

22.2 Interpretation

- (a) Unless otherwise specified, a reference to a Condition is a reference to a provision of these Conditions.
- (b) Headings and boldings are for convenience only and do not affect the interpretation of these Conditions.
- (c) The singular includes the plural and vice versa.
- (d) 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.
- (e) A reference to the “**Corporations Act**” as it relates to the Issuer is to that Act as may be modified in relation to the Issuer by ASIC.

- (f) Unless otherwise specified, 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.
- (g) A day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.
- (h) 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.
- (i) 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.
- (j) 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.
- (a) A reference to any term defined by APRA shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.
- (k) A reference to 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.
- (l) 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.
- (m) All references to the records of Euroclear and Clearstream, Luxembourg shall be to the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of such customers' interests in the Subordinated Notes.
- (n) For the purposes of Condition 18.3, in determining whether an amendment is not materially prejudicial to the interests of Noteholders as a whole, the taxation and regulatory capital consequences to Noteholders (or any class of Noteholders) and other special consequences which are personal to a Noteholder (or any class of Noteholders) do not need to be taken into account.

TERMS AND CONDITIONS OF THE CAPITAL NOTES

The following are the Terms and Conditions of the Capital Notes which will be incorporated by reference into each Global Note, each Australian Domestic Note and each definitive Capital Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Capital Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Capital Notes may complete such Terms and Conditions for the purpose of such Capital Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note, each Australian Domestic Note and each definitive Capital Note.

This Capital Note is one of a Series of Capital Notes issued by QBE Insurance Group Limited (ABN 28 008 485 014) (the “**Issuer**”) pursuant to the Euro Agency Agreement or the Australian Note Deed Poll (each as defined below).

References herein to the “**Capital Notes**” shall be references to the Capital Notes of this Series and shall mean:

- (a) in relation to any Capital Notes in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) which are represented by a global note (a “**Global Note**”), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any Australian Domestic Note;
- (d) any definitive note in bearer form (a “**Definitive Bearer Note**”) issued in exchange for a Global Note in bearer form; and
- (e) any definitive note in registered form (a “**Definitive Registered Note**”) (whether or not issued in exchange for a Global Note in registered form).

References herein to a Registered Note shall include a reference to an Australian Domestic Note (unless otherwise stated).

References herein to a Global Note or a Definitive Registered Note shall not be taken to include any Australian Domestic Note. Australian Domestic Notes may not be issued in bearer form.

The Capital Notes (other than the Australian Domestic Notes) and the Coupons (as defined below) are issued pursuant to an agency agreement dated 2 May 2016 (the “**Euro Agency Agreement**” as the same may be amended, restated and/or supplemented from time to time) between the Issuer, The Bank of New York Mellon, as issuing and principal paying agent and agent bank (the “**Principal Paying Agent**”, which expression shall include any additional or successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), The Bank of New York Mellon, as exchange agent (the “**Exchange Agent**” which expression shall include any successor exchange agent), The Bank of New York Mellon (Luxembourg) S.A., as registrar (the “**Registrar**”, which expression shall include any additional or successor registrar) and as transfer agent and the other transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents).

Australian Domestic Notes are perpetual debt obligations of the Issuer constituted by, and owing under, the note deed poll dated 2 May 2016 and made by the Issuer (the “**Australian Note Deed Poll**”). In connection with the Australian Domestic Notes, the Issuer has entered into an agency and registry agreement dated 2 May 2016 (the “**Australian Agency and Registry Agreement**” as the same may be amended, restated and/or supplemented from time to time) between the Issuer, Austraclear Services Limited, as registrar (the “**Australian Registrar**”, which expression shall include any successor registrar), Austraclear Services Limited, as calculation agent (the “**Australian Calculation Agent**”, which expression shall include any successor calculation agent) and the other agents named therein.

Interest bearing Definitive Bearer Notes have interest coupons (“**Coupons**”) and, in the case of Capital Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

No certificates will be issued to Noteholders of Australian Domestic Notes unless the Issuer determines that certificates should be available or if certificates are required by any applicable law or directive.

The final terms for this Capital Note (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Capital Note which complete these Terms and Conditions (the “**Conditions**”) for the purposes of this Capital Note. References to the “**applicable Pricing Supplement**” are to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Capital Note.

Any reference to “**Noteholders**” or “**holders**” in relation to any Capital Notes shall mean (in the case of Bearer Notes) the holders of the Capital Notes and (in the case of Registered Notes) the persons in whose name the Capital Notes are registered and shall, in relation to any Capital Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Capital Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Capital Notes together with any further Tranche or Tranches of Capital Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for one or more of their date and price of issue, the amount and date of the first payment of interest thereon and the date from which interest starts to be calculated.

The Noteholders and the Couponholders (other than in respect of Australian Domestic Notes) are entitled to the benefit of the Deed of Covenant (the “**Deed of Covenant**”) dated 2 May 2016 and made by the Issuer. The original Deed of Covenant is held by the Principal Paying Agent.

Copies of:

- (a) the Euro Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the Specified Office of the Issuer and the Principal Paying Agent;
- (b) the Australian Note Deed Poll and the Australian Agency and Registry Agreement are available for inspection during normal business hours at the Specified Office of the Issuer; and
- (c) the applicable Pricing Supplement are available from the Specified Office of the Issuer and the Principal Paying Agent,

provided that such documents shall only be obtainable by a Noteholder, a Couponholder or a genuine prospective Noteholder, and provided further that the applicable Pricing Supplement shall only be obtainable by Noteholder, a Couponholder or a genuine prospective Noteholder of that Series, and such current or prospective Noteholder or Couponholder (as applicable) must produce evidence satisfactory to the Issuer or, as the case may be, the Principal Paying Agent as to its holding or prospective holding of such Capital Notes and identity.

The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Euro Agency Agreement, the Deed of Covenant, the Australian Note Deed Poll, the Australian Agency and Registry Agreement and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Euro Agency Agreement, the Deed of Covenant, the Australian Note Deed Poll and the Australian Agency and Registry Agreement.

Words and expressions defined in the Euro Agency Agreement or the Australian Note Deed Poll (as applicable) or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Euro Agency Agreement or the Australian Note Deed Poll (as applicable) and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

In these Terms and Conditions:

- (a) “euro”, “€” and “EUR” each means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;
- (b) “Australian Dollar”, “A\$” and “AUD” each means the lawful currency of Australia;
- (c) “Swiss Franc” and “CHF” each means the lawful currency of Switzerland;
- (d) “Sterling”, “£” and “GBP” each means the lawful currency of the United Kingdom;
- (e) “Japanese Yen”, “¥” and “JPY” each means the lawful currency of Japan; and
- (f) “U.S. Dollar”, “U.S.\$” and “USD” each means the lawful currency of the United States of America.

1 Status and Subordination

1.1 Status and ranking

The Capital Notes and any relative Coupons are direct, subordinated and unsecured obligations of the Issuer and rank for payment of interest and for the Face Value in a Winding-Up:

- (a) ahead of the obligations of the Issuer in respect of Ordinary Shares;
- (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.

1.2 Winding-Up

- (a) If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution passed or is taken under applicable law to have been passed, for the Winding-Up of the Issuer in Australia, the Capital Notes are redeemable for their Face Value in accordance with this Condition 1.2.
- (b) In a Winding-Up of the Issuer in Australia, a Capital Note confers upon the Noteholder, subject to Condition 7, the right to payment in cash of the Face Value on a subordinated basis in accordance with Condition 1.3, but no further or other claim on the Issuer in the Winding-Up of the Issuer in any jurisdiction.

1.3 Subordination in a Winding-Up

In a Winding-Up of the Issuer in Australia, the claim by a Noteholder, or any other person on behalf of the Noteholder, for the Face Value of a Capital Note, is subordinated to claims in respect of Senior Ranking Debt, in that:

- (a) all claims in respect of Senior Ranking Debt (including in respect of any entitlement to interest under section 563B of the Corporations Act) must be paid in full before the Noteholder’s claim is paid; and
- (b) until the claims in respect of Senior Ranking Debt have been paid in full, the Noteholder 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,

so that the Noteholder receives, for each Capital Note it holds, an amount equal to the amount it would have received if, in the winding up of the Issuer, it had held an issued and fully paid Preference Share.

1.4 Agreements and acknowledgments of Noteholders

Each Noteholder irrevocably acknowledges and agrees that:

- (a) this Condition 1 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;
- (c) without limiting its rights other than in respect of a Capital Note, it must not exercise its voting rights or other rights as an unsecured creditor in the Winding-Up or administration of the Issuer in any jurisdiction to defeat the subordination in this Condition 1;
- (d) the debt subordination effected by this Condition 1 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
- (e) 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 Capital Note in excess of its entitlement under this Condition 1.

1.5 Effect of Non-Viability Trigger Event

If a Non-Viability Trigger Event occurs, despite any other provision in these Conditions, Capital Notes will be Converted into Ordinary Shares as provided in Condition 7 or, if Condition 7.3 applies, Written-Off.

1.6 No consent of creditors under Senior Ranking Debt

Nothing in this Condition 1 shall be taken to require the consent of any creditor under any Senior Ranking Debt to any amendment of these Conditions.

1.7 No security interest

Nothing in this Condition 1 shall be taken to create an Encumbrance on or over any right of a Noteholder.

1.8 No guarantee, insurance or other support

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

2 Form, denomination and currency

2.1 Bearer Notes and Registered Notes

Capital Notes are issued as Bearer Notes or as Registered Notes as specified in the applicable Pricing Supplement and, in the case of Capital Notes in definitive form (“**Definitive Notes**”), are serially numbered.

Bearer Notes may not be exchanged for Registered Notes and vice versa.

2.2 Denomination

Capital Notes are issued in one or more denominations (“**Specified Denomination(s)**”), as specified in the applicable Pricing Supplement, provided that:

- (a) in the case of Australian Domestic Notes, Capital Notes shall only be offered and applications may only be invited (in each case directly or indirectly) if:
 - (i) the aggregate consideration payable to the Issuer by the subscriber is at least A\$500,000 (disregarding moneys lent by the Issuer or its associates) or the Capital

Notes are otherwise issued in a manner which does not require disclosure in accordance with Part 6D.2 or Chapter 7 of the Corporations Act;

- (ii) the offer or invitation from which the issue results does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act; and
 - (iii) the offer or invitation complies with all other applicable laws and directives in the jurisdiction in which the offer, invitation or issue takes place; and
- (b) in any other case, the minimum Specified Denomination shall be €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 (or in each case the equivalent in the Specified Currency). No Definitive Bearer Notes will be issued with a denomination above €199,000 (or its equivalent the Specified Currency).

Capital Notes in one Specified Denomination may not be exchanged for Capital Notes in another Specified Denomination.

Each Capital Note must be paid for in full on application.

2.3 Currency

Capital Notes are issued in the currency (“**Specified Currency**”) specified in the applicable Pricing Supplement.

3 Title and transfer

3.1 Title generally

Subject as set out in Conditions 3.2, 3.3 and 3.4:

- (a) title to Bearer Notes and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of a transfer in accordance with the provisions of the Euro Agency Agreement or the Australian Note Deed Poll and the Australian Agency and Registry Agreement (as applicable); and
- (b) the Issuer and the Agents will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not payments in respect of the Capital Notes have been made as scheduled and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

3.2 Title to Global Notes in Euroclear and/or Clearstream, Luxembourg

For so long as the Capital Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Capital Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Capital Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Capital Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Capital Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Capital Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Capital Notes**” and related expressions shall be construed accordingly.

3.3 Title to Global Notes in DTC

For so long as the Depository Trust Company (“**DTC**”) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Capital Notes represented by such Registered Global Note for all purposes under the

Euro Agency Agreement and the Capital Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

3.4 Title to Australian Domestic Notes

In respect of Australian Domestic Notes, each entry in the Australian Register in respect of a Capital Note constitutes:

- (a) an irrevocable undertaking by the Issuer to the Noteholder to:
 - (i) pay principal, (if applicable) interest and any other amount in accordance with these Conditions; and
 - (b) comply with other Conditions of the Capital Note; and
- (b) an entitlement to the other benefits given to Noteholder in respect of the Capital Note under these Conditions.

Entries in the Australian Register in relation to an Australian Domestic Note constitute conclusive evidence that the person so entered is the absolute owner of the Capital Note subject to correction for fraud or error.

Where two or more persons are entered in the Australian Register as the joint holder of an Australian Domestic Note then they are taken to hold the Capital Note as joint tenants with rights of survivorship, but the Australian Registrar is not bound to register more than four persons as joint holders of a Capital Note.

3.5 Transfers of interests in Global Notes

Interests in Capital Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg or DTC, as the case may be.

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Capital Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as the case may be and in accordance with the terms and conditions specified in the Euro Agency Agreement. Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) or to a successor of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) or such successor's nominee and will be subject to compliance with all applicable legal and regulatory restrictions and the terms and conditions of the Euro Agency Agreement.

3.6 Transfers of Definitive Registered Notes

Subject as provided in Conditions 3.10, 3.11, 3.12 and 3.13 below, upon the terms and subject to the conditions set forth in the Euro Agency Agreement and subject to compliance with all applicable legal and regulatory restrictions, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

- (a) the holder or holders must:
 - (i) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at

the Specified Office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and

- (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and
- (b) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Euro Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being days on which commercial banks are open for business in the city where the Specified Office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its Specified Office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

3.7 Transfers of Australian Domestic Notes

- (a) Australian Domestic Notes held in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.
- (b) If Australian Domestic Notes are not held in the Austraclear System, application for the transfer of Australian Domestic Notes must be made by the lodgement of a Transfer Form with the Australian Registrar. Transfer Forms are available from the Australian Registrar. Each form must be duly stamped (if applicable) and accompanied by such evidence (if any) as the Australian Registrar may require to prove the title of the transferor or the transferor's right to transfer the Australian Domestic Notes and be signed by both the transferor and the transferee.
- (c) Australian Domestic Notes may be transferred in whole but not in part. Australian Domestic Notes may only be transferred:
 - (i) the aggregate consideration payable by the relevant Noteholder is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the Issuer or its associates to the subscriber or its associates) or if the offer or invitation (including any resulting issue) otherwise does not require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act;
 - (ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act; and
 - (iii) the offer or invitation complies with all other applicable laws and directives in the jurisdiction in which the offer, invitation or issue takes place.

3.8 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 10, the Issuer, Registrar or Australian Registrar (as applicable) shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

3.9 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3.10 Transfers of interests in Regulation S Global Notes and Australian Domestic Notes

Prior to expiry of the Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note or an Australian Domestic Note to a transferee in the United States or who is a U.S. person will only be made:

- (a) in respect of a Regulation S Global Note only, upon receipt by the Registrar of a written certification substantially in the form set out in the Euro Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the Specified Office of the Registrar or any Transfer Agent, from the transferor of the Capital Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or
- (b) in respect of a Regulation S Global Note or an Australian Domestic Note, otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of Condition 3.10(a) above, such transferee may take delivery through a Legended Note in a global or definitive form. After expiry of the Distribution Compliance Period:

- (i) beneficial interests in Regulation S Global Notes may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC; and
- (ii) such certification requirements will no longer apply to such transfers.

3.11 Transfers of beneficial interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the Distribution Compliance Period, the interests in the Capital Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg;
- (b) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

3.12 Closed periods

No Noteholder may require the transfer of a Registered Note to be registered:

- (a) during the period of 15 days ending on the due date for any payment of principal on that Registered Note;
- (b) after notice is given that such Registered Note will be redeemed pursuant to Conditions 10.1 or 10.2; and
- (c) during the period of five Registry Business Days ending on (and including) any Record Date.

3.13 Exchanges of Definitive Registered Notes generally

Holders of Definitive Registered Notes may exchange such Capital Notes for interests in a Registered Global Note of the same type at any time.

4 Interest generally

4.1 Fixed Rate Notes and Floating Rate Notes

Capital Notes may bear interest at a fixed (“**Fixed Rate Notes**”) or floating rate (“**Floating Rate Notes**”) or a combination of both, depending upon the Interest Basis specified in the applicable Pricing Supplement.

4.2 Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Conditions 4, 5 and 6, whether by the Principal Paying Agent or the Australian Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Australian Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Cessation of interest

Each Capital Note (or in the case of the redemption, Conversion or Write-Off of part only of a Capital Note, that part only of such Capital Note) will cease to bear interest (if any) from the earlier of the date for its redemption or the date it is Converted or Written-Off unless, in connection with redemption only, payment of principal is improperly withheld or refused (upon due presentation in the case of Capital Notes other than Australian Domestic Notes). In such event, the Capital Notes will continue to bear interest until whichever is the earlier of:

- (a) the date on which such Capital Note has been redeemed; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Capital Note has been received by the Principal Paying Agent, the Registrar or the Australian Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 17.

4.4 Interest Payment Conditions

The payment of any interest amount will be made unless:

- (a) the Issuer, in its absolute discretion, determines that the interest amount is not payable to Noteholders;
- (b) payment of the interest amount would result in the Issuer breaching APRA's capital adequacy requirements applicable to it;
- (c) payment of the interest amount would result in the Issuer ceasing to be, or being likely to cease to be, Solvent; or
- (d) APRA objects to the payment of the interest amount.

In determining not to pay interest on a Capital Note, the Issuer shall consider payment of the relevant interest amount as if it were payment of a dividend on a Preference Share.

4.5 Non-payment of interest

- (a) Interest is non-cumulative. If all or any part of any interest amount is not paid because of Condition 4.4, the Issuer has no liability to pay the unpaid amount of the interest amount and Noteholders have no claim or entitlement in respect of any person in respect of such non-payment and such non-payment does not constitute an event of default however described, determined or defined.
- (b) No interest accrues on any unpaid interest amount and the Noteholders have no claim or entitlement in respect of interest on any unpaid interest amounts.
- (c) If all or any part of an interest amount will not be paid in whole or part because of Condition 4.4, the Issuer must give notice to the Noteholders and the Principal Paying Agent promptly after determining or becoming aware that that payment will not be made.

4.6 Dividend Restriction

- (a) If, for any reason, an amount of interest has not been paid in full on the relevant Interest Payment Date, a Dividend Restriction shall apply from that date until the next Interest Payment Date unless the amount of interest is paid in full within 10 Business Days of the relevant Interest Payment Date.

“**Dividend Restriction**” means that the Issuer must not, without prior approval of an Extraordinary Resolution of Noteholders:

- (i) determine, declare or pay any Ordinary Share Dividend; or
 - (ii) undertake any Buy-Back or Capital Reduction.
- (b) The Dividend Restriction does not apply:
- (i) in connection with any employment contract, employee equity plan, other benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of a member of the Group;
 - (ii) in connection with the Issuer or a member of the Group purchasing Ordinary Shares:
 - (A) in connection with transactions for the account of customers of a member of the Group; or
 - (B) with the prior written approval of APRA, in connection with the distribution or trading of any securities of the Issuer or any other shares in the capital of the Issuer in the ordinary course of business; or
 - (iii) to the extent that at the time an amount of interest has not been paid on the relevant Interest Payment Date, the Issuer is legally obliged to pay on or after that date an

Ordinary Share Dividend or is legally obliged to complete on or after that date a Buy-Back or Capital Reduction.

5 Interest on Fixed Rate Notes

5.1 Application

This Condition 5 applies only in respect of Capital Notes to which Fixed Rate Note Provisions are applicable according to the applicable Pricing Supplement.

5.2 Fixed Rate Note specifications

The applicable Pricing Supplement will specify the Calculation Amount, the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Fixed Coupon Amount(s), any applicable Broken Amount(s), the Day Count Fraction and any applicable Determination Date.

5.3 Interest on Fixed Rate Notes

Unless previously redeemed in full, Converted in full, Written-Off in full or otherwise cancelled in full, and subject to Condition 4.4, each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest scheduled to be paid in arrear on the Interest Payment Date(s) in each year.

5.4 Specified Fixed Coupon Amounts and Broken Amounts

Subject to Condition 4.4, the amount of interest scheduled to be paid on each Interest Payment Date in respect of the Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount if so specified in the applicable Pricing Supplement. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

5.5 Calculation of interest

Except in the case of Capital Notes where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Capital Notes represented by such Global Note;
- (b) in the case of Fixed Rate Notes which are Australian Domestic Notes, the outstanding nominal amount of the Capital Note; and
- (c) otherwise, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is in definitive form is a multiple of the Calculation Amount, the amount of interest scheduled to be paid in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination (or where such Capital Note has been Converted or Written-Off in part, the Face Value of that Capital Note), without any further rounding.

6 Interest on Floating Rate Notes

6.1 Application

This Condition 6 applies only in respect of Capital Notes to which Floating Rate Note Provisions are applicable according to the applicable Pricing Supplement.

6.2 Floating Rate Note specifications

The applicable Pricing Supplement will specify the Calculation Amount, the Interest Commencement Date, the Specified Period(s) or Specified Interest Payment Dates, the Business Day Convention, any Additional Business Centre(s), the Margin, the Day Count Fraction and any other information on the manner in which the Rate of Interest is to be determined.

6.3 Interest Payment Dates

Unless previously redeemed in full, Converted in full, Written-Off in full or otherwise cancelled in full, and subject to Condition 4.4, each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be scheduled to be paid in arrear on either:

- (a) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (b) if no express Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be scheduled to be paid in respect of each Interest Period.

6.4 Business Day Convention

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) in any case where Specified Periods are specified in accordance with Condition 6.3(b) above, the Floating Rate Convention, such Interest Payment Date:
 - (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of Condition 6.4(a)(ii)(B) below shall apply *mutatis mutandis*; or
 - (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event:
 - (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day; and
 - (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred;
- (b) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day;
- (c) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (d) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

6.5 Rate of Interest

The Rate of Interest scheduled to be paid from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement and the following provisions of these Conditions relating to either Screen Rate Determination, ISDA Determination or BBSW Determination shall apply accordingly, depending upon which is specified in the relevant Pricing Supplement.

6.6 Screen Rate Determination

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (a) the Relevant Rate (where the Relevant Rate on the Relevant Screen Page is a composite quotation or is customarily supplied by one entity) which appears on the Relevant Screen Page; or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the Relevant Rates of the persons whose Relevant Rates appear on the Relevant Screen Page,

(expressed as a percentage rate per annum) at the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable).

If Condition 6.6(b) applies and five or more of such Relevant Rates are available on the Relevant Screen Page, the highest (or, if there is more than one such highest Relevant Rate, one only of such Relevant Rates) and the lowest (or, if there is more than one such lowest Relevant Rate, one only of such Relevant Rates) shall be disregarded by the Principal Paying Agent or the Australian Calculation Agent (as applicable) for the purpose of determining the arithmetic mean.

If the Relevant Screen Page is not available or if, in the case of Condition 6.6(a) above, no such Relevant Rate appears or, in the case of Condition 6.6(b) above, fewer than three Relevant Rates appear, the Principal Paying Agent or the Australian Calculation Agent (as applicable) shall request the relevant Reference Banks to provide the Principal Paying Agent or the Australian Calculation Agent (as applicable) with the rate or rates that each such Reference Bank is quoting to leading banks in respect of the Relevant Rate at approximately the Relevant Time in the Relevant Financial Centre on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent or the Australian Calculation Agent (as applicable) with such rate or rates, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such rates plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable).

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Paying Agent or the Australian Calculation Agent (as applicable) with such rate or rates as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent or the Australian Calculation Agent (as applicable) determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates (being the nearest equivalent to the Relevant Rate) that at least two out of five leading banks selected by the Principal Paying Agent or the Australian Calculation Agent (as applicable) in the Relevant Financial Centre are quoting at or about the Relevant Time on the Interest Determination Date to leading banks carrying on business in the Relevant Financial Centre; except that if fewer than two of such banks are quoting to leading banks in the Relevant Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin applicable to the preceding Interest Period and to the relevant Interest Period).

6.7 ISDA Determination

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period shall be determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable) as a rate equal to the relevant ISDA Rate plus or minus (as appropriate) the Margin (if any).

For the purposes of this Condition 6.7, “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (b) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (c) the relevant Reset Date is the first day of that Interest Period unless otherwise specified in the applicable Pricing Supplement.

For the purposes of this Condition 6.7, “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

6.8 BBSW Determination

If “BBSW Determination” is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest applicable to the Floating Rate Notes for each Interest Period is the BBSW Rate plus or minus (as appropriate) the Margin (if any).

In these Terms and Conditions, “**BBSW Rate**” means, for an Interest Period:

- (a) the average mid rate for prime bank eligible securities having a tenor closest to the Specified Maturity as displayed on Reuters page “BBSW” (or its successor or replacement page) at approximately the Relevant Time on the Interest Determination Date; or
- (b) if such rate does not appear on such page by 10:30 a.m. (Sydney time) on the Interest Determination Date, then the rate for that Interest Determination Date will be the arithmetic mean of the mid of the bid and ask rates quoted or that would have been quoted by five Reference Banks to the Principal Paying Agent or the Australian Calculation Agent (as applicable) for prime bank eligible securities having a tenor closest to the Specified Maturity at approximately 10:00 a.m. (Sydney time) on the Interest Determination Date in the Relevant Financial Centre.

If in respect of an Interest Determination date the BBSW Rate cannot be determined in accordance with the foregoing procedures, then the BBSW Rate for that Interest Determination Date shall be the rate determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable) having regard to comparable indices then available.

The BBSW Rate calculated or determined by the Principal Paying Agent or the Australian Calculation Agent (as applicable) will be expressed as a percentage rate per annum and will be rounded up, if necessary, to the next higher one ten-thousandth of a percentage point (0.0001%).

6.9 Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Australian Calculation Agent (as applicable) by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement), the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement) or the relevant BBSW Rate (where BBSW Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for

which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or Australian Calculation Agent (as applicable) shall determine such rate at such time and by reference to such sources as it determines appropriate.

For the purposes of this Condition 6.9, “**Designated Maturity**” means, in relation to Screen Rate Determination, the Specified Duration and means, in relation to BBSW Determination, the Specified Maturity.

6.10 Determination of Rate of Interest and calculation of Interest Amounts on Floating Rate Notes

The Principal Paying Agent or the Australian Calculation Agent (as applicable) will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or the Australian Calculation Agent (as applicable) will calculate the amount of interest (the “**Interest Amount**”) scheduled to be paid on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (a) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Capital Notes represented by such Global Note;
- (b) in the case of Floating Rate Notes which are Australian Domestic Notes, the outstanding nominal amount of the Capital Note; or
- (c) otherwise, the Calculation Amount,

and in each case multiplying such amount by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Floating Rate Note which is in definitive form is a multiple of the Calculation Amount, the Interest Amount scheduled to be paid in respect of such Capital Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination (or where such Capital Note has been Converted or Written-Off in part, the Face Value of that Capital Note), without any further rounding.

6.11 Notification of Rate of Interest and Interest Amounts on Floating Rate Notes

The Principal Paying Agent or the Australian Calculation Agent (as applicable) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange and/or quotation system on which the relevant Floating Rate Notes are for the time being admitted to listing, trading and/or quotation (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 17 as soon as possible after their determination but in any event no later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange and/or quotation system on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 17.

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

7.1 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 Tier 1 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.

A written determination by APRA under this Condition 7.1(a) is a “**Non-Viability Determination**”.

- (b) If a Non-Viability Trigger Event occurs, the Issuer must convert or write-off:
 - (i) all Relevant Tier 1 Capital Instruments; or
 - (ii) where Condition 7.1(a)(i) applies, an amount of the Relevant Tier 1 Capital Instruments that is less than all Relevant Tier 1 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.

7.2 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 Capital Notes that will Convert or be Written-Off (such amount being the “**Required Amount**”) and the aggregate nominal amount of other Relevant Tier 1 Capital Instruments which will convert or be written-off; and
 - (B) the identity of the Noteholders at the time that the Conversion or Write-Off 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 Noteholders at that time as may be necessary or desirable to ensure Conversion or Write-Off occurs in an orderly manner, including disregarding any transfers of Capital Notes that have not been settled or registered at that time);
 - (ii) subject only to Condition 7.3 and despite any other provision in these Conditions, on the Non-Viability Conversion Date the Required Amount of Capital Notes will Convert or be Written-Off, and the relevant aggregate nominal amount of other Relevant Tier 1 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 Noteholders and the Agents as soon as practicable after the relevant Conversion or Write-Off occurs which states the Non-Viability Conversion Date, the Required Amount of Capital Notes Converted or Written-Off and the relevant amount of other Relevant Tier 1 Capital Instruments converted or written-off, the Nominal Amount of the relevant Noteholder’s Capital Notes Converted or Written-Off together with relevant particulars of any related calculations or determinations as they relate to that Noteholder made by the Issuer.
- (b) If, in accordance with Condition 7.1(b)(ii), the Issuer is required to convert or write-off only an amount of Relevant Tier 1 Capital Instruments that is less than all Relevant Tier 1 Capital Instruments, in determining the Required Amount of Capital Notes which must be Converted or Written-Off in accordance with this Condition 7, the Issuer may, in its discretion, Convert or

Write-Off (in the case of Capital Notes) or convert into Ordinary Shares or write-off (in the case of any other securities issued as Relevant Tier 1 Capital Instruments) Capital Notes (or part thereof) and any other securities issued as Relevant Tier 1 Capital Instruments on a proportionate basis (unless the terms of any such other security provide for that security to be converted or written-off other than on a proportionate basis with the Capital Notes and other such securities), or such other basis as the Issuer considers fair and reasonable (subject to such adjustment as the Issuer may determine to take into account logistical considerations and the effect on marketable parcels and whole numbers of Ordinary Shares and any Capital Notes or other securities issued as Relevant Tier 1 Capital Instruments remaining on issue), provided always that nothing in the making of the determination or the adjustments is to delay or impede the immediate Conversion or Write-Off of the Capital Notes on the Non-Viability Conversion Date.

- (c) None of the following shall prevent, impede or delay the Conversion or Write-Off of Capital Notes as required by this Condition 7.2:
 - (vi) any failure of, or delay in, the conversion or write-off of any other Relevant Tier 1 Capital Instruments;
 - (vii) any failure or delay in giving a Non-Viability Trigger Event Notice;
 - (viii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion;
 - (ix) any decision as to the identity of Noteholders whose Notes are to be Converted in accordance with Condition 7.2(a)(i)(B); or
 - (x) any requirement to select or adjust the amount of Capital Notes to be Converted in accordance with Condition 7.2(b).
- (d) From (and including) the Non-Viability Conversion Date, subject to Condition 7.3 and Condition 19.2(c), the Issuer shall treat the Noteholder in respect of the Capital 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.

7.3 Specification of Conversion or Write-Off

- (a) The applicable Pricing Supplement shall specify whether Conversion or Write-Off is applicable to the Capital Notes upon the occurrence of a Non-Viability Trigger Event.
- (b) Where:
 - (i) the applicable Pricing Supplement specifies Conversion as applicable and, for any reason (including, without limitation, an Inability Event), a Conversion in respect of a Capital Note required by these Conditions has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date; or
 - (ii) the applicable Pricing Supplement specifies Write-Off as applicable,

the rights of the relevant Noteholder (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 and the Redemption Amount) in relation to the Nominal Amount of that Capital Note required to be Converted or Written-Off (as applicable) are immediately and irrevocably written-off and terminated (“**Written-Off**”) with effect on and from the Non-Viability Conversion Date.

7.4 Partial Conversion or Write-Off

To the extent that a Capital 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 Amount, the amount of any interest applicable to that Capital Note and any related amount shall be reduced in the same proportion as the Face Value Converted or Written-Off in

respect of that Capital Note bore to the Face Value of that Capital Note before such Conversion or Write-Off and these Conditions (including without limitation this Condition 7) shall continue to apply in respect of the Capital Note as so reduced;

- (b) where the Non-Viability Conversion Date is not an Interest Payment Date, the amount of interest scheduled to be paid in respect of that Capital Note on each Interest Payment Date falling after that Conversion Date will be reduced and calculated on the Face Value of that Capital Note as so reduced on the date of the Conversion or Write-Off;
- (c) other than in respect of an Australian Domestic Note, the Noteholder must immediately:
 - (i) in the case of Bearer Notes, present and surrender each such Capital Note together with, in the case of Definitive Bearer Notes, all unmatured Coupons and all unexchanged Talons attached to it, to the Specified Office of the Principal Paying Agent; and
 - (ii) in the case of Registered Notes (other than Australian Domestic Notes), present and surrender such Capital Note to the Specified Office of the Registrar,

and, at the option of the Issuer, that Capital Note (and, as applicable, those Coupons and Talons) must either:

- (iii) be endorsed to reflect the Conversion or Write-Off; or
 - (iv) be surrendered, in which case the Principal Paying Agent or the Registrar (as the case may be) must authenticate and deliver (or procure the delivery of) a new Capital Note (and, as applicable, Coupons and Talons) to the Noteholder representing the Capital Notes (and, as applicable, the Coupons and Talons) held by the Noteholder following the Conversion or Write-Off, and in any such case, delivery of the new Capital Note will be to the Specified Office of the Principal Paying Agent or the Registrar (as the case may be) or by uninsured mail (at the risk of the Noteholder) to such address as the Noteholder may request; and
- (d) in respect of a Registered Note (including an Australian Domestic Note) only, the Issuer shall notify the Registrar or the Australian Registrar (as the case may be) of the nominal amount of such Capital Note that has been Converted or Written-Off and instruct the Registrar or Australian Registrar (as the case may be) to reflect such Conversion or Write-Off in the Register or Australian Register (as applicable) so that the nominal amount of such Capital Note is reduced by such amount as has been Converted or Written-Off.

Any failure or delay in performing the obligations in this Condition 7.4 shall not prevent, impede or delay the Conversion or Write-Off of the Capital Notes required by Condition 7.2.

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

7.5 Surrender and cancellation of Capital Notes

If a Capital Note is Converted or Written-Off in full:

- (a) other than in respect of an Australian Domestic Note, the Noteholder must immediately present and surrender that Capital Note (together, in the case of a Capital Note that is a Definitive Bearer Note, with such unmatured Coupons and unexchanged Talons as are attached to it) at the Specified Office of:
 - (i) in the case of Bearer Notes, the Principal Paying Agent;
 - (ii) in the case of a Registered Note (other than an Australian Domestic Note), to the Registrar; and

- (b) the Principal Paying Agent, Registrar or Australian Registrar (as the case may be) shall cancel or arrange for the cancellation of the Capital Note, but any failure or delay in so presenting or surrendering any Capital Note (in the case of Capital Notes other than Australian Domestic Notes) or its cancellation (in any case) shall not prevent, impede or delay the Conversion or Write-Off of the Capital Notes required by Condition 7.2.

7.6 No conversion at the option of Noteholders

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

7.7 Direction to Agents

The Issuer authorises and directs the Agents to take any and all action contemplated by these Conditions, the Deed of Covenant, the Euro Agency Agreement, the Australian Note Deed Poll and the Australian Agency (as applicable) and Registry Agreement which is necessary or convenient to give effect to any Conversion and/or any Write-Off upon the occurrence of a Non-Viability Trigger Event and each Noteholder irrevocably consents to any and all such action.

8 Conversion mechanics

8.1 Conversion

On a Non-Viability Conversion Date, where the applicable Pricing Supplement specifies Conversion as applicable, subject to Conditions 7.3 and 8.12, the following will apply:

- (a) the Issuer will allot and issue the Conversion Number of Ordinary Shares in respect of each Capital Note required to be Converted to the relevant Noteholder or as contemplated in Conditions 8.11 and 8.12. The “**Conversion Number**” for each Capital 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 Capital Note, all or such lesser amount of the Face Value of that Capital Note determined by the Issuer in accordance with Condition 7.2(b) and the other provisions of Condition 7 to be the proportionate allocation of the Required Amount to the Face Value of that Capital 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 Noteholder’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 in relation to the Nominal Amount of each of its Capital Notes required to be Converted will be immediately and irrevocably terminated for an amount equal to the Nominal Amount applicable to the relevant Capital 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 8.1(a). Each Noteholder is taken to have irrevocably directed that any amount scheduled to be paid under this Condition 8.1 is to be applied as provided for in this Condition 8.1 and no Noteholder 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 Noteholder’s aggregate holding of Capital Notes includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded and the relevant Noteholder shall have no rights whatsoever in respect of that fraction.

8.2 Adjustments to VWAP generally

For the purposes of calculating VWAP under Condition 8.1:

- (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 Capital 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 8.2(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 Capital 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 8.2 will be effective and binding on Noteholders and the Agents under these Conditions and will be construed accordingly.

8.3 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 8.3 will be effective and binding on Noteholders and the Agents under these Conditions and these Conditions will be construed accordingly.

8.4 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP, adjustments will be made in accordance with Conditions 8.2 and 8.3 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 8.5 to 8.7 (inclusive); and
- (b) if so made, will correspondingly cause an adjustment to the Maximum Conversion Number.

8.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to Condition 8.5(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 8.5(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 8.5(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 8.5 for any offer of Ordinary Shares not covered by Condition 8.5(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 8.5(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 Noteholders or otherwise requiring any consent or concurrence of the Noteholders.

8.6 Any adjustment made by the Issuer in accordance with this Condition 8.5 will be effective and binding on Noteholders and the Trustee under these Conditions and these Conditions will be construed accordingly.

8.7 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:

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 8.6 will be effective and binding on the Trustee and Noteholders under these Conditions and these Conditions will be construed accordingly.
- (c) Each Noteholder 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 Noteholders or otherwise requiring any consent or concurrence of the Noteholders.

8.8 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of Conditions 8.5 and 8.6, no adjustment will be made to the Issue Date VWAP where any such adjustment (rounded if applicable) would be less than one per cent. of the Issue Date VWAP then in effect.

8.9 Announcement of adjustments to Issue Date VWAP

The Issuer will notify the Noteholders of any adjustment to the Issue Date VWAP under Condition 8 within 10 Business Days of the Issuer determining the adjustment.

8.10 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.

8.11 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 Noteholder 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 Noteholder and is not otherwise within the control of the Issuer).

The Noteholder 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 Noteholders when this restriction on trading ceases to apply.

8.12 Provision of information

Where a Nominal Amount of Capital Notes held by a Noteholder is required to be Converted under Condition 7, a Noteholder 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 Noteholder's security account details in CHESS or such other account to which the Ordinary Shares may be credited; and
- (c) such other information as is reasonably requested by and satisfactory to the Issuer for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to the Noteholder,

provided that any notice specifying a person other than the Noteholder 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.

8.13 Issue to nominee

- (a) Unless otherwise specified in the applicable Pricing Supplement, if any Capital Notes are required to be Converted under Condition 7 and:
 - (i) a Noteholder 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 Capital Notes are held by a person which the Issuer believes in good faith may not be a resident of Australia (a "**Foreign Noteholder**");
 - (iii) if for any reason (whether or not due to the fault of a Noteholder) the Issuer has not received to its satisfaction any or all information required in accordance with Condition 8.11 so as to impede or delay the Issuer issuing the Ordinary Shares to a Noteholder or to Noteholders generally 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 Noteholder only to the extent (if at all) that:
 - (A) where subparagraph (i) applies, the Noteholder wishes to receive them;
 - (B) where subparagraph (ii) applies, the Issuer is satisfied that the laws of both Australia and the Foreign Noteholder's country of residence permit the issue of the Ordinary Shares to the Foreign Noteholder (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 Noteholder is net of the FATCA Withholding,

and to the extent that the Issuer is not obliged to issue Ordinary Shares to that Noteholder, the Issuer will issue the balance of the Ordinary Shares to the nominee in accordance with subparagraph (vi) of this Condition 8.12; and

- (vi) otherwise, subject to applicable law, the Issuer will issue the balance of Ordinary Shares in respect of that Noteholder 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 Noteholder and will transfer Ordinary Shares to that Noteholder if, within 30 days of the Non-Viability Conversion Date, the Noteholder provides the nominee with the information required to be provided by that Noteholder under Condition 8.11 (as if a reference in sub-paragraph (c) of Condition 8.11 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 Noteholder.
- (b) The issue of Ordinary Shares to a nominee pursuant to paragraph (a)(vi) will satisfy all obligations of the Issuer to that Noteholder in connection with the Conversion and on and from the issue of Ordinary Shares to such nominee such Capital Notes will be deemed to be Converted and the rights of the Noteholder 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 8.12 shall affect the Conversion of the Capital Notes of a Noteholder which is not a person to which any of subparagraphs (a)(i) to (iii) (inclusive) applies.

8.14 No duty on sale

For the purpose of Condition 8.12, the Issuer does not owe any obligations or duties to the Noteholders in relation to the price at which Ordinary Shares are sold and has no liability for any loss suffered by a Noteholder as a result of the sale of Ordinary Shares by any such nominee.

8.15 Power of attorney

- (a) Each Noteholder appoints each of the Issuer, its officers and any External Administrator of the Issuer (each an “**Attorney**”) severally to be the attorney of the Noteholder with power in the name and on behalf of the Noteholder 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 Noteholder to observe or perform the Noteholder’s obligations under these Conditions including, but not limited to, effecting any Conversion or Write-Off of Capital 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 8.14 is given for valuable consideration and to secure the performance by the Noteholder of the Noteholder’s obligations under these Conditions and is irrevocable.

8.16 Noteholder acknowledgments

Each Noteholder 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 Capital 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 Capital Notes; or
 - (iv) any other circumstance which might affect a Conversion of the Capital Notes;
- (c) Conversion and, where applicable, Write-Off, of the Capital Notes in accordance with Condition 7 and this Condition 8 are fundamental terms of the Capital Notes and are not subject to any other conditions other than those expressly provided in Condition 7 and this Condition 8;
- (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 Capital Notes or other loss to Noteholders;
- (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 8.10, 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 7.2 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 8 other than (and subject always to Condition 7.3) to seek specific performance of the obligation to issue the Ordinary Shares to it or, where Condition 8.12 applies, to the nominee.

9 Payments

9.1 Method of payment

Subject to the other provisions of this Condition 9:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the Principal Financial Centre; and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

9.2 Payments subject to fiscal and other laws

Payments will be subject in all cases to:

- (a) any fiscal or other laws and regulations applicable thereto in the place of payment (whether by operation of law or agreement of the Issuer); and
- (b) any FATCA Withholding,

but without prejudice to the provisions of Condition 11.

9.3 Payment Day

If the date for payment of any amount in respect of any Capital Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 12) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Capital Notes in definitive form only, the relevant place of presentation; and
 - (ii) each Additional Financial Centre specified in the applicable Pricing Supplement;
- (b) either:
 - (i) in relation to any sum scheduled to be paid in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Principal Financial Centre; or
 - (ii) in relation to any sum scheduled to be paid in euro, a day which is a TARGET Business Day; and
- (c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. Dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

9.4 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Capital Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be scheduled to be paid with respect to principal under Condition 11.3; and
- (b) the Redemption Amount of the Capital Notes.

Any reference in the Conditions to interest in respect of the Capital Notes shall be deemed to include, as applicable, any additional amounts which may be scheduled to be paid with respect to interest under Condition 11.3.

9.5 Payments in respect of Definitive Bearer Notes and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 9.1 above only against presentation and surrender (or, in the case of part payment of any sum scheduled to be paid, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum scheduled to be paid, endorsement) of Coupons, in each case at the Specified Office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes which are Definitive Bearer Notes should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum scheduled to be paid) will be deducted from the sum scheduled for payment. Each amount of principal so deducted will be scheduled to be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 12) or, if later, five years from the date on which such Coupon would otherwise have been scheduled to be paid, but in no event thereafter.

Upon any Fixed Rate Note which is a Definitive Bearer Note becoming scheduled to be repaid, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note which is a Definitive Bearer Note is scheduled to be repaid, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the date scheduled for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) calculated in respect of such Capital Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be scheduled to be paid on that date on which redemption is scheduled only against surrender of the relevant Definitive Bearer Note.

9.6 Payments in respect of Global Notes in bearer form

Payments of principal and interest (if any) in respect of any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the Specified Office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)). A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "Payment Day" set out in Condition 9.3.

9.7 Payments in respect of Registered Notes

(a) Payments of principal

Payments of principal in respect of each Registered Note other than an Australian Domestic Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum scheduled to be paid, endorsement) of the Registered Note at the Specified Office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the Clearing System Business Day (being for this purpose also a Registry Business Day) immediately prior to the relevant date on which payment is scheduled.

(b) Payments of interest in respect of Registered Notes

Payments of interest in respect of each Registered Note other than an Australian Domestic Note (whether or not in global form) will be made in the Specified Currency on the relevant date on which payment is scheduled to the holder (or the first named of joint holders) of the Registered Note appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a Registry Business Day) before the relevant date on which payment is scheduled ("**Record Date**").

Upon application of the holder to the Specified Office of the Registrar not less than three Registry Business Days before the date scheduled for any payment of interest in respect of a Registered Note other than an Australian Domestic Note, the payment may be made by transfer on the scheduled date in the manner provided in Condition 9.7(a). Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest scheduled to be paid on redemption) in respect of the Registered Notes which become scheduled to be paid to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder.

Payment of the interest scheduled to be paid in respect of each Registered Note (other than an Australian Domestic Note) on redemption will be made in the same manner as payment of the nominal amount of such Registered Note.

Notwithstanding the above, in respect of Registered Global Notes, all payments will be made to the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment.

(c) Certain payments in respect of Global Notes to DTC

Notwithstanding any other provision in this Condition 9.7, all amounts scheduled to be paid to DTC or its nominee as registered holder of a Global Note in registered form in respect of Capital Notes denominated in a Specified Currency other than U.S. Dollars shall be scheduled to be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. Dollars in accordance with the provisions of the Euro Agency Agreement (except, in the case of any Capital Note, to the extent specified by the relevant beneficial holder in accordance with DTC procedures, as more fully described in the Euro Agency Agreement).

(d) No responsibility for records

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

9.8 General provisions applicable to payments on Global Notes

The holder of a Global Note shall be the only person entitled to receive payments in respect of Capital Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Capital Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition 9.8, if any amount of principal and/or interest in respect of Bearer Notes is scheduled to be paid in U.S. Dollars, such U.S. Dollar payments of principal and/or interest in respect of such Capital Notes will be made at the Specified Office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with Specified Offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such Specified Offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when scheduled to be paid;
- (b) payment of the full amount of such principal and interest at all such Specified Offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

9.9 Payments in respect of Australian Domestic Notes

Monies scheduled to be paid by the Issuer in respect of an Australian Domestic Note shall be paid:

- (a) in the case of a payment of interest, to the holder appearing in the Australian Register at the close of business on the Record Date; and

- (b) in the case of a payment of principal, to the holder appearing in the Australian Register at 10:00 a.m. (Sydney time) on the date which is fixed for payment.

If Australian Domestic Notes are:

- (i) held in the Austraclear System, payments in respect of each Capital Note will be made by crediting on the relevant payment date the amount then scheduled to be paid to the account of the Noteholder in accordance with the Austraclear Regulations; or
- (ii) not held in the Austraclear System, payments in respect of each Capital Note will be made by crediting on the relevant payment date the amount then scheduled to be paid to an account previously notified to the Issuer and the Australian Registrar by the holder in respect of that Capital Note. If the holder has not notified the Issuer and the Australian Registrar of such an account by the time specified in Condition 9.9(a) or 9.9(b) (as applicable) payments in respect of the relevant Capital Note will be made by cheque dispatched by post on the relevant payment date at the risk of the Noteholder. Cheques dispatched 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 Capital Note as a result of payment not being received by the holder on the date scheduled for payment.

9.10 No set-off or offsetting rights

A Noteholder:

- (a) may not exercise any right of set-off against the Issuer in respect of any claim by the Issuer against that Noteholder; 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 Noteholder in respect of any claim by that Noteholder against the Issuer.

10 Redemption and purchase

10.1 Redemption by the Issuer for tax or regulatory reasons

Subject to Condition 10.6, and unless otherwise specified in the applicable Pricing Supplement, the Capital Notes may be redeemed at the option of the Issuer in whole or in part at any time (if this Capital Note is a Fixed Rate Note) or on any Interest Payment Date (if this Capital Note is a Floating Rate Note) by giving not less than 30 and not more than 60 days' notice to the Principal Paying Agent or the Australian Registrar (as applicable) and, in accordance with Condition 17, the Noteholders (which notice shall be irrevocable), if a Tax Event or Regulatory Event occurs.

Each Capital Note redeemed pursuant to this Condition 10.1 will be redeemed at its Redemption Amount together (if appropriate, and subject to Condition 4.4) with interest calculated from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date to (but excluding) the date of redemption.

10.2 Redemption at the option of the Issuer (Issuer Call)

Subject to Condition 10.6, and if Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given not less than 20 nor more than 40 days' notice to the Noteholders in accordance with Condition 17 (which notice shall be irrevocable), redeem the Capital Notes (in whole or in part) then outstanding on any Optional Redemption Date specified in the applicable Pricing Supplement (which date shall not, for the avoidance of doubt, fall prior to the fifth anniversary of the Issue Date) at the Redemption Amount together, if appropriate, and subject to Condition 4.4, with interest calculated from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date to (but excluding) the relevant Optional Redemption Date.

In the case of a partial redemption of Notes, the notes to be redeemed (the “**Redeemed Notes**”) will be selected:

- (a) in the case of Redeemed Notes (other than Australian Domestic Notes) represented by definitive Notes, individually by lot;
- (b) in the case of Redeemed Notes that are Australian Domestic Notes, in a fair and reasonable manner as determined by the Issuer and in compliance with any law, directive or requirement of any clearing system in which the Capital Notes are held;
- (c) in the case of Redeemed Notes represented by Global Notes, in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) and/or DTC, in the case of Redeemed Notes represented by a Global Note,

in each case not more than 30 days prior to the date fixed for redemption (such selection date, the “**Selection Date**”).

In the case of:

- (i) Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 17 not less than 15 days prior to the date fixed for redemption; and
- (ii) Redeemed Notes represented by a Global Note, no exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 10.2 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 17 at least five days prior to the Selection Date.

10.3 No redemption at the option of the Noteholders

The Capital Notes are perpetual securities in respect of which there is no maturity date or other fixed redemption date. A Noteholder cannot require the Issuer to redeem all or some of the Capital Notes held by that Noteholder at any time except as expressly provided in Condition 1.2.

10.4 Purchases

Subject to Condition 10.6, the Issuer or any subsidiary of the Issuer may at any time purchase Capital Notes or any other bond, note or other debt instrument issued by the Issuer from time to time (whether ranking senior to or equally with the Capital Notes) (provided that, in the case of Definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise and, if so purchased, such Capital Notes shall be cancelled.

10.5 Cancellation

All Capital Notes which are redeemed or purchased for cancellation by the Issuer shall be cancelled forthwith:

- (a) in the case of Bearer Notes, by surrendering each such Capital Note together with all unmatured Coupons and all unexchanged Talons to the Principal Paying Agent;
- (b) in the case of Registered Notes (other than Australian Domestic Notes), by surrendering such Registered Note to the Registrar; and
- (c) in the case of Australian Domestic Notes, without any further action being required.

Any Capital Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Capital Notes shall be discharged.

10.6 Early redemption and purchase restrictions

The Issuer may only elect to redeem any Capital Notes under this Condition 10, and the Issuer or any of its Related Entities may only elect to purchase any Capital Notes under Condition 10, if either:

- (a) before or concurrently with the redemption or purchase, the Issuer replaces the Capital 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 Capital 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 Capital Notes the subject of the redemption or purchase.

Noteholders should not expect that APRA's approval will be given for any early redemption or purchase of Capital Notes under these Conditions.

11 Taxation

11.1 Withholding Tax

All payments of principal, interest and other amounts by or on behalf of the Issuer in respect of the Capital Notes or the Coupons shall be made free and clear of, and without withholding or deduction for, any present or future Taxes imposed or levied by or on behalf of Australia or any political subdivision of, or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

11.2 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 11.3, 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 scheduled to be paid is so paid to the relevant Noteholder, the full amount scheduled to be paid to such Noteholder shall be deemed to have been duly paid and satisfied by the Issuer.

11.3 Additional Amounts

If a law of Australia requires that any payments in respect of the Capital Notes or Coupons be subject to deduction or withholding with respect to any present or future Taxes imposed or levied by or on behalf of Australia or any political subdivision of, or any authority therein or thereof having power to tax, the Issuer will, to the fullest extent then permitted by law, and subject to Condition 4.4, increase the amount that is scheduled to be paid by such additional amounts as may be necessary in order that the net amounts received by the holders of the Capital Notes or Coupons after such deduction or withholding shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Capital Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Capital Note or Coupon:

- (a) in respect of which the Noteholder, or a third party recipient on behalf of a Noteholder, is liable for those Taxes by reason of its having some connection with Australia, other than the mere holding of the Capital Notes or the receipt of the relevant payment provided that a Noteholder 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 Noteholder 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;
- (d) to, or to a third party on behalf of, an Australian resident Noteholder or a non-resident Noteholder 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;
- (e) which is imposed or withheld as a consequence of a determination having been made under Part IVA of the Tax Act (or any modification thereof or provision substituted therefor) by the Commissioner of Taxation of the Commonwealth of Australia that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the scheme which was the subject of that determination;
- (f) which is an estate, inheritance, gift, sales, transfer, personal property or similar tax, assessment or other charge; or
- (g) in respect of Capital Notes that are not Australian Domestic Notes, presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day.

11.4 FATCA

The Issuer and any Paying Agent may withhold or make deductions from payments or from the issue of Ordinary Shares to a Noteholder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Noteholder or a beneficial owner of Capital 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 8.12. 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 Noteholder on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Noteholder or a beneficial owner of Capital Notes for or in respect of any such withholding or deduction.

12 Prescription

- (a) The Capital Notes (whether in bearer or registered form) and any Coupons will become void unless presented for payment (or in the case of Australian Domestic Notes, a claim for payment is made) within a period of 10 years (in the case of principal) and five years (in the case of interest and other amounts) after the Relevant Date in respect of such payment.
- (b) There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 12 or Condition 9.5 or any Talon which would be void pursuant to Condition 9.5.

13 No events of default

Each Noteholder, by subscribing for, purchasing or otherwise acquiring a Capital Note acknowledges and agrees that:

- (a) a Noteholder has no right to apply for the Issuer to be wound up, or placed in administration, or to cause an External Administrator to be appointed in respect of the Issuer merely on the grounds that the Issuer does not or is or may become unable to pay interest when scheduled in respect of a Capital Note; and

- (b) these Conditions contain no events of default (however described, determined or defined). Accordingly (but without limitation), failure to pay in full, for any reason, an amount of interest on the scheduled Interest Payment Date will not constitute an event of default.

14 Replacement of Capital Notes, Coupons and Talons

Should any Capital Note (other than an Australian Domestic Note) or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require.

Mutilated or defaced Capital Notes or Coupons must be surrendered before replacements will be issued.

15 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the Specified Office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date scheduled for the payment of interest in respect of the Capital Note to which it appertains) a further Talon, subject to the provisions of Condition 12.

16 Agents

16.1 Appointment and replacement of Agents

The names of the initial Agents and their initial Specified Offices are listed in the definition of “Specified Office” in Condition 22.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the Specified Office through which any Agent acts, subject to Condition 16.2. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the relevant Noteholders in accordance with Condition 17.

16.2 Required Agents

The Issuer shall:

- (a) at all times maintain a Principal Paying Agent;
- (b) if and for so long as there are any Registered Notes outstanding, at all times maintain a Registrar (in the case of Registered Notes other than Australian Domestic Notes) or an Australian Registrar (in the case of Australian Domestic Notes);
- (c) if and for so long as any Capital Notes are:
- (i) admitted to the Official List of Singapore Exchange Securities Trading Limited; and/or
 - (ii) admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system,

and the rules of the relevant listing authority, stock exchange and/or quotation system so require, at all times maintain a Paying Agent and a Transfer Agent (in the case of Registered Notes) having its Specified Office in Singapore and/or in such other place as may be required by such other listing authority, stock exchange and/or quotation system;

- (d) if and for so long as any of the Registered Global Notes scheduled to be paid in a Specified Currency other than U.S. Dollars are held through DTC or its nominee, at all times maintain an Exchange Agent with a Specified Office in New York City; and

- (e) forthwith appoint a Paying Agent having a Specified Office in New York City in the circumstances described in Condition 9.8.

16.3 Role of the Euro Agents

In acting under the Euro Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders.

The Euro Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

16.4 Role of the Australian Agents

Each person in whose account an Australian Domestic Note is recorded is deemed to acknowledge in favour of the Australian Registrar and each relevant person that:

- (a) the Australian Registrar's decision to act as the Australian Registrar in respect of the Capital Note does not constitute a recommendation or endorsement by the Australian Registrar or the relevant person in relation to the Capital Note but only indicates that such Capital Note is considered by the Registrar to be compatible with the performance by it of its obligations as Australian Registrar under its agreement with the Issuer to act as Australian Registrar in respect of the Capital Note;
- (b) in acting under the Australian Agency and Registry Agreement in connection with the Capital Notes, the Australian 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 Noteholders save insofar as any funds received by the Australian Registrar are required in accordance with the Australian Agency and Registry Agreement, pending their application in accordance with the Australian Agency and Registry Agreement, to be held by it in a segregated account on trust for the persons entitled thereto; and
- (c) the Noteholder does not rely on any fact, matter or circumstance contrary to this Condition 16.4.

17 Notices

17.1 Bearer Notes

Subject to Condition 17.3, all notices regarding Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*). Any such notice will be deemed to have been given on the date of the first publication.

17.2 Registered Notes

Subject to Condition 17.3, all notices regarding Registered Notes will be deemed to be validly given if:

- (a) sent by prepaid post (airmail if posted to an address overseas) to the registered holders (or the first named of joint holders) at their respective addresses recorded in the Register or the Australian Register (as applicable) and will be deemed to have been given on the fourth day after mailing; or
- (b) in the case of Australian Domestic Notes only, published in *The Australian Financial Review* or any other English language daily newspaper of general circulation in Australia and will be deemed to have been given on the date of the first publication.

17.3 Global Notes

So long as any Global Notes representing the Capital Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for publication as described in Condition 17.1 or 17.2 (as applicable), the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Capital Notes. Any such

notice shall be deemed to have been given to the holders of the Capital Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

17.4 Listed Notes

If and for so long as any Capital Notes are:

- (a) admitted to the Official List of Singapore Exchange Securities Trading Limited; and/or
- (b) admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system,

and the rules of the relevant listing authority, stock exchange and/or quotation system prescribe a specific manner for the giving of notices, all notices relating to such Capital Notes shall in addition to any requirements for those notices in these Conditions, also be given in a manner which complies with those rules.

17.5 Notices given by Noteholders

Subject to Condition 17.6, notices to be given by any Noteholder shall be in writing and given by:

- (a) in the case of Capital Notes other than Australian Domestic Notes, lodging the same, together (in the case of any Capital Note in definitive form) with the relative Capital Note or Capital Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes); or
- (b) in the case of Australian Domestic Notes, prepaid post (airmail if posted to an address overseas) or delivery to the Specified Office of the Issuer.

All such notices will be deemed to be validly given in respect of paragraph (a), on the date of lodgement in accordance with that paragraph, or, in the case of paragraph (b), on the seventh day after mailing, or, if delivered to the Specified Office of the Issuer, the date of delivery (unless delivered after 5:00 p.m. in the place of receipt or on a day that is not a day on which commercial banks are open for business in the place of receipt, in which case the notice will be taken to be given at 9:00 a.m. on the next day that is a day on which commercial banks are open for business in the place of receipt).

17.6 Notices given by Noteholders in respect of Global Notes

Whilst any of the Capital Notes are represented by a Global Note, any notices to be given by any Noteholder may be given by any holder of a Capital Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

17.7 Couponholders

Couponholders are taken for all purposes to have received any notice given to the Noteholders.

18 Meetings of Noteholders, modification and waiver

18.1 Meetings and quorum

The Euro Agency Agreement and the Australian Note Deed Poll each contain provisions (which have effect as if incorporated in these Conditions) for convening meetings of the Noteholders of any Series to consider any matter affecting their interest, including the sanctioning by Extraordinary Resolution of any modification of, or waiver with respect to, these Conditions, the Euro Agency Agreement, the Deed of Covenant or the Australian Note Deed Poll (as applicable) insofar as the same may apply to such Capital Notes.

Such a meeting may be convened by the Issuer or by Noteholders holding not less than 10 per cent. in nominal amount of the Capital Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in the

aggregate not less than 50 per cent. in nominal amount of the Capital Notes of the Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Capital Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Notes or the Coupons (including modifying any date scheduled for payment of interest on the Capital Notes, reducing or cancelling the amount of principal or the rate of interest scheduled to be paid in respect of the Capital Notes or altering the currency of payment of the Capital Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Notes of the Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Capital Notes for the time being outstanding.

18.2 Extraordinary Resolutions

The Euro Agency Agreement and the Australian Note Deed Poll each provide that:

- (a) a resolution passed at a meeting duly convened and held in accordance with the provisions of the Euro Agency Agreement or the Australian Note Deed Poll (as applicable) by a majority consisting of not less than 75 per cent. of the votes cast on such resolution;
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in principal amount of the Capital Notes of the Series for the time being outstanding; or
- (c) a consent given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the Noteholders of not less than 75 per cent. in principal amount of the Capital Notes of the Series for the time being outstanding,

shall, in each case, be effective as an extraordinary resolution of the Noteholders (an “**Extraordinary Resolution**”).

An Extraordinary Resolution passed by the Noteholders of any Series will be binding on all the Noteholders of that Series, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders of that Series.

18.3 Issuer modifications

The Issuer may make or agree to, without the consent of the Noteholders or Couponholders, any amendment or modification of, or addition to, any provisions of the Capital Notes, the Coupons, the Euro Agency Agreement, the Deed of Covenant or the Australian Note Deed Poll:

- (a) which is not materially prejudicial to the interests of the Noteholders as a whole;
- (b) which is of a formal, minor or technical nature, or is made to correct a manifest or proven error, to cure any ambiguity or defect or to comply with mandatory provisions of the law; or
- (c) which is:
 - (i) made to:
 - (A) alter the terms of any Capital 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 Noteholders as a whole.

Any such amendment, modification or addition shall be binding on the Noteholders, and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 17 as soon as practicable thereafter.

18.4 Noteholder approval not required

The Issuer does not require the approval of Noteholders to vary or terminate any registry agreement or other deed or agreement (other than the Australian Note Deed Poll) and these Terms and Conditions in respect of any Australian Domestic Notes.

18.5 No variation which may affect Tier 1 Capital eligibility

The prior written approval of APRA is required in respect of any variation, amendment or modification of, or addition to any provisions of the Capital Notes, the Coupons, the Euro Agency Agreement, the Deed of Covenant or the Australian Note Deed Poll where such variation, amendment, modification or addition may affect the eligibility of the Capital Notes as Tier 1 Capital.

19 Further issues and consolidation

19.1 Further issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Capital Notes, or the same in all respects save for one or more of the amount, the Issue Date, the Issue Price and date of the first payment of interest thereon and the date from which interest starts to be calculated and so that the same shall be consolidated and form a single Series with the outstanding Capital Notes, provided that the terms of any further notes ranking equally with, or forming a single Series with outstanding Capital Notes must be such that, those further notes, upon their issue, are eligible for inclusion in the Issuer's Tier 1 Capital.

The Issuer shall not be restricted from creating or issuing any other notes.

19.2 No other rights

No person, by virtue of being a Noteholder, 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.

19.3 Consolidation

The Issuer may also from time to time, without the consent of the Noteholders, on giving not less than 30 days' prior notice to the Noteholders, consolidate Capital Notes denominated or redenominated in euro with one or more issues of other notes ("**Other Notes**") issued by it and denominated in the currency of any of the Member States of the European Union provided that such Other Notes are denominated in, or have been redenominated into euro and otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Capital Notes.

In the event of any such consolidation, the Issuer may, without the consent of the Noteholders, provide for additional, and/or substitute denominations of such Capital Notes.

Notice of any such consolidation and/or provision of additional or substitute denominations will be given to the Noteholders in accordance with Condition 17.

20 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Capital Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21 Governing law and submission to jurisdiction

21.1 Governing law

The Euro Agency Agreement, the Deed of Covenant, the Capital Notes (other than the Australian Domestic Notes), the Coupons and any non-contractual obligations arising out of or in connection with the Euro Agency Agreement, the Deed of Covenant, the Capital Notes (other than the Australian Domestic Notes) and the Coupons are governed by, and shall be construed in accordance with, English law except for:

- (a) the subordination provisions set forth in Condition 1; and
- (b) the provisions of Conditions 7 and 8;

which are governed by, and shall be construed in accordance with, the laws in force in the State of New South Wales, Australia.

The Australian Note Deed Poll and the Australian Domestic Notes are governed by, and shall be construed in accordance with, the laws in force in the State of New South Wales, Australia.

21.2 Submission to jurisdiction

The Issuer irrevocably agrees for the benefit of the Noteholders and the Couponholders (as applicable):

- (a) that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Capital Notes (other than the Australian Domestic Notes) and/or the Coupons, (including a dispute relating to any non-contractual obligations arising out of or in connection with the Capital Notes (other than the Australian Domestic Notes) and/or the Coupons) and accordingly submits to the jurisdiction of the English courts; and
- (b) that 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 the Australian Domestic Notes and accordingly submits to the jurisdiction of the courts New South Wales, Australia.

The Issuer waives any objection to the courts of England or the courts of the State of New South Wales, Australia (as the case may be) on the grounds that they are an inconvenient or inappropriate forum. The Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Capital Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Capital Notes and/or the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

21.3 Appointment of Process Agent

The Issuer appoints QBE European Operations Plc at its office at Plantation Place, 30 Fenchurch Street, London EC3M 3BD, United Kingdom as its agent for service of process (“**Process Agent**”), and undertakes that, in the event of QBE European Operations Plc ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

21.4 Other documents

The Issuer has in the Euro Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

22 Definitions and interpretation

22.1 Definitions

ABN shall have the meaning given to Australian Business Number.

Additional Business Centre means a place specified as such in the applicable Pricing Supplement.

Additional Financial Centre means a place specified as such in the applicable Pricing Supplement.

Agents means the Principal Paying Agent, the Registrar, the Australian Registrar, the Australian Calculation Agent and the other Paying Agents, Transfer Agents and Exchange Agents.

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 their application 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.

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

Austraclear Regulations means the regulations known as the “Austraclear Regulations” (as amended or replaced from time to time) together with any instructions or directions established by Austraclear to govern the use of the Austraclear System.

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

Australian Agency and Registry Agreement shall have the meaning given in the preamble.

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

Australian Calculation Agent shall have the meaning given in the preamble.

Australian Dollar, A\$ and AUD shall each have the meaning given in the preamble.

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

Australian Note Deed Poll shall have the meaning given in the preamble.

Australian Register means the relevant register of holders of the Australian Domestic Notes maintained by the Australian Registrar.

Australian Registrar shall have the meaning given in the preamble.

BBSW Rate shall have the meaning given in Condition 6.8.

Bearer Notes shall have the meaning given in the preamble.

Broken Amount means an amount specified as such in the applicable Pricing Supplement.

Business Day means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Relevant Financial Centre and each Additional Business Centre specified in the applicable Pricing Supplement.

Business Day Convention shall have the meaning given in the applicable Pricing Supplement.

Buy-Back means a transaction involving the acquisition by the Issuer of its Ordinary Shares pursuant to an offer made in its discretion in accordance with the provisions of Part 2J of the Corporations Act.

Calculation Amount means the amount specified as such in the applicable Pricing Supplement.

Capital Notes shall have the meaning given in the preamble.

Capital Reduction means a reduction in capital initiated by the Issuer in its discretion in respect of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

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

Clearing System Business Day means Monday to Friday inclusive except December 25 and January 1.

Clearstream, Luxembourg means Clearstream Banking, *société anonyme*.

Conditions shall have the meaning given in the preamble.

Conversion Number shall have the meaning given in Condition 8.1(a).

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

Corporations Act means the *Corporations Act 2001* of Australia.

Coupon shall have the meaning given in the preamble.

Couponholders means the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

Cum Value shall have the meaning given in Condition 8.2(a).

Day Count Fraction means:

- (a) in respect of Fixed Rate Notes where “Actual/Actual (ICMA)” is specified in the applicable Pricing Supplement:
 - (i) in the case of Capital Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of:
 - (A) the number of days in such Determination Period; and
 - (B) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Capital Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and

- (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) in respect of Fixed Rate Notes where “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (c) in respect of Floating Rate Notes:
- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “Australian Bond Basis” is specified in the applicable Pricing Supplement, one divided by the number of Interest Payment Dates in a year;
- (vi) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [D_2 - D_1]}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30; or

- (vii) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [D_2 - D_1]}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (viii) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [D_2 - D_1]}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (A) that day is the last day of February or (B) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (A) that day is the last day of February or (B) such number would be 31, in which case D₂ will be 30.

Deed of Covenant shall have the meaning given in the preamble.

Definitive Bearer Note shall have the meaning given in the preamble.

Definitive Notes shall have the meaning given in Condition 2.1.

Definitive Registered Note shall have the meaning given in the preamble.

Designated Account means the account (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register.

Designated Bank means (in the case of payment in a Specified Currency other than euro) a bank in the Principal Financial Centre and (in the case of a payment in euro) any bank which processes payments in euro.

Determination Date means a date specified as such in the applicable Pricing Supplement.

Determination Period means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each Tranche of Capital Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue).

DTC shall have the meaning given in Condition 3.3.

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 for payment of interest or dividends and in a Winding-Up of the Issuer as the most junior claim in the Winding-Up of the Issuer ranking senior to Ordinary Shares and includes:

- (a) any Preference Share; and
- (b) the £300,000,000 perpetual Capital Securities issued on or about 18 July 2006;
- (c) the US\$550,000,000 perpetual Capital Securities issued on or about 1 June 2007; and
- (d) any other instruments issued after 1 January 2013 as Relevant Tier 1 Capital Instruments.

euro, € and EUR shall each have the meaning given in the preamble.

Euro Agency Agreement shall have the meaning given in the preamble.

Euro-zone means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty.

Euroclear means Euroclear Bank S.A./N.V..

Exchange Agent shall have the meaning given in the preamble.

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.

Extraordinary Resolution shall have the meaning given Condition 18.

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

FATCA means:

- (a) sections 1471 to 1474 of the United States of America Internal Revenue Code of 1986 or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

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

Fixed Coupon Amount means an amount specified as such in the applicable Pricing Supplement.

Fixed Rate Note shall have the meaning given in Condition 4.1.

Floating Rate Note shall have the meaning given in Condition 4.1.

Foreign Noteholder shall have the meaning given in Condition 8.12(a).

Global Note shall have the meaning given in the preamble.

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 its Subsidiaries for the time being.

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 Capital Notes.

Interest Amount shall have the meaning given in Condition 6.10.

Interest Commencement Date means the date specified as such in the applicable Pricing Supplement.

Interest Determination Date means a date specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is the London interbank offered rate (“**LIBOR**”) (other than Sterling or Euro LIBOR), the second Business Day prior to the start of each Interest Period;
- (b) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is Sterling LIBOR, the first day of each Interest Period;

- (c) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is Euro LIBOR or the Euro-zone interbank offered rate (“**EURIBOR**”), the second day which is a TARGET Business Day prior to the start of each Interest Period; or
- (d) if Screen Rate Determination is specified in the applicable Pricing Supplement and the Reference Rate is the Australian Bank Bill Swap Rate (“**BBSW**”), the first day of each Interest Period.; or
- (e) if BBSW Determination is specified in the applicable Pricing Supplement, the first day of each Interest Period.

Interest Payment Date means (in the case of a Fixed Rate Note) a date so specified in the applicable Pricing Supplement and (in the case of a Floating Rate Note) the date on which interest is scheduled to be paid as determined under Condition 6.3.

Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

ISDA Definitions means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., as amended or supplemented as at the Issue Date.

ISDA Rate shall have the meaning given in Condition 6.7.

Issue Date means, in respect of a Capital Note, the date on which that Capital Note is issued.

Issue Date VWAP means the VWAP during the applicable VWAP Period, as adjusted in accordance with Condition 8.

Issue Price means the amount specified as such in the applicable Pricing Supplement.

Issuer shall have the meaning given in the preamble.

Japanese Yen, ¥ and JPY shall each have the meaning given in the preamble.

Legended Note means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A. **Legend** shall be interpreted accordingly.

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 means the amount specified as such in the applicable Pricing Supplement.

Maximum Conversion Number shall have the meaning given in Condition 8.1(a).

Nominal Amount shall have the meaning given in Condition 8.1(a).

Non-Viability Determination shall have the meaning given in Condition 7.1(a).

Non-Viability Conversion Date shall have the meaning given in Condition 7.2(a).

Non-Viability Trigger Event shall have the meaning given in Condition 7.1(a).

Non-Viability Trigger Event Notice shall have the meaning given in Condition 7.2(a).

Noteholders or holders shall have the meaning given in the preamble.

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 Capital Notes or Coupons in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires the Capital Notes or Coupons in carrying on a business at or through a permanent establishment outside Australia.

Optional Redemption Date means a date specified as such in the applicable Pricing Supplement.

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

Ordinary Share Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the constitution of the Issuer in respect of Ordinary Shares.

Other Notes shall have the meaning given in Condition 19.3.

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

Paying Agent shall have the meaning given in the preamble.

Payment Day shall have the meaning given in Condition 9.3.

Preference Share means, in respect of a Capital Note, a notional perpetual preference share in the capital of the Issuer conferring a right to non-cumulative dividend, and a claim in the winding up of the Issuer equal to the Face Value of that Capital Note, in each case and ranking senior only to Ordinary Shares.

Pricing Supplement means Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Capital Note.

Principal Financial Centre means the principal financial centre of the country of the Specified Currency specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if the Specified Currency is Sterling, London;
- (b) if the Specified Currency is Swiss Francs, Geneva;
- (c) if the Specified Currency is euro, Frankfurt;
- (d) if the Specified Currency is Japanese Yen, Tokyo;
- (e) if the Specified Currency is U.S. Dollars, New York; or
- (f) if the Specified Currency is Australian Dollars, Sydney.

Principal Paying Agent shall have the meaning given in the preamble.

Proceedings shall have the meaning given in Condition 21.2.

Process Agent shall have the meaning given in Condition 21.3.

QIB means a “qualified institutional buyer” within the meaning of Rule 144A.

Rate of Interest means the rate:

- (a) so specified in the applicable Pricing Supplement (if any); or
- (b) otherwise, the rate calculated in accordance with Conditions 6.6, 6.7, 6.8 and 6.9.

Record Date:

- (a) in respect of an Australian Domestic Note and in respect of a payment of interest, means the date which is five Registry 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; and
- (b) in respect of a Registered Note other than an Australian Domestic Note, shall have the meaning given in Condition 9.7(b).

Redeemed Note shall have the meaning given in Condition 10.2.

Redemption Amount means, in respect of a Capital Note, the Face Value of that Capital Note at the time of its redemption in accordance with these Conditions.

Reference Banks means the principal offices of four major banks in the Relevant Financial Centre, selected by the Principal Paying Agent or the Australian Calculation Agent (as applicable) (in each case, after prior consultation with the Issuer).

Reference Rate means the rate specified as such in the applicable Pricing Supplement.

Register means the relevant register of holders of the Registered Notes maintained by the Registrar.

Registered Global Note means a Global Note that is a Registered Note (but, for the avoidance of doubt, does not include an Australian Domestic Note) and includes:

- (a) a Rule 144A Global Note; and
- (b) a Regulation S Global Note,

(and any reference to “Registered Global Notes” shall be construed as a reference to Rule 144A Global Notes and/or Regulation S Global Notes, as the context requires).

Registered Notes shall have the meaning given in the preamble.

Registrar shall have the meaning given in the preamble.

Registry Business Day means a day on which commercial banks are open for business in the city where the Specified Office of the Registrar or the Australian Registrar (as applicable) is located.

Regulation S means Regulation S under the Securities Act.

Regulation S Global Note means a Registered Global Note representing Capital Notes sold outside the United States in reliance on Regulation S.

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 Capital Notes as Tier 1 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.

Relevant Date in relation to any Capital Note and any payment in respect of such Capital Note, means the date on which such payment is scheduled to be paid, except that, if the full amount of the moneys scheduled to be paid has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 17.

Relevant Financial Centre means the financial centre specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if the Reference Rate is the LIBOR, London;
- (b) if the Reference Rate is EURIBOR, Brussels;
- (c) if BBSW Determination applies, Sydney; or
- (d) in any other case, the financial centre with which the relevant Reference Rate is most closely connected.

Relevant Rate means the Reference Rate benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to Reference Rate benchmark) equal to the Specified Duration.

Relevant Screen Page means the page, section, caption, column or other part (“Page”) of a particular information service specified as such in the applicable Pricing Supplement, such other Page as may succeed or replace it on that information service or such other Page on such other information service as the Principal Paying Agent or Australian Calculation Agent (as applicable) may determine replaces or succeeds that Page (after prior consultation with the Issuer).

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 7.1(a).

Relevant Time means the time specified as such in the applicable Pricing Supplement or if none is so specified:

- (a) if the Reference Rate is the LIBOR, 11.00 a.m.;
- (b) if the Reference Rate is EURIBOR, 11.00 a.m.;
- (c) if BBSW Determination applies, 10.10 a.m.; or
- (d) in any other case, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits or equivalent interbank securities as are customarily used in the interbank market in the Relevant Financial Centre (as applicable) in the Specified Currency in the interbank market in the Relevant Financial Centre.

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.

Representative Amount means the amount specified as such in the applicable Pricing Supplement, or if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

Required Amount shall have the meaning given in Condition 7.2(a).

Rule 144A means Rule 144A under the Securities Act.

Rule 144A Global Note means a Registered Global Note representing Capital Notes sold in the United States or to, or for the account or benefit of, U.S. persons to QIBs.

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

Securities Act means the United States Securities Act of 1933, as amended.

Selection Date shall have the meaning given in Condition 10.2.

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 (including the claims described in section 563AA and in section 563A of the Corporations Act).

Series shall have the meaning given in the preamble.

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.

Specified Currency shall have the meaning given in Condition 2.3.

Specified Denomination(s) shall have the meaning given in Condition 2.2.

Specified Duration means the period of time specified as such in the applicable Pricing Supplement, or if none is specified, a period of time equal to the relative Interest Period, ignoring any adjustment as a consequence of Condition 6.4.

Specified Interest Payment Date means a date specified as such in the applicable Pricing Supplement.

Specified Maturity means the period of time specified as such in the applicable Pricing Supplement.

Specified Office means, in respect of.

- (a) the Issuer, Level 27, 8 Chifley Square, Sydney NSW 2000;
- (b) the Principal Paying Agent and the Exchange Agent, One Canada Square, London E14 5AL;
- (c) the Registrar and the Transfer Agent, 2-4 Eugene Ruppert, Vertigo Building, Polaris, L-2453 Luxembourg;
- (d) the Australian Registrar, 20 Bridge Street, Sydney NSW 2000; and
- (e) any other Agent, such office to be notified to the Noteholders from time to time,

or in any case, such other office as notified to the Noteholders from time to time.

Specified Period means a period specified as such in the applicable Pricing Supplement.

Sterling, £ and GBP shall each have the meaning given in the preamble.

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

Swiss Franc and CHF shall each have the meaning given in the preamble.

Talon shall have the meaning given in the preamble.

TARGET Business Day means a day on which the Trans European Automated Real-time Gross Settlement Express Transfer (TARGET2) System, which utilises a single shared platform and which was launched on 19 November 2007 (the “**TARGET2 System**”), or any successor thereto, is operating credit or transfer instructions in respect of payments in euro.

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.

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, governmental agency or regulatory authority in a relevant jurisdiction after the Issue Date, there is more than an insubstantial risk that:

- (a) the Issuer would be required to pay additional amounts as provided or referred to in Condition 11; or
- (b) the Issuer would be exposed to more than a *de minimis* increase in its costs in relation to the Capital Notes (which costs shall include a reduction in its franking account balance on account of an increase in the rate of franking attaching to the Capital Notes) as a result of the application of any laws relating to 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.

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 Noteholder.

Tier 1 Capital means Tier 1 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 the Ordinary Shares:
 - (i) are not suspended from trading on ASX (excluding any intra-day trading halt which the Issuer reasonably 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 the ASX.

Tranche shall have the meaning given in the preamble.

Transfer Agents shall have the meaning given in the preamble.

Transfer Certificate shall have the meaning given in Condition 3.10.

Transfer Form means a form available from the Australian Registrar or such other form as the Issuer may determine from time to time and notify to the holders of Australian Domestic Notes.

Treaty means the Treaty establishing the European Community, as amended.

U.S. Dollar, U.S.\$ and USD shall each have the meaning given in the preamble.

VWAP means the average of the daily volume weighted average prices (in AUD) of Ordinary Shares traded on ASX during the relevant VWAP Period, subject to any adjustments made under Condition 8 (such average being rounded to the nearest full Australian cent) (and, where the Specified Currency is not AUD, with each such daily price converted into the Specified Currency on the basis of:

- (a) where the Specified Currency is USD, the noon buying rate in New York City for cable transfers of Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York; or
- (b) where the Specified Currency is not AUD or USD, the rates to be determined in the manner set out in the applicable Pricing Supplement,

in each case expressed in units of the Specified Currency per A\$1.00) 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, unless otherwise specified in the applicable Pricing Supplement:

- (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.

Written-Off shall have the meaning given in Condition 7.3 and “**Write-Off**” has a corresponding meaning.

22.2 Interpretation

- (a) Unless otherwise specified, a reference to a Condition is a reference to a provision of these Conditions.
- (b) Headings and boldings are for convenience only and do not affect the interpretation of these Conditions.
- (c) The singular includes the plural and vice versa.
- (d) 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.
- (e) A reference to the “**Corporations Act**” as it relates to the Issuer is to that Act as may be modified in relation to the Issuer by ASIC.
- (f) Unless otherwise specified, 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.
- (g) A day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.
- (h) 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.

- (i) 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.
- (j) 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.
- (b) A reference to any term defined by APRA shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.
- (k) A reference to 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.
- (l) 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.
- (m) All references to the records of Euroclear and Clearstream, Luxembourg shall be to the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of such customers' interests in the Capital Notes.
- (n) For the purposes of Condition 18.3, in determining whether an amendment is not materially prejudicial to the interests of Noteholders as a whole, the taxation and regulatory capital consequences to Noteholders (or any class of Noteholders) and other special consequences which are personal to a Noteholder (or any class of Noteholders) do not need to be taken into account.

DESCRIPTION OF THE ORDINARY SHARES

The rights and liabilities attaching to the Ordinary Shares to be issued on Conversion of the Capital Notes or 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 Capital Notes or 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 some of the key rights, liabilities and features attaching to the Ordinary Shares as at the date of this Offering Circular.

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, except in the case of joint holders, where only the vote of the person named first in the register is counted.

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 Share.

Voting rights may be restricted by applicable law and ASX Listing Rules in certain circumstances — see “*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

In a winding-up of the Issuer, the liquidator may distribute in specie the whole or any part of the Issuer's property among the Members.

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 “*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 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, the Corporations Act and the 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 2 May 2016, the Issuer has 1,371,270,339 Ordinary Shares on issue, all of which are fully paid. As at the date of this Offering Circular, the Ordinary Shares are listed on ASX. See www.asx.com.au.

FORM OF THE NOTES

This part “*Form of the Notes*” applies only in relation to Notes other than Australian Domestic Notes. References to Registered Notes in this part shall be taken to exclude Australian Domestic Notes.

The Notes of each Series will be in either bearer form (“**Bearer Notes**”), with or without receipts, interest coupons and talons attached, or registered form (“**Registered Notes**”), without receipts, interest coupons and talons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued outside the United States in reliance on the exemption from registration provided by Regulation S.

Bearer Notes

Each Tranche of Bearer Notes will initially be represented by either a temporary bearer global note (a “**Temporary Bearer Global Note**”) or a permanent bearer global note (a “**Permanent Bearer Global Note**”) as indicated in the applicable Pricing Supplement which, in either case will be delivered on or prior to the original issue date of the Tranche to the common depository (the “**Common Depository**”) of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note to the extent that there is presented to the Principal Paying Agent by Euroclear or Clearstream, Luxembourg a certificate, to the effect that it has received from or in respect of a person entitled to a particular nominal amount of the Notes (as shown by its records) a certificate of non-U.S. beneficial ownership in the form required by it.

On and after the date (the “**Exchange Date**”) which is the later of (i) 40 days after a Temporary Bearer Global Note is issued and (ii) 40 days after the completion of the distribution of the Tranche of Notes represented by the Temporary Bearer Global Note, interests in such Temporary Bearer Global Note will be exchangeable in whole or in part (free of charge) for, as specified in the applicable Pricing Supplement, either (i) security printed Definitive Bearer Notes and, where applicable, interest coupons and talons attached, or (ii) a Permanent Bearer Global Note, in each case upon notice being given by Euroclear and/or Clearstream, Luxembourg acting on the instructions of any holder of an interest in the Temporary Bearer Global Note and in the case of Definitive Bearer Notes subject to the notice period specified in the Pricing Supplement. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification exchange of the Temporary Bearer Global Note for an interest in Definitive Bearer Notes or a Permanent Bearer Global Note is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part (free of charge), for security printed Definitive Bearer Notes with, where applicable, interest coupons and talons attached upon either (i) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The exchange of a Permanent Bearer Global Note for Definitive Bearer Notes upon notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Pricing Supplement if the Bearer Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Bearer Notes which are to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.

The following legend will appear on all Permanent Bearer Global Notes or Definitive Bearer Notes, which have an original maturity of more than 1 year and on all interest coupons and talons relating to such Bearer Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE.”

The sections of the U.S. Internal Revenue Code referred to above provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposal, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a “**Regulation S Global Note**”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in the Conditions and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be either (i) deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“**DTC**”) or (ii) deposited with and registered in the name of the Common Depository. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in the Conditions) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default has occurred and is continuing, (ii) DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available, (iii) DTC has ceased to constitute a clearing agency registered under the United States Securities Exchange Act of 1934, as amended, and no alternative clearing system is available, (iv) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been

closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system is available or (v) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (v) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “*Subscription and Sale*”.

General

Pursuant to the Euro Agency Agreement, the Principal Paying Agent or the Registrar shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single series, which shall not be prior to the expiry of the distribution compliance period applicable to the Notes of such Tranche.

For so long as any of the Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and for so long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Euro Agency Agreement and such Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants, and in each case the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional, alternative or successor clearance system approved by the Issuer and the Principal Paying Agent.

A Senior Note or a Subordinated Note may be accelerated by the holder thereof in certain circumstances described in the relevant Conditions. In such circumstances, or following the occurrence of the Maturity Date, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Notes will, at 8.00 pm (London time) on the seventh day after the relevant due date, become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and/or DTC on and subject to the terms of a deed of covenant (the “**Deed of Covenant**”) dated 2 May 2016 and

executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

The Issuer may agree with the Dealers that Notes may be issued in a form not contemplated by the Conditions of the Notes herein, in which event a new Offering Circular or a supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

CLEARING AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxemburg, DTC or Austraclear (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Issuer nor any other party to the Euro Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Euroclear

The Euroclear System was created in 1968 to hold securities for participants in the Euroclear System ("**Euroclear Participants**") and to effect transactions between Euroclear Participants through immobilisation of certificates and simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfer of securities and cash. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly. The Euroclear System is operated by Euroclear.

Securities clearance accounts and cash accounts with Euroclear are governed by the terms and conditions governing use of Euroclear, the related operating procedures of the Euroclear System and applicable Belgian law (collectively, the "**Euroclear Terms and Conditions**"). The Euroclear Terms and Conditions govern transactions of securities and cash within Euroclear, withdrawal of securities and cash from the system and receipts of payments with respect to securities in the system. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear acts under the Euroclear Terms and Conditions only with Euroclear Participants themselves, and has no record of or relationship with persons holding through Euroclear Participants.

Distributions with respect to interests in Global Notes held through Euroclear will be credited to the Euroclear cash accounts of Euroclear Participants to the extent received by Euroclear's depository, in accordance with the Euroclear Terms and Conditions. Euroclear will take any other action permitted to be taken by a holder of any Global Notes on behalf of a Euroclear Participant only in accordance with the Euroclear Terms and Conditions.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional depository and provides, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities. As a professional depository, Clearstream, Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream, Luxembourg holds securities and provides clearing services for its participating organisations ("**Clearstream, Luxembourg Participants**"). Securities transfers are effected through book-entry changes in accounts of Clearstream, Luxembourg Participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg Participants are recognised financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg, Participant, either directly or indirectly.

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also

facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("**Direct Participants**") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the relevant Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the relevant Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the relevant Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Austraclear system

Austraclear began operation of the Austraclear System in Australia in 1984. Austraclear is an unlisted public company owned by financial institutions and other market participants. It operates the national central securities depository to the Australian money market and registry for government, semi-government and private sector debt securities lodged with the Austraclear System. Through its proprietary Financial Transactions Recording and Clearance Systems (“**FINTRACS**”) software, the Austraclear System electronically clears and settles most debt securities traded in the Australian money market and capital market.

The rights and obligations of Austraclear and participants under the Austraclear System are created by contract, as evidenced through the Austraclear System Regulations and Operating Manual, User Guides and instructions and directions contained within the Austraclear System (“**Austraclear Rules**”).

Under the Austraclear System, a wide range of eligible debt instruments may be “lodged” with Austraclear and either immobilised in its vaults which are located in Austraclear’s branch offices in Sydney and Melbourne (if they are in physical form), or recorded on an electronic register. Through the Austraclear System, ownership of these “physical” or “discount” debt instruments (Paper Securities) and “non-physical” or “fixed interest” debt instruments (Non-Paper Securities) is transferred electronically via book-entry changes without the need for physical delivery. Real-time settlement of cash transactions is facilitated by a real-time gross settlement (“**RTGS**”) system, operated by the Reserve Bank of Australia (“**RBA**”) and linked to the Austraclear System.

The Austraclear System relies upon both parties to a transaction entering trade details into computer terminals that the System then matches before effecting settlement. As well as facilitating securities settlements the Austraclear System also provides members with the ability to make high-value funds transfers independent of the need for a corresponding securities transfer.

As transactions currently processed through the Austraclear System are made on a RTGS basis, the cash settlement of transactions in debt securities, will be settled individually on a RTGS basis through institutions’ exchange settlement accounts (held at the RBA). A payment will be settled only if the paying institution has an adequate balance in the exchange settlement account. Once that payment is made, it is irrevocable in the sense it is protected from recall by the remitter or dishonour by the paying institution. This allows for true delivery versus payment to take place; that is, securities and cash transfers occur simultaneously, counterparties to the transaction will own either securities or cash and finality is immediate.

Cross-market trading - Austraclear System

The Austraclear System in Australia is a participant in the Euroclear System and Clearstream, Luxembourg (each a “**Clearance and Settlement System**”). The Austraclear Rules provide for members of the Austraclear System to lodge, take out (“**uplift**”) and record transactions in respect of entitlements to certain bonds, notes, certificates of deposit and commercial paper issued in the Euromarkets (“**Eurosecurities**”). Members of the Austraclear System will acquire an equitable interest (a “**Euroentitlement**”) in the rights which the Austraclear System acquires to the relevant Eurosecurities. A Euroentitlement will be lodged in the Austraclear System by the member arranging for the transfer of the Eurosecurities to the account of Austraclear System with the relevant Clearance and Settlement System. It will not be possible for members to subscribe for a Eurosecurity through the Austraclear System. Once a Euroentitlement is lodged with the Austraclear System the member can deal with the Euroentitlement in much the same way as other securities lodged with the Austraclear System.

The Austraclear System will establish a separate account in Australia through which it will receive and disburse payments to members who hold Euroentitlements. Payments received by the Austraclear System in respect of Eurosecurities relating to Euroentitlements will be paid by the Austraclear System to the relevant member for value on the same day that payment is made by the issuer of the related Eurosecurities.

Euroentitlements will be able to be uplifted from the Austraclear System by the Austraclear System transferring the related Eurosecurity to the account of another participant in the relevant Clearance and Settlement System.

At present the provisions do not provide for a two-way link. The provisions will only apply to securities issued in the Euromarkets. Accordingly, the arrangements do not apply to instruments issued in the Australian domestic markets.

Transfers of Notes represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian (“**Custodian**”) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

USE OF PROCEEDS

The net proceeds from the issue of the Notes will be used for general corporate purposes with the Group. If, in respect of any particular issue there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

TAXATION

This section summarises the principal Australian taxation consequences arising from the acquisition, holding and disposal of Notes by Noteholders who hold their 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 Offering Circular, 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 Notes. The summary does not apply to Noteholders who hold 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 Notes (except as expressly noted below).

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

AUSTRALIAN TAXATION

*The following is an overview of the taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, the **Australian Tax Act**), at the date of this Offering Circular of payments of Interest on the Notes to be issued by the Issuer under the Programme and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Notes (including, dealers in securities, custodians or other third parties who hold Notes on behalf of any Noteholders).*

Prospective holders of Notes should also be aware that particular terms of issue of any series of Notes may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. The following description is subject to the terms and conditions applicable to the Notes as specified in the relevant Pricing Supplement. Prospective holders of Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.

Interest payments on the Notes

The Issuer intends to issue Notes, other than Capital Notes, on terms which characterise the Notes as debt interests for Australian income tax purposes. This means Interest paid on Notes, other than Capital Notes, is expected to be treated as ordinary interest income for Australian income tax purposes.

The Issuer intends to issue Capital Notes on terms which characterise the Capital Notes as non-share equity for Australian income tax purposes. This means Interest paid on Capital Notes is expected to be treated as non-share dividends and not as interest income for Australian income tax purposes.

Interest payments on Capital Notes are expected to be frankable distributions and may carry franking credits. The Issuer will provide distribution statements to Noteholders in respect of each Interest payment on the Capital Notes. Noteholders may refer to the distribution statement to ascertain:

- the amount of the Interest payment;
- the amount of franking credits attached to the Interest payment; and
- the amount of the unfranked part of the Interest payment (if any) that is declared by the Issuer to be conduit foreign income.

Australian Noteholders

Interest payments on the Notes should be assessable to:

- (a) Australian resident Noteholders who do not hold the Notes in carrying on a business at or through a permanent establishment outside Australia; and
- (b) non-resident Noteholders who hold the Notes in carrying on a business at or through a permanent establishment in Australia,

(“**Australian Noteholders**”).

Provided an Australian Noteholder is a ‘qualified person’ (see discussion below) in relation to an Interest payment on the Capital Notes, any franking credit attached to the Interest payment should be included in the assessable income of the Australian Noteholder and the Australian Noteholder should be entitled to a tax offset equal to the amount of the franking credits.

For some Australian Noteholders, if the tax offset exceeds their income tax liability for an income year, the excess tax offset may be refunded.

An Australian Noteholder will be a ‘qualified person’ in relation to an Interest payment on the Capital Notes if the Australian Noteholder has held the Capital Notes ‘at risk’ for a continuous period of at least 90 days during the relevant qualification period.

The length of the qualification period will depend on whether the Australian Noteholder has made a ‘related payment’ in relation to the Interest payment on the Capital Notes. Generally, this occurs where the Australian Noteholder makes a payment which passes the benefit of the Interest payment to another person.

The Commissioner of Taxation may also apply anti-avoidance rules to deny the benefit of franking credits to Noteholders in limited circumstances.

Non-Australian Noteholders

Interest payments on Notes other than Capital Notes may be subject to Australian interest withholding tax where the Interest payment is made to:

- (a) Australian resident Noteholders who hold the Notes in carrying on a business at or through a permanent establishment outside Australia; and
- (b) non-resident Noteholders who do not hold the Notes in carrying on a business at or through a permanent establishment in Australia,

(“**Non-Australian Noteholders**”).

An exemption from Australian interest withholding tax is available, in respect of the Notes other than Capital Notes issued by the Issuer, under section 128F of the Australian Tax Act if the following conditions are met:

- (a) the Issuer is a resident of Australia when it issues those Notes and when “interest” (as defined in section 128A(1AB) of the Australian Tax Act) is paid. “Interest” is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;
- (b) the Notes are debentures as defined for the purposes of section 128F (but not equity interests);

(c) those Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that the Issuer is offering those Notes for issue. In summary, the five methods are:

- offers to 10 or more unrelated financiers or securities dealers;
- offers to 100 or more investors;
- offers of listed Notes;
- offers via publicly available information sources; and
- offers to a dealer, manager or underwriter who offers to sell those Notes within 30 days by one of the preceding methods.

The issue of Notes as “global bonds”, as defined in the Australian Tax Act should also satisfy the public offer test.

In addition, the issue of any of those Notes (whether in global form or otherwise) and the offering of interests in any of those Notes by one of these methods should satisfy the public offer test provided the Issuer does not know, or have reasonable grounds to suspect, at the time of issue, that those Notes or interests in those 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.

The exemption under section 128F also does not apply to interest paid in respect of a Note if, at the time of the payment of interest, the Issuer knows, or has 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.

Unless otherwise specified in any relevant Pricing Supplement (or another relevant supplement to this Offering Circular), the Issuer intends to issue the Notes other than Capital Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

An exemption from Australian interest withholding tax may also be available, in respect of the Notes other than Capital Notes, under a number of new or amended double tax conventions (“**New Treaties**”) that the Australian government has signed with foreign jurisdictions (each a “**Specified Country**”).

The New Treaties effectively prevent interest withholding tax applying to interest derived by:

- governments of the Specified Countries and certain governmental authorities and agencies in a Specified Country; and
- certain unrelated (1) banks, and (2) other financial institutions which substantially derive their profits by carrying on a business of raising and providing finance and which are resident in the Specified Country (interest paid under a back-to-back loan or economically equivalent arrangement will not qualify for this exemption),

by reducing the interest withholding tax rate to zero.

The New Treaties are in force in a number of jurisdictions including, for example, the United States and the United Kingdom. The Australian government is progressively amending its double tax conventions to include this form of interest withholding tax exemption.

Interest payments on the Capital Notes may be subject to Australian dividend withholding tax where the Interest payment is made to non-resident Noteholders who do not hold the Notes in carrying on a business at or through a permanent establishment in Australia.

Dividend withholding tax should not generally apply to non-resident Noteholders to the extent that:

- (a) the Interest payment on the Capital Note is franked, or
- (b) the amount of the unfranked part of the Interest payment on the Capital Note is declared by the Issuer to be conduit foreign income.

Australian dividend withholding tax is imposed at a general rate of 30 per cent. but the rate may be reduced under a double tax convention between Australia and the jurisdiction where the Noteholder is resident.

Special rules apply to the taxation of Australian residents who hold Capital Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located. In some cases, Interest paid in respect of Capital Notes to an Australian resident Noteholder who holds the Capital Notes at or through a permanent establishment outside Australia may be exempt from Australian income tax.

Payment of additional amounts

As set out in more detail in the relevant Terms and Conditions for the Notes, and unless expressly provided to the contrary in the relevant Pricing Supplement (or another relevant supplement to this Offering Circular), if the Issuer is at any time required 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 the Notes, the Issuer must, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of those 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 required to pay such additional amounts in relation to any Notes, the Issuer may have the option to redeem those Notes in accordance with the relevant Terms and Conditions.

Disposals of Notes

An Australian taxing event may occur when Notes held by a Noteholder are redeemed, disposed of, or in the case of Subordinated Notes and Capital Notes only, converted or written-off.

The conversion of Subordinated Notes into Ordinary Shares should not generally give rise to any taxable gain or loss in Australia for Noteholders. This is because a taxing event should not be treated as occurring or a gain on the conversion should not be treated as assessable under the Australian Tax Act.

Similarly, a capital gain or loss made by a Noteholder on a conversion of Capital Notes into Ordinary Shares should be generally disregarded for Australian capital gains tax purposes. Instead, the Noteholder's cost base in the Ordinary Shares acquired on conversion should be determined by reference to their cost base in the Capital Notes which were converted.

There are a range of tax consequences which may apply to holders of Ordinary Shares in acquiring, holding or disposing of Ordinary Shares. Holders should seek their own taxation advice which takes into account their own personal status and circumstances if their Notes are converted into Ordinary Shares.

Australian Noteholders

Australian Noteholders should generally be required to include any gain or loss made on the redemption, disposal or write-off of Notes other than Capital Notes in their assessable income.

Gains and losses made on the redemption, disposal or write-off of Capital Notes should generally be taxed under the capital gains tax provisions. A redemption, disposal or write-off of Capital Notes should constitute a capital gains tax event. An Australian Noteholder should make a capital gain on the redemption or disposal of Capital

Notes if the sale proceeds exceed their cost base in the Capital Notes. If the sale proceeds are less than their reduced cost base, or in the case of a write-off, no sale proceeds are or are taken to be received, the Australian Noteholder should generally make a capital loss. Capital losses may only be offset against capital gains (and not other income) in the same or later years of income.

An Australian resident Noteholder may be entitled to the capital gains tax discount in respect of a capital gain made on the redemption or disposal of Capital Notes if they have held the Capital Notes for at least 12 months. An Australian resident Noteholder who is an individual or trust is entitled to a discount percentage of 50 per cent. and complying superannuation entities are entitled to a discount percentage of 33 $\frac{1}{3}$ per cent.. Companies are not entitled to the capital gains tax discount.

Non-Australian Noteholders

Special rules apply to the taxation of Australian residents who hold Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located. In some cases, gains and losses made in respect of the Notes by an Australian resident Noteholder who holds the Notes at or through a permanent establishment outside Australia may be exempt from Australian income tax.

A non-resident Noteholder who does not hold Notes (other than Capital Notes) in the course of carrying on business at or through a permanent establishment in Australia should not be subject to Australian income tax on the redemption, disposal or write-off of those Notes, provided:

- (c) the non-resident is a resident of a country with which Australia has entered into a double tax convention and is fully entitled to the relevant benefits under the convention; or
- (d) otherwise, any gains made on the redemption or disposal of those Notes do not have an Australian source.

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

Any capital gain or capital loss made in respect of Capital Notes by a non-resident Noteholder who does not hold the Capital Notes at or through a permanent establishment in Australia may be disregarded for Australian capital gains tax purposes.

Other tax matters

Under Australian laws as presently in effect:

- (a) *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 Australian interest and dividend withholding tax nor override the Australian interest withholding tax 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 Noteholders who 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 Noteholders should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made;

- (b) *foreign currency gains and losses* – Division 775 of Australian Tax Act contains rules relating to the taxation of gains and losses attributable to foreign currency exchange rate movements (as does Division 230 if it applies to a taxpayer). Taxing events can occur under Division 775 on, amongst other things, the disposal or other cessation of a right to receive foreign currency. These rules, and their interaction with other provisions of the Australian Tax Act, are complex. Again, Noteholders should seek their own taxation advice regarding how to account for any foreign exchange gains or losses arising from their holding of Notes;
- (c) *deemed interest*—there are specific rules that can apply to treat a portion of the purchase price of Notes other than Capital Notes as “interest” for interest withholding tax purposes when certain Notes other than Capital Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian Noteholder. These rules do not apply in circumstances where the deemed “interest” would have been exempt under section 128F of the Australian Tax Act if the Notes had been held to maturity by a non-resident;
- (d) *withholding tax on Notes in bearer form* — section 126 of the Australian Tax Act imposes a type of withholding tax on the payment of Interest on Notes in bearer form if the Issuer fails to disclose the names and addresses of the holders to the Australian Taxation Office. A withholding rate of 47 per cent. will apply temporarily in respect of payments of Interest made from 1 July 2014 until 30 June 2017. Under current law, a withholding rate of 45 per cent. will then apply from 1 July 2017. Section 126 does not apply to the payment of Interest on such Notes in bearer form held by non-residents who do not carry on business at or through a permanent establishment in Australia where the issue of those Notes has satisfied the requirements of section 128F of the Australian Tax Act or interest withholding tax is payable. In addition, the Australian Taxation Office has confirmed that for the purpose of section 126 of the Australian Tax Act, the holder of debentures (such as the Notes in bearer form) means the person in possession of the debentures. Section 126 is therefore limited in its application to persons in possession of Notes in bearer form who are residents of Australia or non-residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in such Notes in bearer form are held through Euroclear or Clearstream, Luxembourg, the Issuer intends to treat the operators of those clearing systems as the holders of those Notes for the purposes of section 126 of the Australian Tax Act;
- (e) *ABN/TFN withholding tax* —section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia (**Taxation Administration Act**) imposes a type of withholding tax on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number (**TFN**), (in certain circumstances) an Australian Business Number (**ABN**) or proof of some other exception (as appropriate). A withholding rate of 49 per cent. will apply temporarily in respect of payments of interest made from 1 July 2014 to 30 June 2017. Under current law, a withholding rate of 47 per cent. will then apply from 1 July 2017. Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to Notes other than Capital Notes, then the requirements of section 12-140 should not apply to payments to a holder of such Notes in registered form who is not a resident of Australia and not holding those Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Notes in registered form may be subject to a withholding where the holder of those Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);
- (f) *additional withholdings from certain payments to non-residents*—section 12-315 of Schedule 1 to the Taxation Administration Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents. However, section 12-315 expressly provides that the regulations will not apply to interest and dividends which are already subject to the current withholding

tax rules or specifically exempt from those rules. Further, 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 regulations promulgated prior to the date of this Offering Circular are not relevant to any payments in respect of the Notes. Any further regulations should also not apply to repayments of principal under the Notes, as in the absence of any issue discount, such amounts will generally not be reasonably related to assessable income. The possible application of any regulations to the proceeds of any sale of the Notes will need to be monitored;

- (g) *garnishee directions by the Commissioner of Taxation* – the Commissioner of Taxation may give a direction requiring the Issuer to deduct from any payment to a Noteholder any amount in respect of Australian tax payable by the Noteholder. 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;
- (h) *supply withholding tax*—payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed under section 12-190 of Schedule 1 to the Taxation Administration Act;
- (i) *goods and services tax (GST)*—neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by the Issuer, nor the disposal of the Notes, would give rise to any GST liability in Australia; and
- (j) *stamp duty and other taxes*—no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue, disposal, redemption or conversion of any Notes, provided:
 - (i) the Issuer remains listed on the official list of the Australian Securities Exchange and all of its shares will be quoted on the Australian Securities Exchange during the term of the Notes; and
 - (ii) following the issue, disposal, redemption or conversion of Notes, no holder will, either alone or together with any associated or related persons, be entitled to a distribution of 90 per cent. or more of the property of the Issuer on a notional distribution of all the property of the Issuer.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State. However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Subscription for the Notes

Pursuant to a Dealer Agreement dated 2 May 2016 (the “**Dealer Agreement**”) between the Arranger, the Dealers and the Issuer, the Arranger and the Dealers have agreed with the Issuer a basis upon which any of them may from time to time agree to purchase Notes. The Issuer may also agree directly with any third party purchaser (other than a Dealer) to issue to such purchaser under the Programme. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Programme or offer of the Notes has been, or will be, lodged with ASIC. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it:

- (a) has not made or invited, and will not make or invite an offer of the Notes for the issue, sale or purchase of any 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 offering circular or memorandum, advertisement or other offering material or advertisement relating to the Notes in Australia or received in Australia,

in each case unless:

- (i) the aggregate consideration payable by each offeree or invitee for the 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 Notes are otherwise issued in a manner which does not require disclosure in accordance with Part 6D.2 or Chapter 7 of the Corporations Act;
- (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 Notes nor the Ordinary Shares issued on Conversion have been or 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.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has

offered, sold or delivered any Notes and will offer, sell or deliver any 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 Arranger, the Dealers, 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 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.

Until 40 days after the commencement of the offering of any series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, at or prior to confirmation of a sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it or through it during the restricted period a confirmation or notice to substantially the following effect:

“The 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.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations.

Each of the Dealers that is a United States person has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it is acquiring the Notes in bearer form for the purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account it will only do so in accordance with the requirements of U.S. tax regulations. Each Dealer has represented and agreed that it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by U.S. tax regulations. With respect to each affiliate of a Dealer that acquires Notes in bearer form from one or more of the Dealers for the purpose of offering or selling such Notes during the restricted period, such Dealer (i) repeats and confirms the representations and agreements contained in this paragraph on its behalf and (ii) agrees that it will obtain from such affiliate for the Issuer's benefit the representations and agreements contained in this paragraph.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree 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 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 Notes in, from or otherwise involving the United Kingdom.

European Economic Area (“EEA”) – Public Offer Selling Restriction under the Prospectus Directive

Unless otherwise stated in this “*Subscription and sale*” section, in relation to each EEA State which has implemented the Prospectus Directive (each a “**Relevant EEA State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant EEA State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes, which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement, to the public in that Relevant EEA 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 EEA State:

- (a) at any time to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (a) 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 Dealer or Dealers nominated by the Issuer for any such offer; or
- (b) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer 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 Notes to the public” in relation to any Notes in any Relevant EEA State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant EEA State by any measure implementing the Prospectus Directive in that Relevant EEA 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 EEA State.

Singapore

Each Dealer has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes may not be circulated or distributed, nor may the 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 SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, 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 Notes are subscribed for or purchased in reliance on an exemption under Section 274 or 275 of the SFA, the Notes shall not be sold within the period of 6 months from the date of the initial acquisition of the 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 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 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 (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in 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.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended, the "**FIEL**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity recognised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, expect pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other relevant laws and regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for 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 whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the 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 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.

Switzerland

The 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 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 Notes may be publicly distributed or otherwise made publicly available in Switzerland. The 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 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 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 Notes, or possession or distribution of the Offering Circular in relation thereto, in any country or jurisdiction where action for that purpose is required.

The Arranger and each of the Dealers has agreed to comply in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers any 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 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 Offering Circular comes are required to comply with any applicable law and directive in each jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession or distribute or publish the Offering Circular or other offering material and to obtain any authorisation required by them for the purchase, offer, sale or delivery by them of any 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.

FORM OF PRICING SUPPLEMENT – SENIOR NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Senior Notes issued under the Programme.

[Date]

QBE Insurance Group Limited (ABN 28 008 485 014)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Senior Notes]
under the U.S.\$4,000,000,000
Medium Term Note Programme**

PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Senior Notes (the “**Conditions**”) set forth in the Offering Circular dated 2 May 2016 [(as supplemented by the supplement[s] to it dated [date] [and [date]])] (the “**Offering Circular**”). This document constitutes the Pricing Supplement for the Senior Notes described herein and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Senior Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. The Offering Circular is available on the website of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (www.sgx.com) and during normal business hours from the registered office of the Issuer and the specified office of the Principal Paying Agent. In the case of Senior Notes listed on the SGX-ST, the applicable Pricing Supplement will also be published on the website of the SGX-ST.

[The following alternative language applies if the first Tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the Offering Circular dated 2 May 2016 which are incorporated by reference in the Offering Circular dated [current date] and are attached hereto. This document constitutes the Pricing Supplement for the Senior Notes described herein and must be read in conjunction with the Offering Circular dated [current date] [(as supplemented by the supplement[s] to it dated [date] [and [date]])] (the “**Offering Circular**”). Full information on the Issuer and the offer of the Senior Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. The Offering Circular is available on the website of the Singapore Stock Exchange (“**SGX-ST**”) (www.sgx.com) and during normal business hours from the registered office of the Issuer and the specified office of the Principal Paying Agent. In the case of Senior Notes listed on the SGX-ST, the applicable Pricing Supplement will also be published on the website of the SGX-ST.]

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Pricing Supplement.]

1. [(a)] Series Number: []
 [(b)] Tranche Number: []
 [(c)] Date on which the Senior Notes will be consolidated and form a single Series: [The Senior Notes will be consolidated and form a single Series with the existing *[identify earlier Tranches]* issued by the Issuer on *[insert date / the Issue Date / exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 19 below, which is expected to occur on or about [date].]*]/[Not Applicable]
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount: []

- [(a)] Series: []
- [(b)] Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount of the Tranche [plus accrued interest from [insert date] (if applicable)] (include in the case of fungible issues only, if applicable)
5. [(a)] Specified Denominations: []
- (N.B.1. Where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:*
- “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Senior Notes in definitive form will be issued with a denomination above [€199,000].”*
- (N.B.2. If an issue of Senior Notes is offered under Rule 144A a minimum denomination of USD100,000 is required)*
- (N.B.3. If the Senior Notes are Australian Domestic Notes, the following sample wording should be followed:*
- “[A\$10,000/other amount] provided that the minimum aggregate consideration payable for the Senior Notes will be A\$500,000 (or its equivalent in an alternative currency and disregarding any monies lent by the Issuer or its associates) per offeree unless the Senior Notes are otherwise offered in a manner that does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act 2001 of Australia.”*
- [(b)] Calculation Amount: []
- (If there is only one Specified Denomination and no integral multiples in excess thereof, insert the Specified Denomination. If there is more than one Specified Denomination and no integral multiples in excess thereof, insert the highest common factor of the Specified Denominations. If there are integral multiples in excess of the Specified Denomination(s), insert the highest common factor of the integral multiples and the Specified Denomination(s).) (Note: There must be a common factor in the case of integral multiples in excess of the Specified Denomination(s) or two or more Specified Denominations.)*
6. (a) Issue Date: []
- (b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
7. Maturity Date: [Fixed rate - specify date]/[Floating rate - Interest Payment Date falling in or nearest to [specify month and year]
8. Interest Basis: [[] per cent. Fixed Rate]
- [LIBOR/EURIBOR/BBSW/Specify other]] [+/-] [] per cent. Floating Rate]

[Fixed to Floating Rate (see paragraph 10 below)
For Fixed Rate Period: [] per cent. Fixed Rate
For Floating Rate Period: [LIBOR/EURIBOR/BBSW/Specify
other] [+/-] [] per cent. Floating Rate]

(see paragraph[s] [10] [and] [13/14]/[13 and 14] below)

9. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Senior Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount.

10. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] (“**Fixed Rate Period**”), paragraph 13 applies and for the period from (and including) [date], up to (and including) the Maturity Date (“**Floating Rate Period**”), paragraph 14 applies/Not Applicable]

11. Put/Call Options: [Not Applicable]
[Issuer Call]
[Investor Put]

[(see paragraph[s] [15] [and]/[16] below)]

12. [(a)] Status of the Notes: Senior Notes

[(b)] [Date [Board/similar] approval for issuance of Senior Notes obtained: []]

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Senior Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Rate(s) of Interest: [] per cent. per annum payable [annually/semi-annually/quarterly/other (specify)] in arrear on each Interest Payment Date

(b) Interest Payment Date(s): [] in each year up to (and including) the Maturity Date

(c) Fixed Coupon Amount(s): [] per Calculation Amount

(d) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] [date]/[Not Applicable]

(e) Day Count Fraction: [Actual/Actual (ICMA)]/[30/360]

(f) [Determination Date(s): [[] in each year]/[Not Applicable]

(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates,

ignoring issue date or maturity date in the case of a long or short first or last coupon)]

14. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [] in each year [,subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (c) Additional Business Centre(s): [/Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination]/[ISDA Determination]/[BBSW Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount: [Principal Paying Agent/Australian Calculation Agent/*specify other*]¹
- (f) Relevant Financial Centre: [London/Brussels/Sydney/*Specify other Relevant Financial Centre*]/[Not Applicable]
- (g) Relevant Time: [11.00 a.m. if *LIBOR or EURIBOR*/10.10 a.m. if *BBSW*/*Specify other Relevant Time*]/[Not Applicable]
- (h) Screen Rate Determination: [Applicable/Not Applicable]
- (i) Reference Rate: Reference Rate: [[] month] [LIBOR/EURIBOR/BBSW /*Specify other Reference Rate*]
- (ii) Representative Amount: []
- (iii) Specified Duration: []
- (iv) Interest Determination Date(s): []
- [Second Business Day prior to the start of each Interest Period if the Reference Rate is LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if the Reference Rate is Sterling LIBOR or BBSW, second day on which the TARGET2 System is open prior to the start of each Interest Period if the Reference Rate is EURIBOR or Euro LIBOR]*

¹ The Australian Calculation Agent will act as Calculation Agent in respect of Australian Domestic Notes. The Principal Paying Agent will act as Calculation Agent in respect of all other Notes.

- (v) Relevant Screen Page: []
- (i) ISDA Determination: [Applicable/Not Applicable]
- (i) Floating Rate Option: []
- (ii) Designated Maturity: []
- (iii) Reset Date: []
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (j) BBSW Determination: [Applicable/Not Applicable]
- (i) Specified Maturity: []
- (k) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long Interest Period*)]
- (l) Margin(s): [+/-] [] per cent. per annum
- (m) Minimum Rate of Interest: [[] per cent. per annum]/[Not Applicable]
- (n) Maximum Rate of Interest: [[] per cent. per annum]/[Not Applicable]
- (o) Day Count Fraction: [[Actual/Actual (ISDA)]/[Actual/Actual]/[Actual/365 (Fixed)]/[Actual/365 (Sterling)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[Eurobond Basis]/[30E/360 (ISDA)]/[Australian Bond Basis]

PROVISIONS RELATING TO REDEMPTION

15. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [] per Calculation Amount

- (ii) Maximum Redemption Amount: [] per Calculation Amount
16. Investor Put: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount: [] per Calculation Amount
17. Final Redemption Amount: [] per Calculation Amount
18. Early Redemption Amount payable on redemption for taxation reasons or on Event of Default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE SENIOR NOTES

19. Form of Senior Notes: *[For Australian Domestic Notes:*
 Australian Domestic Notes]
[For other Notes:
 [Bearer Notes/Registered Notes]]
[For Bearer Notes:
 [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
 [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on 60 days' notice given at any time]
 [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- (N.B. The exchange upon notice/on Exchange Event options should not be expressed to be applicable if the Specified Denomination of the Senior Notes includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Senior Notes in definitive form will be issued with a denomination above [€199,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Senior Notes which is to be represented on issue by a Temporary Bearer Global Note or Permanent Global Note exchangeable for Definitive Bearer Notes.)*

[For Registered Notes (other than Australian Domestic Notes):

Regulation S Global Note in respect of the nominal amount inscribed therein and registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/other]/Rule 144A Global Note in respect of the nominal amount inscribed therein and registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/other] (specify nominal amounts) exchangeable for Definitive Registered Notes upon an Exchange Event]

(It is anticipated that all Registered Notes (other than Australian Domestic Notes) issued by the Issuer under the Programme will be registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg and/or in the name of a nominee for DTC, because Registered Notes issued by the Issuer do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.)

[For Australian Domestic Notes:

Dematerialised Notes in respect of the Specified Denomination registered in the name of Austraclear Limited (ABN 94 002 060 773)]

20. Principal Financial Centre: [London]/[Geneva]/[Frankfurt]/[Tokyo]/[New York]/[Sydney]/[Specify other]

21. Additional Financial Centre(s): [Not Applicable/give details]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 14(c) relates.)

22. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Senior Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

23. Required Percentage: [25 per cent.]

[THIRD PARTY INFORMATION

[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of QBE Insurance Group Limited (ABN 28 008 485 014):

By:

.....

Duly authorised

PART B—OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Senior Notes to be admitted to trading on the [SGX-ST and listed on the official list of the SGX-ST/*specify relevant market*] with effect from [].]/[Application is expected to be made by the Issuer (or on its behalf) for the Senior Notes to be admitted to trading on the [SGX-ST and listed on the official list of the SGX-ST/*specify relevant market*] with effect from [].]/[Not Applicable.]

(When documenting a fungible issue need to indicate that original Senior Notes are already admitted to trading.)

2. RATINGS

Ratings: [Not Applicable – The Senior Notes have not been rated]

[[The Senior Notes [have been/are expected to be] rated:]/[The following ratings reflect ratings assigned to Senior Notes of this type issued under the Programme generally:]

[S & P: []]

[Moody's: []]

[Fitch: []]

[[Other]: []]

3. OPERATIONAL INFORMATION

(i) ISIN: []

(ii) Common Code: []

(iii) Clearing system(s): [Euroclear and Clearstream, Luxembourg]/[Euroclear and Clearstream, Luxembourg and DTC]/[DTC]/[Austraclear]

(iv) [*For Australian Domestic Notes:* Austraclear identification number:] [[]]

(v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg, DTC and Austraclear, and the relevant identification number(s): [Not Applicable]/[*give name(s) and number(s)*]

(vi) Delivery: Delivery [against/free of] payment

(vii) Name(s) and address(es) of additional Paying Agent(s) (if any): []

(Not Applicable to Australian Domestic Notes)

- (viii) Deemed delivery of clearing system notices for the purposes of Condition 16: [Any notice delivered to Noteholders through Euroclear and/or Clearstream, Luxembourg and/or DTC will be deemed to have been given on the [second]/[] [business] day [after the day] on which it was given to Euroclear and Clearstream, Luxembourg, DTC as applicable.]

[For Australian Domestic Notes: Not Applicable]

- (ix) Intended to be held in a manner which would allow Eurosystem eligibility: [No. Senior Notes will not be Eurosystem eligible.]

4. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) Name(s) and address(es) of Manager(s) / relevant Dealer and underwriting commitment(s): [Not Applicable/give name(s), address(es) and underwriting commitment(s)]

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)

- (iii) Date of Subscription Agreement: []
- (iv) U.S. Selling Restrictions (Categories of potential investors to which the Senior Notes are offered): [Reg. S Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]

5. USE OF PROCEEDS

[If other than as set out in "Use of Proceeds" section of Offering Circular, describe here]

FORM OF PRICING SUPPLEMENT – SUBORDINATED NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Subordinated Notes issued under the Programme.

[Date]

QBE Insurance Group Limited (ABN 28 008 485 014)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Subordinated Notes]
under the U.S.\$4,000,000,000
Medium Term Note Programme**

PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Subordinated Notes (the “**Conditions**”) set forth in the Offering Circular dated 2 May 2016 [(as supplemented by the supplement[s] to it dated [date] [and [date]])] (the “**Offering Circular**”). This document constitutes the Pricing Supplement for the Subordinated Notes described herein and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Subordinated Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. The Offering Circular is available on the website of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (www.sgx.com) and during normal business hours from the registered office of the Issuer and the specified office of the Principal Paying Agent. In the case of Subordinated Notes listed on the SGX-ST, the applicable Pricing Supplement will also be published on the website of the SGX-ST.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Pricing Supplement.]

1. (a) Series Number: []
(b) Tranche Number: 1²
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
(a) Series: []
(b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount of the Tranche
5. [(a)] Specified Denominations: []

(N.B.1. Where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Subordinated Notes in

² This should always be Tranche 1. Subordinated Notes may not be issued in Series comprising more than one Tranche.

definitive form will be issued with a denomination above [€199,000].”)

(N.B.2. If an issue of Subordinated Notes is offered under Rule 144A a minimum denomination of USD100,000 is required)

(N.B.3. If the Subordinated Notes are Australian Domestic Notes, the following sample wording should be followed:

“[A\$10,000/other amount] provided that the minimum aggregate consideration payable for the Subordinated Notes will be A\$500,000 (or its equivalent in an alternative currency and disregarding any monies lent by the Issuer or its associates) per offeree unless the Subordinated Notes are otherwise offered in a manner that does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act 2001 of Australia.”)

[(b)] Calculation Amount: []

(If there is only one Specified Denomination and no integral multiples in excess thereof, insert the Specified Denomination. If there is more than one Specified Denomination and no integral multiples in excess thereof, insert the highest common factor of the Specified Denominations. If there are integral multiples in excess of the Specified Denomination(s), insert the highest common factor of the integral multiples and the Specified Denomination(s).) (Note: There must be a common factor in the case of integral multiples in excess of the Specified Denomination(s) or two or more Specified Denominations.)

6. (a) Issue Date: []

(b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]

7. Maturity Date: [[Fixed rate - specify date]/[Floating rate - Interest Payment Date falling in or nearest to [specify month and year]

(NB: The specified Maturity Date must not be less than five years after the Issue Date)

8. Interest Basis: [[] per cent. Fixed Rate]

[[LIBOR/EURIBOR/BBSW/Specify other]] [+/-] [] per cent. Floating Rate]

[Fixed to Floating Rate (see paragraph 11 below)
For Fixed Rate Period: [] per cent. Fixed Rate
For Floating Rate Period: [LIBOR/EURIBOR/BBSW/Specify other] [+/-] [] per cent. Floating Rate]

(see paragraph [s] [11] [and] [13/14]/[13 and 14] below)

9. Interest deferral (Condition 4.4): [Applicable/Not Applicable]

10. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Subordinated Notes will be redeemed on the Maturity Date at [] per cent. of their nominal amount.

11. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) *[date]* (“**Fixed Rate Period**”), paragraph 13 applies and for the period from (and including) *[date]*, up to (and including) the Maturity Date (“**Floating Rate Period**”), paragraph 14 applies]/Not Applicable]

(NB: Where a change of Interest Basis from fixed rate to floating rate is specified, the specified Margin in respect of the floating rate must not exceed the fixed Rate of Interest less the swap rate in respect of the floating basis rate (as determined at the time of pricing))

12. [(a)] Status of the Notes: Subordinated Notes

[(b)] [Date [Board/*similar*] approval for issuance of Subordinated Notes obtained: []]

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Subordinated Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Rate(s) of Interest: [] per cent. per annum payable [annually/semi-annually/quarterly/other (*specify*)] in arrear on each Interest Payment Date

(b) Interest Payment Date(s): [] in each year up to (and including) the Maturity Date

(c) Fixed Coupon Amount(s): [] per Calculation Amount

(d) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] *[date]*/[Not Applicable]

(e) Day Count Fraction Method: [Actual/Actual (ICMA)]/[30/360]

(f) [Determination Date(s): [[] in each year]/[Not Applicable]

(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)]

14. Floating Rate Note Provisions: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Specified Period(s)/Specified [[] in each year [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to

- Interest Payment Dates: any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (c) Additional Business Centre(s): [/Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination]/[ISDA Determination]/[BBSW Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount: [Principal Paying Agent/Australian Calculation Agent/*specify other*]³
- (f) Relevant Financial Centre: [London/Brussels/Sydney/*Specify other Relevant Financial Centre*]/[Not Applicable]
- (g) Relevant Time: [11.00 a.m. *if LIBOR or EURIBOR*/10.10 a.m. *if BBSW*/*Specify other Relevant Time*]/[Not Applicable]
- (h) Screen Rate Determination: [Applicable/Not Applicable]
- (i) Reference Rate: Reference Rate: [[] month] [LIBOR/EURIBOR/BBSW /*Specify other Reference Rate*]
- (ii) Representative Amount: []
- (iii) Specified Duration: []
- (iv) Interest Determination Date(s): []
[Second Business Day prior to the start of each Interest Period if the Reference Rate is LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if the Reference Rate is Sterling LIBOR or BBSW, second day on which the TARGET2 System is open prior to the start of each Interest Period if the Reference Rate is EURIBOR or Euro LIBOR]
- (v) Relevant Screen Page: []
- (i) ISDA Determination: [Applicable/Not Applicable]
- (i) Floating Rate Option: []
- (ii) Designated Maturity: []

³ The Australian Calculation Agent will act as Calculation Agent in respect of Australian Domestic Notes. The Principal Paying Agent will act as Calculation Agent in respect of all other Notes.

(iii) Reset Date: []

(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

(j) BBSW Determination: [Applicable/Not Applicable]

(i) Specified Maturity: []

(k) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long Interest Period*)]

(l) Margin(s): [+/-] [] per cent. per annum

(m) Day Count Fraction: [[Actual/Actual (ISDA)],[Actual/Actual],[Actual/365 (Fixed)],[Actual/365 (Sterling)],[Actual/360],[30/360],[360/360],[Bond Basis],[30E/360],[Eurobond Basis],[30E/360 (ISDA)],[Australian Bond Basis]

PROVISIONS RELATING TO CONVERSION AND WRITE-OFF

15. Specification of Conversion or Write-Off (Condition 7.3): [Conversion/Write-Off]

16. Issue to nominee (Condition 8.12): [Applicable/Not Applicable]

17. VWAP Period: [As specified in the Conditions/*Specify other*]

PROVISIONS RELATING TO REDEMPTION

18. Redemption for Tax Event or Regulatory Event (Condition 10.2): [Applicable/Not Applicable]

19. Issuer Call: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

Optional Redemption Date(s): []

(NB: The first Optional Redemption Date must not be less than five years after the Issue Date)

20. Redemption Amount: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE SUBORDINATED NOTES

21. Form of Subordinated Notes: [For Australian Domestic Notes:
Australian Domestic Notes]
[For other Notes:
[Bearer Notes/Registered Notes]]
[For Bearer Notes:
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
[Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on 60 days' notice given at any time]
[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
(N.B. The exchange upon notice/on Exchange Event options should not be expressed to be applicable if the Specified Denomination of the Subordinated Notes includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Subordinated Notes in definitive form will be issued with a denomination above [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Subordinated Notes which is to be represented on issue by a Temporary Bearer Global Note or Permanent Global Note exchangeable for Definitive Bearer Notes.)
[For Registered Notes (other than Australian Domestic Notes):
Regulation S Global Note in respect of the nominal amount inscribed therein and registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/other]/Rule 144A Global Note in respect of the nominal amount inscribed therein and registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/other] (specify nominal amounts) exchangeable for Definitive Registered Notes upon an Exchange Event]
(It is anticipated that all Registered Notes (other than Australian Domestic Notes) issued by the Issuer under the Programme will be registered in the name of a common depository for Euroclear and Clearstream, Luxembourg and/or in the name of a nominee for DTC, because Registered Notes issued by the Issuer do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.)
[For Australian Domestic Notes:

Dematerialised Notes in respect of the Specified Denomination registered in the name of Austraclear Limited (ABN 94 002 060 773)]

22. Principal Financial Centre: [London]/[Geneva]/[Frankfurt]/[Tokyo]/[New York]/[Sydney]/[Specify other]
23. Additional Financial Centre(s): [Not Applicable/give details]
- (Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 14(c) relates.)*
24. Talons for future Coupons to be attached to Definitive Bearer Notes: [Yes, as the Subordinated Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
25. Required Percentage: [25 per cent.]

[THIRD PARTY INFORMATION]

[Relevant third party information] has been extracted from [specify source]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of QBE Insurance Group Limited (ABN 28 008 485 014):

By:
.....

Duly authorised

PART B—OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Subordinated Notes to be admitted to trading on the [SGX-ST and listed on the official list of the SGX-ST/*specify relevant market*] with effect from [].]/[Application is expected to be made by the Issuer (or on its behalf) for the Subordinated Notes to be admitted to trading on the [SGX-ST and listed on the official list of the SGX-ST/*specify relevant market*] with effect from [].]/[Not Applicable.]

2. RATINGS

Ratings: [Not Applicable – The Subordinated Notes have not been rated]

[[The Notes [have been/are expected to be] rated:]/[The following ratings reflect ratings assigned to Subordinated Notes of this type issued under the Programme generally:]

[S & P: []]

[Moody's: []]

[Fitch: []]

[[Other]: []]

3. OPERATIONAL INFORMATION

(i) ISIN: []

(ii) Common Code: []

(iii) Clearing system(s): [Euroclear and Clearstream, Luxembourg]/[Euroclear and Clearstream, Luxembourg and DTC]/[DTC]/[Austraclear]

(iv) [*For Australian Domestic Notes:* Austraclear identification number:] [[]]

(v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg, DTC and Austraclear, and the relevant identification number(s): [Not Applicable]/[*give name(s) and number(s)*]

(vi) Delivery: Delivery [against/free of] payment

(vii) Name(s) and address(es) of additional Paying Agent(s) (if any): []

(*Not Applicable to Australian Domestic Notes*)

(viii) Deemed delivery of clearing system notices for the purposes of Condition [16]: [Any notice delivered to Noteholders through Euroclear and/or Clearstream, Luxembourg and/or DTC will be deemed to have been given on the [second]/[] [business]

day [after the day] on which it was given to Euroclear and Clearstream, Luxembourg, DTC as applicable.]

[For Australian Domestic Notes: Not Applicable]

- (ix) Intended to be held in a manner which would allow Eurosystem eligibility: [No. Subordinated Notes will not be Eurosystem eligible.]

4. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) Name(s) and address(es) of Manager(s) / relevant Dealer and underwriting commitment(s): [Not Applicable/give name(s), address(es) and underwriting commitment(s)]

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)

- (iii) Date of Subscription Agreement: []

- (iv) U.S. Selling Restrictions (Categories of potential investors to which the Subordinated Notes are offered): [Reg. S Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]

5. **USE OF PROCEEDS**

[If other than as set out in "Use of Proceeds" section of Offering Circular, describe here]

FORM OF PRICING SUPPLEMENT – CAPITAL NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Capital Notes issued under the Programme.

[Date]

QBE Insurance Group Limited (ABN 28 008 485 014)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Capital Notes]
under the U.S.\$4,000,000,000
Medium Term Note Programme

PART A—CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Capital Notes (the “**Conditions**”) set forth in the Offering Circular dated 2 May 2016 [(as supplemented by the supplement[s] to it dated [date] [and [date]])] (the “**Offering Circular**”). This document constitutes the Pricing Supplement for the Capital Notes described herein and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Capital Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. The Offering Circular is available on the website of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (www.sgx.com) and during normal business hours from the registered office of the Issuer and the specified office of the Principal Paying Agent. In the case of Capital Notes listed on the SGX-ST, the applicable Pricing Supplement will also be published on the website of the SGX-ST.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Pricing Supplement.]

1. (a) Series Number: []
(b) Tranche Number: [1]⁴
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
 - (a) Series: []
 - (b) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount of the Tranche
5. [(a)] Specified Denominations: []

(N.B.1. Where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Capital Notes in definitive form will be issued with a denomination above [€199,000].”

⁴ This should always be Tranche 1. Capital Notes may not be issued in Series comprising more than one Tranche.

(N.B.2 If an issue of Capital Notes is offered under Rule 144A a minimum denomination of USD100,000 is required)

(N.B.3. If the Capital Notes are Australian Domestic Notes, the following wording should be followed:

“[A\$10,000/other amount] provided that the minimum aggregate consideration payable for the Capital Notes will be A\$500,000 (or its equivalent in an alternative currency and disregarding any monies lent by the Issuer or its associates per offeree) unless the Capital Notes are otherwise offered in a manner that does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act 2001 of Australia.”)

[(b)] Calculation Amount: []

(If there is only one Specified Denomination and no integral multiples in excess thereof, insert the Specified Denomination. If there is more than one Specified Denomination and no integral multiples in excess thereof, insert the highest common factor of the Specified Denominations. If there are integral multiples in excess of the Specified Denomination(s), insert the highest common factor of the integral multiples and the Specified Denomination(s).) (Note: There must be a common factor in the case of integral multiples in excess of the Specified Denomination(s) or two or more Specified Denominations.)

6. (a) Issue Date: []

(b) Interest Commencement Date: [Specify/Issue Date/Not Applicable]

7. Interest Basis: [[] per cent. Fixed Rate]

[[LIBOR/EURIBOR/BBSW/Specify other]] [+/-] [] per cent. Floating Rate]

[Fixed to Floating Rate (see paragraph 8 below)

For Fixed Rate Period: [] per cent. Fixed Rate

For Floating Rate Period: [LIBOR/EURIBOR/BBSW/Specify other] [+/-] [] per cent. Floating Rate]

(see paragraph [s] [8] [and] [10/11]/[10 and 11] below)

8. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] (“**Fixed Rate Period**”), paragraph [10] applies and for the period from (and including) [date] (“**Floating Rate Period**”), paragraph [11] applies]/[Not Applicable]

(NB: Where a change of Interest Basis from fixed rate to floating rate is specified, the specified Margin in respect of the floating rate must not exceed the fixed Rate of Interest less the swap rate in respect of the floating basis rate (as determined at the time of pricing))

9. [(a)] Status of the Notes: Subordinated (Capital Notes)

[(b)] [Date [Board/*similar*] approval for issuance of Capital Notes obtained:] []
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Capital Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

10. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear on each Interest Payment Date]
- (b) Interest Payment Date(s): [] in each year unless the Capital Notes are redeemed in which case the last Interest Payment Date is the date of redemption of the Capital Notes
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
- (d) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] [*date*]/[Not Applicable]
- (e) Day Count Fraction: [Actual/Actual (ICMA)]/[30/360]
- (f) [Determination Date(s): [[] in each year]/[Not Applicable]
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
11. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: [] in each year [, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (c) Additional Business Centre(s): [] /Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination]/[ISDA Determination]/[BBSW Determination]

- (e) Party responsible for calculating the Rate of Interest and Interest Amount: [Principal Paying Agent/Australian Calculation Agent/*specify other*]⁵
- (f) Relevant Financial Centre: [London/Brussels/Sydney/*Specify other Relevant Financial Centre*]/[Not Applicable]
- (g) Relevant Time: [11.00 a.m. if *LIBOR* or *EURIBOR*/10.10 a.m. if *BBSW*/*Specify other Relevant Time*]/[Not Applicable]
- (h) Screen Rate Determination: [Applicable]/[Not Applicable]
- (i) Reference Rate: Reference Rate: [[] month] [*LIBOR*/*EURIBOR*/*BBSW* /*Specify other Reference Rate*]
- (ii) Representative Amount: []
- (iii) Specified Duration: []
- (iv) Interest Determination Date(s): []
[Second Business Day prior to the start of each Interest Period if the Reference Rate is LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if the Reference Rate is Sterling LIBOR or BBSW, second day on which the TARGET2 System is open prior to the start of each Interest Period if the Reference Rate is EURIBOR or Euro LIBOR]
- (v) Relevant Screen Page: []
- (i) ISDA Determination: [Applicable/Not Applicable]
- (i) Floating Rate Option: []
- (ii) Designated Maturity: []
- (iii) Reset Date: []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (j) BBSW Determination: [Applicable/Not Applicable]
- (i) Specified Maturity: []
- (k) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using

⁵ The Australian Calculation Agent will act as Calculation Agent in respect of Australian Domestic Notes. The Principal Paying Agent will act as Calculation Agent in respect of all other Notes.

Linear Interpolation (*specify for each short or long Interest Period*)

- (l) Margin(s): [+/-] [] per cent. per annum
- (m) Day Count Fraction: [[Actual/Actual (ISDA)],[Actual/Actual],[Actual/365 (Fixed)],[Actual/365 (Sterling)],[Actual/360],[30/360],[360/360],[Bond Basis],[30E/360],[Eurobond Basis],[30E/360 (ISDA)],[Australian Bond Basis]

PROVISIONS RELATING TO CONVERSION AND WRITE-OFF

12. Specification of Conversion or Write-Off (Condition 7.3): [Conversion/Write-Off]
13. Issue to nominee (Condition 8.12): [Applicable/Not Applicable]
14. VWAP Period: [As specified in the Conditions/*Specify other*]

PROVISIONS RELATING TO REDEMPTION

15. Redemption for Tax Event or Regulatory Event (Condition 10.1): [Applicable/Not Applicable]
16. Issuer Call: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- Optional Redemption Date(s): []
- (NB: The first Optional Redemption Date must not be less than five years after the Issue Date)*

17. Redemption Amount: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE CAPITAL NOTES

18. Form of Capital Notes: [*For Australian Domestic Notes:*
Australian Domestic Notes]
- [*For other Notes:*
[Bearer Notes/Registered Notes]]
- [*For Bearer Notes:*
[Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on 60 days' notice given at any time]

[Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

(N.B. The exchange upon notice/on Exchange Event options should not be expressed to be applicable if the Specified Denomination of the Capital Notes includes language substantially to the following effect: “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Capital Notes in definitive form will be issued with a denomination above [€199,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Capital Notes which is to be represented on issue by a Temporary Bearer Global Note or Permanent Global Note exchangeable for Definitive Bearer Notes.)

[For Registered Notes (other than Australian Domestic Notes):

Regulation S Global Note in respect of the nominal amount inscribed therein and registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/other]/Rule 144A Global Note in respect of the nominal amount inscribed therein and registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/other] (specify nominal amounts) exchangeable for Definitive Registered Notes upon an Exchange Event]

(It is anticipated that all Registered Notes (other than Australian Domestic Notes) issued by the Issuer under the Programme will be registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg and/or in the name of a nominee for DTC, because Registered Notes issued by the Issuer do not currently satisfy the ECB's Eurosystem eligibility criteria and, accordingly, cannot be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.)

[For Australian Domestic Notes:

Dematerialised Notes in respect of the Specified Denomination registered in the name of Austraclear Limited (ABN 94 002 060 773)]

19. Principal Financial Centre: [London]/[Geneva]/[Frankfurt]/[Tokyo]/[New York]/[Sydney]/[Specify other]

20. Additional Financial Centre(s): [Not Applicable/give details]

(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 11(c) relates.)

21. Talons for future Coupons to be attached to Definitive Bearer Notes: Yes, as the Capital Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made

[THIRD PARTY INFORMATION]

[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of QBE Insurance Group Limited (ABN 28 008 485 014):

By:
.....

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Capital Notes to be admitted to trading on the [SGX-ST and listed on the official list of the SGX-ST/*specify relevant market*] with effect from [].]/[Application is expected to be made by the Issuer (or on its behalf) for the Capital Notes to be admitted to trading on the [SGX-ST and listed on the official list of the SGX-ST/*specify relevant market*] with effect from [].]/[Not Applicable.]

2. RATINGS

Ratings: [Not Applicable – The Capital Notes have not been rated]

[[The Capital Notes [have been/are expected to be] rated:]/[The following ratings reflect ratings assigned to Capital Notes of this type issued under the Programme generally:]

[S & P: []]

[Moody's: []]

[Fitch: []]

[[Other]: []]

3. OPERATIONAL INFORMATION

(i) ISIN: []

(ii) Common Code: []

(iii) Clearing system(s): [Euroclear and Clearstream, Luxembourg]/[Euroclear and Clearstream, Luxembourg and DTC]/[DTC]/[Austraclear]

(iv) [*For Australian Domestic Notes:* Austraclear identification number:] [[]]

(v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg, DTC and Austraclear, and the relevant identification number(s): [Not Applicable]/[*give name(s) and number(s)*]

(vi) Delivery: Delivery [against/free of] payment

(vii) Name(s) and address(es) of additional Paying Agent(s) (if any): []

(*Not Applicable to Australian Domestic Notes*)

- (viii) Deemed delivery of clearing system notices for the purposes of Condition 17: [Any notice delivered to Noteholders through Euroclear and/or Clearstream, Luxembourg and/or DTC will be deemed to have been given on the [second]/[] [business] day [after the day] on which it was given to Euroclear and Clearstream, Luxembourg, DTC as applicable.]

[For Australian Domestic Notes: Not Applicable]

- (ix) Intended to be held in a manner which would allow Eurosystem eligibility: No. Capital Notes will not be Eurosystem eligible.

4. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) Name(s) and address(es) of Manager(s) / relevant Dealer and underwriting commitment(s): [Not Applicable/give name(s), address(es) and underwriting commitment(s)]

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)

- (iii) Date of Subscription Agreement: []
- (iv) U.S. Selling Restrictions (Categories of potential investors to which the Capital Notes are offered): [Reg. S Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]

5. **USE OF PROCEEDS**

[If other than as set out in "Use of Proceeds" section of Offering Circular, describe here]

GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in Australia in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 17 December 2015.
2. Approval in-principle has been received from the SGX-ST for the listing and quotation of any Notes to be issued under the Programme on the Official List of the SGX-ST. The Notes will be traded in a minimum board lot size of S\$200,000 for so long as the Notes are listed on the SGX-ST.
3. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for Definitive Registered Notes or Definitive Bearer Notes. In addition, in the event that a Global Note is exchanged for Definitive Registered Notes or Definitive Bearer Notes, an announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Registered Notes or Definitive Bearer Notes, including details of the paying agent in Singapore.
4. Each series of Bearer Notes will be initially represented by either a temporary global note or a permanent global note that will (unless otherwise specified in the applicable Pricing Supplement) be deposited on the issue date thereof with (as specified in the Pricing Supplement) a common depositary on behalf of Euroclear and Clearstream, Luxembourg or any other agreed clearance system compatible with Euroclear and Clearstream, Luxembourg. Each series of Registered Notes will be initially represented by interests in a Global Note and (unless otherwise specified in the applicable Pricing Supplement) deposited on the issue date thereof with (as specified in the Pricing Supplement) a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg. The appropriate Common Code and the ISIN for each series of Bearer Notes or Registered Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

5. The Notes (other than Australian Domestic Notes) have been accepted for clearance through Euroclear and Clearstream, Luxembourg. Australian Domestic Notes will be cleared through the Austraclear System. The Common Code and International Securities Identification Number for each Series will be specified in the applicable Pricing Supplement.
6. Copies of the following 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 most recent financial year ended 31 December;
 - (b) the most recent half year report released by the Issuer to ASX;
 - (c) the current Offering Circular together with any amendments and supplements prepared by the Issuer from time to time;
 - (d) any reports, letters or other documents referred to in this Offering Circular;
 - (e) the Deed of Covenant;
 - (f) the Euro Agency Agreement;
 - (g) the Australian Agency and Registry Agreement;
 - (h) the Australian Note Deed Poll;

- (i) each Pricing Supplement;
- (j) any documents incorporated into this Offering Circular by reference (see “*Documents Incorporated by Reference*” above); and
- (k) 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 Offering Circular. 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 Noteholder or a genuine prospective holder of Notes.

In addition, copies of the documents listed in paragraphs (e), (f) and (i) will be available from the offices of the Principal Paying Agent set out in the Directory at the end of this Offering Circular (subject to the Principal Paying Agent consulting the Issuer and the Issuer instructing the Principal Paying Agent that it is satisfied that the person requesting the document is either a current Noteholder or a genuine prospective holder of Notes).

7. The Issuer has obtained waivers and confirmations from the ASX in relation to ASX Listing Rule 7.1 to allow a Conversion on the occurrence of a Non-Viability Trigger Event to occur without the issue of the Ordinary Shares requiring the approval of holders of Ordinary Shares.
8. Under Australian law, the approval or authorisation of the Minister for Foreign Affairs is required for certain transactions involving dealings with assets in connection with persons or entities linked to terrorist activities or certain proscribed countries under the *Charter of the United Nations Act 1945* of Australia, the *Charter of the United Nations (Dealing with Assets) Regulations 2008* of Australia and similar approvals and authorisations under other applicable Acts and regulations (such as those in respect of sanctions against specific countries).

The *Autonomous Sanctions Regulations 2011* of Australia regulate certain payments, transactions and other dealings having a proscribed connection with designated countries, persons, entities or assets. Among other things, these regulations generally prohibit dealings with certain “designated persons or entities” by directly or indirectly making assets (including shares and securities) available to or for their benefit without a permit.

The Australian Department of Foreign Affairs and Trade maintains a list of all persons and entities having a proscribed connection with terrorism and a list of all persons and entities that are subject to sanctions (which include economic sanctions) which is available to the public at <http://dfat.gov.au/international-relations/security/sanctions/pages/consolidated-list.aspx>.

Further, the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* of Australia (the “**AML-CTF Act**”) prohibits the entering into of transactions with residents of proscribed foreign countries. While there are no per se exchange controls on the transfer of money out of Australia, where A\$10,000 (or the foreign equivalent) of physical currency is transferred out of Australia or international fund transfer instructions occur, reporting obligations may apply under the AML-CTF Act (or, where applicable, under the *Financial Transactions Reports Act 1988* of Australia).

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DIRECTORY

ISSUER

QBE Insurance Group Limited
(ABN 28 008 485 014)

REGISTERED OFFICE OF ISSUER

Level 27, 8 Chifley Square
Sydney NSW 2000
Australia

PAYING AGENT, REGISTRAR AND TRANSFER AGENT

**The Bank of New York Mellon
(Luxembourg) S.A.**
2-4 Eugene Ruppert
Vertigo Building, Polaris
L-2453 Luxembourg

PRINCIPAL PAYING AGENT, AND EXCHANGE AGENT

**The Bank of New York Mellon,
London Branch**
40th Floor, One Canada Square
London E14 5AL
United Kingdom

AUSTRALIAN REGISTRAR AND CALCULATION AGENT

Austraclear Services Limited
20 Bridge Street
Sydney NSW 2000
Australia

LEGAL ADVISERS

*To the Issuer
as to Australian, English and U.S. law*

*To the Issuer
as to Singapore law*

*To the Principal Paying Agent,
Transfer Agent and Paying Agent
as to Australian and English law*

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225 George Street
Sydney NSW 2000
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as to Australian law*

*To the Dealers
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AUDITORS

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Sydney NSW 2000
Australia

ARRANGERS AND DEALERS

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

**Morgan Stanley & Co.
International plc**
25 Cabot Square
Canary Wharf
London E14 4QA
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