

## 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**”), Goldman Sachs International, HSBC Bank plc, Morgan Stanley & Co. International plc and National Australia Bank Limited 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 are complex financial instruments and are not a suitable or appropriate investment for all investors and should not be promoted, offered, distributed and/or sold to retail investors. By your acceptance of the e-mail attaching the Offering Circular and accessing the Offering Circular you shall represent, warrant, agree with and undertake to the Issuer and each of Goldman Sachs International, HSBC Bank plc, Morgan Stanley & Co. International plc and National Australia Bank Limited that you have complied and will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area) relating to the promotion, offering, distribution and/or sale of the securities described herein (including without limitation the European Union’s Directive 2004/39/EC (as amended) as implemented in each Member State of the European Economic Area) and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the securities described herein by investors in any relevant jurisdiction. If you are acting as agent on behalf of a disclosed or undisclosed client the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both you and your underlying client.

You are reminded that the 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, Goldman Sachs International, HSBC Bank plc, Morgan Stanley & Co. International plc, National Australia Bank Limited the Trustee, the Registrar, the Principal Paying Agent, the Calculation Agent, the Principal Transfer Agent nor any person who controls any of them nor any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any such alteration or change from the original Offering Circular.



# QBE Insurance Group Limited

(ABN 28 008 485 014)

(incorporated with limited liability in the Commonwealth of Australia)

as Issuer of  
US\$700,000,000

## Subordinated Notes Issue Price 100 per cent.

The US\$700,000,000 unsecured, subordinated notes (the “**Subordinated Notes**”) are expected to be issued on 2 December 2014 (the “**Issue Date**”) by QBE Insurance Group Limited (the “**Issuer**”). Cumulative deferrable interest (“**Interest**”) will accrue on the Subordinated Notes from (and including) the Issue Date at a rate equal to 6.75 per cent. per annum up to (but excluding) 2 December 2024 and thereafter at a rate equal to the sum of (i) the Mid Market Swap Rate (as defined in the terms and conditions of the Subordinated Notes (the “**Conditions**”)) on the relevant Interest Rate Reset Date and (ii) a margin of 4.30 per cent. per annum, and will be payable, subject to the Conditions, semi-annually in arrear on 2 June and 2 December of each year, commencing on 2 June 2015 (each, an “**Interest Payment Date**”).

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

The Subordinated Notes will mature on 2 December 2044, however they may, with the prior written approval of the Australian Prudential Regulation Authority (“**APRA**”) be redeemed earlier at the option of the Issuer in full (but not in part only) on 2 December 2024 or 2 December 2034 or following the occurrence of a Regulatory Event or a Tax Event (see Condition 5). If a Non-Viability Trigger Event occurs prior to the redemption of the Subordinated Notes in full, they will immediately be converted in whole (or in some cases in part) into ordinary shares in the capital of the Issuer (“**Ordinary Shares**”) or, in certain circumstances where, for any reason, Conversion has not occurred within a certain time, written-off in whole (or in some cases in part), whereupon all obligations (or, where applicable, the applicable nominal amounts) in respect of those Subordinated Notes will terminate (see Condition 6).

The Subordinated Notes are expected to be assigned on issue a rating of “**BBB-**” by Standard & Poor’s (Australia) Pty Ltd (“**Standard & Poor’s**”) and “**BBB-**” by Fitch Australia Pty Ltd (“**Fitch**”). 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 Australian 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 Subordinated Notes is subject to risk, including the risk that investors may lose some or all of their investment if a Non-Viability Trigger Event occurs or otherwise. See the section entitled *Risk Factors* below for a discussion of certain risk factors that should be considered by prospective investors.

Approval in principle has been received for the listing and quotation of the Subordinated Notes on the Official List of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of the Subordinated Notes on the SGX-ST are not to be taken as an indication of the merits of the offering, the Issuer, the Group or its associated companies (if any) or the Subordinated Notes. The Subordinated Notes will be traded in a minimum board lot size of US\$200,000 (or equivalent in another currency) for so long as the Subordinated Notes are listed on the SGX-ST.

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

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

The Subordinated Notes will be constituted by a trust deed dated on or about 25 November 2014 between the Issuer and the Bank of New York Mellon, London Branch as trustee and will be issued in registered form in denominations of US\$200,000 per Subordinated Note and integral multiples of US\$1,000 in excess of that amount. The Subordinated Notes will be initially represented by a single global certificate in registered form (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”). Subordinated Notes issued in definitive certificated form (“**Definitive Certificates**”) will only be available in certain limited circumstances. See the section entitled *Summary of provisions relating to the Subordinated Notes represented by a global certificate* below.

Joint Global Co-ordinators

Goldman Sachs International

HSBC

Joint Lead Managers

Goldman Sachs International  
Morgan Stanley

HSBC  
National Australia Bank Limited

The date of this Offering Circular is 25 November 2014

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## IMPORTANT NOTICE

### **No offer**

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

### **Responsibility for information**

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this 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 Goldman Sachs International and HSBC Bank plc (together, the “**Joint Global Co-ordinators**”), Morgan Stanley & Co. International plc and National Australia Bank Limited (together with the Joint Global-Co-ordinators, the “**Joint Lead Managers**”) and none of the Trustee, 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 or incorporated in 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 Subordinated 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 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; or
- (b) the information contained in this Offering Circular is correct at such later time.

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 of the Subordinated 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.

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

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

### **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 Subordinated Notes or financial or

other advice. Accordingly, any person contemplating the subscription or purchase of the Subordinated Notes must:

- (a) make their own independent investigation of:
  - (i) the terms of the Subordinated Notes, including reviewing the Conditions and the other provisions of the Trust Deed and the Agency Agreement; 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 Subordinated Notes should have regard to the risk factors described under the section entitled *Risk Factors* below. However, this Offering Circular does not describe all of the risks of an investment in the Subordinated Notes.

**The Subordinated Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Subordinated Notes to retail investors. By purchasing, or making or accepting an offer to purchase, any Subordinated Notes from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each Joint Lead Manager that it has and will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area) relating to the promotion, offering, distribution and/or sale of the Subordinated Notes (including without limitation the European Union's Directive 2004/39/EC (as amended) as implemented in each Member State of the European Economic Area) and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Subordinated Notes by investors in any relevant jurisdiction. Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Subordinated Notes from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.**

#### **Disclosure of interests**

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

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

Prospective investors should be aware that:

- (i) each Relevant Entity in the course of its business (including in respect of interests described above) may act independently of any other Relevant Entity, any Other Party and any Holder;
- (ii) to the maximum extent permitted by applicable law, the duties of each Relevant Entity in respect of the Subordinated Notes are limited to the relevant contractual obligations set out in the Subscription Agreement and, in particular, no advisory or fiduciary duty is owed by any Relevant Entity to any person;

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

Each of Goldman Sachs International and Morgan Stanley & Co International plc is relying upon Australian Securities and Investments Commission (“**ASIC**”) Class Order 03/1099 and in that respect makes the following disclosures. Each of Goldman Sachs International and Morgan Stanley & Co International plc is exempt under ASIC Class Order 03/1099 from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cth) in respect of the financial services it provides in relation to this transaction. Each of Goldman Sachs International and Morgan Stanley & Co International plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under the laws of England and Wales, which differ from Australian laws.

HSBC Bank plc does not hold an Australian financial services licence under the Corporations Act 2001 (Cth). Any financial services provided in Australia by HSBC in connection with this transaction or the Subordinated Notes are provided by HSBC Bank Australia Limited (ACN 006 434 162 AFSL 232595).

#### **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.

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

#### **Not guaranteed or insured**

A Subordinated 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.

#### **Not policy liabilities**

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

#### **Risk factors**

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

## **Stabilisation**

In connection with the issue of the Subordinated Notes, HSBC Bank plc (the “**Stabilising Manager**”) (or any persons acting on behalf of the Stabilising Manager) may over-allot Subordinated Notes or effect transactions outside Australia, on a market operated outside Australia, with a view to supporting the market price of the Subordinated Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) 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 Subordinated 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 Subordinated Notes and 60 days after the date of the allotment of the Subordinated Notes.

Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) outside Australia, on a market operated outside Australia and 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 the section entitled *Description of the Issuer* in this Offering Circular, 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 the section entitled *Risk Factors*.

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 Trustee, 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 will have the meanings given to them in the 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 “£”, “**pounds sterling**” or “**Sterling**” are to the lawful currency of the United Kingdom, references to “**US Dollars**”, “**US\$**” are to the lawful currency of the United States of America and references to “**Australian Dollars**” or “**A\$**” are to the lawful currency of Australia.

## **Documents Incorporated by Reference**

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



## Transaction Documents

The definitive terms and conditions of the Subordinated Notes, the Trust Deed, and the Agency Agreement and the rights and liabilities of holders of the Ordinary Shares are contained in the relevant documents described in the section entitled *General Information* below (the “**Available Documents**”). The Available Documents should be reviewed by any intending purchaser. If there is any inconsistency between this 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 Subordinated Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor any Other Party represents that this document may be lawfully distributed, or that any Subordinated Notes or Ordinary Shares may be lawfully offered, in compliance with any application, registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or any Other Party which would permit a public offering of any Subordinated Notes or Ordinary Shares or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Subordinated Notes or Ordinary Shares may be offered or sold, directly or indirectly, and neither this 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 Subordinated Notes or Ordinary Shares come must inform themselves about, and observe any such restrictions.

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

For a description of certain restrictions on offers, sales and deliveries of the Subordinated Notes and on the distribution of the Offering Circular and other offering material relating to the Subordinated Notes see the section entitled *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 Subordinated 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 Subordinated Notes may not be circulated or distributed, nor may any Subordinated Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (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

Subordinated Notes may not be offered for sale, nor may applications for the sale or purchase of any Subordinated 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 Subordinated Notes may be distributed or published in Australia, unless (i) the aggregate consideration payable by each offeree or invitee for the Subordinated Notes is a minimum of A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offeree (A) is a professional investor as defined in section 9 of the Corporations Act or (B) has or controls gross assets of at least A\$10 million (including any assets held by an associate or under a trust that the person manages), (ii) the offer or invitation does not constitute an offer to a “retail client” within the meaning of section 761G of the Corporations Act, (iii) such action complies with all applicable Australian laws, regulations and directives in Australia (including, without limitation, the licensing requirements of Chapter 7 of the Corporations Act), and (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

### **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 Subordinated 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 Subordinated 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 SUBORDINATED NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE SUBORDINATED NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) UNLESS THE SUBORDINATED NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR OFFERED AND SOLD IN COMPLIANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.**

**THE SUBORDINATED NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS 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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## TRANSACTION OVERVIEW

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

### Key parties

<b>Issuer</b>	QBE Insurance Group Limited (ABN 28 008 485 014), a limited liability company established under the laws of the Commonwealth of Australia. See the section entitled <i>Description of the Issuer</i> below.
<b>Trustee</b>	The Bank of New York Mellon, London Branch or any successor trustee appointed from time to time in accordance with the terms of the Trust Deed.
<b>Registrar</b>	The Bank of New York Mellon (Luxembourg) S.A. or any successor registrar appointed from time to time in accordance with the terms of the Agency Agreement.
<b>Principal Paying Agent</b>	The Bank of New York Mellon, London Branch or any successor appointed from time to time as principal paying agent in accordance with the terms of the Agency Agreement.
<b>Principal Transfer Agent</b>	The Bank of New York Mellon (Luxembourg) S.A. or any successor appointed from time to time as principal transfer agent in accordance with the terms of the Agency Agreement.
<b>Calculation Agent</b>	The Bank of New York Mellon, London Branch or any successor appointed from time to time as calculation agent in accordance with the terms of the Agency Agreement.
<b>Paying Agents</b>	The Principal Paying Agent and each other paying agent appointed from time to time in accordance with the Agency Agreement.
<b>Transfer Agents</b>	The Principal Transfer Agent and each other transfer agent appointed from time to time in accordance with the Agency Agreement.
<b>Key dates and periods</b>	
<b>Issue Date</b>	The date on which the Subordinated Notes are issued, which is expected to be 2 December 2014.
<b>Interest Payment Dates</b>	2 June and 2 December of each year commencing on 2 June 2015, subject to deferral in accordance with the Conditions.
<b>Interest Period</b>	From (and including) an Interest Payment Date to (but excluding) the following Interest Payment Date provided that the first Interest Period commences on (and includes) the Issue Date.
<b>Interest Rate Reset Dates</b>	2 December 2024 and 2 December 2034.
<b>Interest Rate Periods</b>	<p>The first Interest Rate Period shall be the period from (and including) the Issue Date to (but excluding) the first Interest Rate Reset Date;</p> <p>The second Interest Rate Period shall be the period from (and including) the first Interest Rate Reset Date to (but excluding) the second Interest Rate Reset Date; and</p> <p>The third Interest Rate Period shall be the period from (and including) the second Interest Rate Reset Date to (but excluding) the Maturity Date.</p>
<b>Maturity Date</b>	2 December 2044.
<b>Optional Redemption Date</b>	2 December 2024 and 2 December 2034.

<b>Optional Interest Payment Date</b>	An Interest Payment Date where no interest payments, dividends or other distributions have been made on Equal Ranking Instruments or Junior Ranking Instruments (other than an Equal Ranking Instrument in the case where the terms of that instrument do not enable the Issuer to defer, pass on or eliminate the relevant payment on such Equal Ranking Instrument) during the Financial Year in which such Interest Payment Date falls and no dividend has been made on any Ordinary Shares during the Financial Year in which such Interest Payment Date falls.
<b>Financial Year</b>	Any year beginning on 1 January and ending on 31 December.
<b>Non-Viability Conversion Date</b>	The date on which a Non-Viability Trigger Event occurs.
<b>Key events</b>	
<b>Non-Viability Trigger Event</b>	<p>A Non-Viability Trigger Event occurs when the Australian Prudential Regulation Authority (“<b>APRA</b>”) provides a written determination to the Issuer that the conversion or write-off of Relevant Capital Instruments in accordance with their terms or by operation of law is necessary because:</p> <ul style="list-style-type: none"> <li>(a) without the conversion or write-off, APRA considers that the Issuer would become non-viable; or</li> <li>(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.</li> </ul>
<b>Regulatory Event</b>	<p>A Regulatory Event occurs upon the introduction of, or an amendment or clarification to or change in, or a change in the interpretation of a law or regulation of Australia or any state or territory thereof, or a rule, regulation, prudential standard, directive, order or requirement of APRA, after the Issue Date (“<b>Regulatory Change</b>”) (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.</p>
<b>Tax Event</b>	<p>A Tax Event occurs on the receipt by the Issuer of an opinion of competent tax counsel to the effect that, as a result of the introduction of, or amendment or clarification to, or change in, or change in the interpretation of (or announcement of a prospective introduction of, amendment or clarification to or change in) a law or regulation by any legislative body, court, governmental agency or regulatory authority in a Relevant Jurisdiction after the Issue Date, there is more than an insubstantial risk that:</p> <ul style="list-style-type: none"> <li>(a) the Issuer would be required to pay any Additional Amounts;</li> <li>(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</li> <li>(c) the Issuer would be exposed to more than a <i>de minimis</i> increase in its costs in relation to the Subordinated Notes as a result of any taxes, duties or other governmental charges or civil liabilities,</li> </ul> <p>provided that on the Issue Date the Issuer did not expect that the matters giving rise to the Tax Event would occur.</p>
<b>Certification Event</b>	<p>A Certification Event occurs if:</p> <ul style="list-style-type: none"> <li>(a) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Subordinated Notes in the form of Definitive Certificates instead of in the form of the Global Certificate;</li> <li>(b) the Issuer determines that Subordinated Notes should cease to be</li> </ul>

represented by a Global Certificate in order to facilitate a Conversion; or

- (c) 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, in any such case, no successor or alternative clearing system satisfactory to the Issuer is available.

## Event of Default

An Event of Default occurs if:

(a) either:

- the Issuer does not pay the Redemption Price in respect of the Subordinated Notes when such payment becomes due and payable, and, provided that if such failure is caused by technical or administrative error only, such failure continues for a period of three days after the applicable due date; or
- the Issuer does not pay any interest (including any Deferred Interest or any Additional Interest) or other amount when such payment becomes due and payable and such failure continues for a period of 30 days after the applicable due date,

(a “**Payment Default**”); or

(b) either:

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

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

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

## Summary of key conditions of the Subordinated Notes

### Form of Subordinated Notes

Direct, unsecured and subordinated notes in registered form represented, on the Issue Date, by a global certificate and exchangeable for definitive certificates following the occurrence of a Certification Event.

### Ranking in a Winding-Up

The Subordinated Notes will rank for payment in a Winding-Up of the Issuer:

- (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.

See Condition 2.1. However, Holders should be aware that if the Issuer is in a Winding-Up, it is likely that a Non-Viability Trigger Event will have occurred, following which it is likely that the Holder’s Subordinated Notes will have been Converted to Ordinary Shares or Written-Off as described in the sections entitled *Risk Factors—Conversion* and *Risk Factors—Write-Off*.

### Interest Rate

Is:

- (a) in respect of an Interest Period falling within the first Interest Rate Period, 6.75% per annum (being an amount equal to the Mid Market Swap Rate applicable to the first Interest Rate Period plus a margin of 4.30 per cent. per annum); and
- (b) in respect of an Interest Period falling within any subsequent Interest Rate Period, the rate (expressed as a percentage per annum) equal to the Mid Market Swap Rate applicable to the relevant Interest Rate Period plus a margin of 4.30 per cent. per annum.

**Day Count Fraction**

In respect of a period, the number of days in the period (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

**Gross Up**

If any withholding or deduction is required by a law of the Commonwealth of Australia or any authority of the Commonwealth of Australia having power to tax, the Issuer must pay an additional amount in respect of the Subordinated Notes (“**Additional Amount**”) to the Holders so that the Holders receive the same amount in respect of that payment as if no such deduction had been made from the payment, subject to certain exceptions.

See Condition 10.3.

**Payment of interest**

In arrear on each Interest Payment Date subject to the payment deferral provisions described immediately below.

**Payment Deferral Provisions**

The Issuer may elect to defer payment of all or part only of any interest amount on any Optional Interest Payment Date to any future date specified by the Issuer (not being later than the Maturity Date). Any such deferred payment of interest is referred to as “**Deferred Interest**”.

In addition, if on the date on which a payment under the Subordinated Notes falls due for payment, the Solvency Condition is not met or will not be met if such payment is made, the due date for payment of such amount shall be postponed until the first Business Day on which the Solvency Condition can be met in respect of such payment.

The “**Solvency Condition**” means

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

“**Solvent**” means at any time in respect of the Issuer:

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

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

Interest that has been deferred will continue to accrue interest.

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

**Payment of Deferred Interest**

Deferred Interest may be paid in whole or in part at any time upon the expiry of not less than 14 days’ notice to such effect given by the Issuer to the Holders. All Deferred Interest (together with any Additional Interest) on a Subordinated Note will, subject to the Solvency Condition being satisfied, automatically become immediately due and payable in whole upon the earliest of the following dates:

- (a) the date on which any interest payment or payment in respect of interest is made on any Junior Ranking Instruments or Equal Ranking Instruments (excluding any such payment on an Equal Ranking Instrument in a case where the terms of that security do not enable the Issuer to defer, pass on or eliminate the relevant payment

on such Equal Ranking Instruments) or on which a dividend or other distribution on any class of the Issuer's share capital is paid or becomes payable;

- (b) the date specified by the Issuer to which it has elected to defer payment;
- (c) (without double counting) the date on which the Subordinated Notes are redeemed in accordance with the Conditions;
- (d) the date on which a Winding-Up Default occurs; or
- (e) the date fixed for:
  - any redemption of Subordinated Notes; or
  - any purchase of Subordinated Notes by or on behalf of the Issuer, pursuant to Condition 5.

See Condition 4.1(c).

## **Redemption**

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

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

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

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

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

See Condition 5.

## **Redemption Price**

In respect of a Subordinated Note being redeemed, the "**Redemption Price**" will be an amount equal to the sum of the Face Value of that Subordinated Note together with any Deferred Interest, any Additional Interest, any Additional Amounts and any accrued but unpaid interest to the date of redemption determined in accordance with Condition 3, provided always that:

- (a) any amounts of interest payable on the Redemption Date which are separately paid in full on that date shall be excluded from the Redemption Price; and
- (b) if the Redemption Price becomes due for payment due to the occurrence of a Regulatory Event, the reference to Face Value above shall be deemed to be a reference to the product of the Face Value multiplied by 101%.

## **Conversion**

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

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

In the case of (b) above (i.e., if the Issuer is required to convert an amount of Relevant Subordinated Instruments which is less than all Relevant



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

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

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

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

See Conditions 6 and 7.

#### **Nominee holder**

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

- (a) the Holder has notified the Issuer that it does not wish to receive such Ordinary Shares;
- (b) the Holder of the relevant Subordinated Notes is a person which the Issuer believes in good faith may not be a resident of Australia; or
- (c) the Issuer has not received information from the relevant Holder required by the Issuer to allow the issue of Ordinary Shares to such Holder.

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

See Condition 7.12.

#### **Write-Off**

Where, for any reason (including, without limitation, where the Issuer is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of the Issuer) or any other reason from Converting the Subordinated Notes), a Conversion in respect of a Subordinated Note required by the Conditions has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date, then the rights of the relevant Holder (including without limitation

to the payment of interest and the Redemption Price) in relation to the Nominal Amount of that Subordinated Note required to be Converted are immediately and irrevocably written-off and terminated.

See Condition 6.3.

### **Variation and waiver**

In respect of:

- (a) the Agency Agreement and the Trust Deed, the relevant parties to those documents; and
- (b) the Conditions, the Trustee and the Issuer,

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

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

The Trustee may, without the consent or approval of the Holders, agree to waive or authorise a breach or proposed breach by the Issuer of the Conditions, the Trust Deed or the Agency Agreement if the Trustee is of the opinion that the waiver or authorisation is not materially prejudicial to the interests of the Holders as a whole, provided that the Trustee shall not exercise this power:

- (a) in contravention of any express direction given by Special Resolution but so that no such direction or request shall affect any waiver previously given or made; or
- (b) so as to affect eligibility of the Subordinated Notes as Tier 2 Capital. The Trustee is entitled to rely on an Officer’s Certificate delivered to it by the Issuer as conclusive evidence of whether APRA approval of a variation is required and, if required, has been obtained.

See Condition 14 and clause 18 of the Trust Deed.

### **Voting and resolutions**

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

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

The quorum for meetings of Holders regarding Ordinary Resolutions is one or more persons representing one-tenth (in the case of an unadjourned meeting) or one or more persons representing any amount (in the case of an adjourned meeting) of principal amount of Subordinated Notes outstanding. The quorum for meetings of Holders regarding Special Resolutions is, depending on the subject of the meeting, a clear majority or 66 2/3% (in the case of an unadjourned meeting) or, respectively, one or more persons representing any amount or 50.01% (in the case of an adjourned meeting) of principal amount of Subordinated Notes outstanding.

Subordinated Notes held by or on behalf of or for the benefit of any member of the Group, in each case as beneficial owner, shall not (unless and until ceasing to be so held) carry an entitlement to vote, form quorums or execute a written resolution.

**No set-off or offsetting rights**

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

See Condition 9.8.

**Rating**

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

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 Australian 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 Australian 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.

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

**Listing**

Approval-in-principle has been received for the listing and quotation of the Subordinated Notes on the Official List of the SGX-ST. Approval in-principle for the listing and quotation of the Subordinated Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Group or its associated companies (if any) or the Subordinated Notes. The Subordinated Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 or its equivalent in foreign currencies for so long as the Subordinated Notes are listed on the SGX-ST.

**Clearing and settlement**

The Subordinated Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

See the sections entitled *Summary of Provisions Relating to the Subordinated Notes represented by a Global Certificate* and *General Information* below.

**ISIN**

XS1144495808

**Common Code**

114449580

**Governing law**

English law, with the exception of certain provisions relating to subordination, Conversion and Write-Off, which are governed by the laws of the State of New South Wales, Australia.

## RISK FACTORS

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

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

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

### RISKS RELATING TO THE ISSUER AND THE GROUP

#### *Risks relating to the nature of the business of the Group*

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

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

For the six months ended 30 June 2014, the Group's net claims on an accident year basis from large individual risk and catastrophe claims totalled US\$690 million compared with US\$609 million for the six months ended 30 June 2013. For the six months ended 30 June 2014, there were 39 large individual risk and catastrophe claims impacting the Group, including UK floods, North American winter storms and tornadoes, European hailstorms, Cyclone Ita and Victorian bushfires. In 2013, the Group's net claims on an accident year basis from large individual risk and catastrophe claims totalled US\$1,493 million compared with US\$1,643 million in 2012. In 2013, there were 22 large catastrophes impacting the Group, including Cyclone Oswald, Argentina and European floods, German hailstorm, Hurricane Manual and Typhoon Haiyan as well as crop claims following the severe U.S. drought. In 2012, there were 25 large catastrophes impacting the Group, including Superstorm Sandy, the second largest hurricane in US history, crop claims following the severe U.S. drought, U.S. tornadoes, Hurricane Isaac, the Italian earthquake, and Western Australia storms.

The extent of claims from a catastrophe caused by a peril is a function of two factors, namely, the total amount of insured exposure in the area affected by the event and the severity of the event. Many catastrophes are localised to small geographic areas. However, natural disasters have the potential to produce significant damage over large areas. In addition, catastrophes can occur in heavily populated or industrialised areas, which can lead to increased claims. As the world becomes more heavily populated and industrialised areas increase, there may be increases in the value and geographic concentration of insured property in such areas, which could increase the severity of claims from future catastrophes. Although catastrophes can give rise to claims in a variety of general insurance and reinsurance lines, marine and property insurance and reinsurance have in the past generated the vast majority of the Group's catastrophe-related claims.

The Group monitors its aggregate exposures and the amount of reinsurance protection it buys depends upon the estimates of probable maximum loss. These estimates may prove to be incorrect and the Group's aggregate claims may exceed its estimates. In addition, the Group takes into account the projected implications of climate change on the frequency, severity and potential locations of natural catastrophes and on its business in general. Over the past several years, changing weather patterns and climatic change may have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposures. The international geographic distribution of the Group's business subjects it to catastrophe exposure from natural events occurring in a number of areas throughout the world. The claims

experience of catastrophe insurers and reinsurers has historically been characterised as low frequency but high severity in nature. One of the more significant risks is the potential under-estimation of the impact on the Group of catastrophic events related to changes in weather patterns and the insurance industry in general. There is also the operational risk of increased claims costs due to the impact of climate change scenarios.

While the Group has historically managed its exposure to catastrophes through, among other things, the purchase of catastrophe reinsurance, retrocessional coverage and whole account reinsurance, there can be no assurance that such coverage will continue to be available to it at acceptable rates and levels, that its existing coverage will prove adequate or that counterparties to these arrangements will perform their obligations thereunder. For example, in 2012, property catastrophe reinsurance rates in Australia and Asia Pacific increased significantly following the unprecedented level of catastrophe loss activity in the region in 2010 and 2012.

### ***Acquisitions 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 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 risks could materially adversely affect its liquidity, results of operations, ratings and financial condition.

### ***Accounting estimates and judgements***

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

### *Intangible assets*

QBE monitors goodwill and identifiable intangible assets for indicators of impairment at each balance date, and reviews for appropriateness the estimated useful lives of intangible assets.

At 31 December 2013, the Group's review of the carrying value of the North American Operations cash generating unit resulted in a US\$600 million impairment of goodwill, primarily arising from uncertainty over the impact of the projected profitability of QBE's lender-placed insurance business. In both 2013 and 2012, the Group revised the amortisation profile applied to distribution rights, software and non-compete agreements acquired as part of the Balboa acquisition in 2011 in order to better reflect the pattern of benefits expected resulting in an increase in the amortisation charge for financial years 2013 and 2012 of US\$300 million and US\$80 million respectively. For the six months ended 30 June 2014, amortisation of intangible assets before tax was US\$35 million as compared with US\$171 million (includes an impairment charge of US\$3 million) for the six months ended 30 June 2013, with the reduction reflecting the very substantial accelerated amortisation charge in 2013 described above.

The valuation of goodwill in North American Operations continues to be highly sensitive to a range of assumptions, in particular, increases in the forecast combined operating ratio used in the terminal value calculation and changes in discount rate and investment return assumptions.

### *Recoverability of deferred tax assets (DTA)*

At 30 June 2014, a deferred tax asset of US\$573 million was recognised in the North American Operations' balance sheet. Uncertainty exists in relation to the recoverability of this DTA, which is subject to there being sufficient future taxable profits over the period of time in which the losses can be utilised. QBE has made a judgement that North American Operations will generate sufficient taxable profits in future, based on future business plans. Losses expire over the next 19 years, with the majority expiring between 2030 and 2033. 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 reported in US dollars. As such, a stronger US dollar against the major currencies will have a negative impact on the Group's reported revenue and profit and conversely a weaker US dollar will increase the Group's reported revenue and profit. For the six months ended 30 June 2014, approximately 39% of the Group's gross written premium was in US dollars, 26% of gross written premium was in Australian dollars and 11% of gross written premium was in pounds sterling. For the year ended 31 December 2013, approximately 44% of the Group's gross written premium was in US dollars, 26% of gross written premium was in Australian dollars and 11% of gross written premium was in pounds sterling. Although the Group's policy is to carefully manage its exposure to foreign currencies through matching of assets and liabilities in local currencies, it is still exposed to exchange rate risk in its financial reporting. Insofar as the Group is unable to hedge exposure to non-US currencies, its reported profit or foreign currency translation reserve would be affected.

Income and expense items of the consolidated Group's foreign operations with a non-US dollar presentation currency are translated to the Group's US dollar presentation currency using the cumulative average rate of exchange for that period. On this basis, the US dollar depreciated 8% against Sterling while appreciating 10% against the Australian dollar and 32% against the Argentine Peso in the six months ended 30 June 2014 compared to the six months ended 30 June 2013 and the US dollar appreciated 1% against Sterling, 8% against the Australian dollar and 18% against the Argentine Peso in the year ended 31 December 2013 compared to the year ended 31 December 2012. Balance sheet items of the Group and its foreign operations that have a non-US dollar functional currency are translated at the period end rate of exchange. On this basis, the US dollar depreciated 6% against the Australian dollar and 3% against the Sterling while appreciating 20% against the Argentine peso at 30 June 2014 compared to the closing exchange rates at 31 December 2013 and the US dollar depreciated 5% against the Euro, 3% against the Sterling and appreciated 14% against the Australian dollar and 25% against the Argentine peso at 31 December 2013 compared to the closing exchange rates at 31 December 2012.

***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 the Group's gross written premium on the same number of policies can fluctuate from year to year as a result in fluctuations in crop prices. More than 70% of crop policies have revenue coverage for any material change in crop prices from planting to harvest premiums are locked in prior to planting based on average futures trading prices. As a result, the Group's gross written premium for crop business will increase year on year as a result of rising crop prices and decrease when crop prices fall all other things being equal. In addition, the crop insurance business is subsidised significantly by the U.S. Government paying farm insurance subsidies to the crop 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. Competition and overcapacity kept premium rate increases low in many of the markets in which QBE operates during the first half 2014. Indicative of the more competitive global pricing environment, Group's premium rate increases averaged 0.7% for the six months ended 30 June 2014 compared to 5% for the six months ended 30 June 2013. Competition in the global insurance industry remains strong. After a number of years of price increases in Australia & New Zealand, mainly led by catastrophe events, the extent of rate increases in these markets is abating, and trending back towards inflationary levels. Similarly, the extent of rate increases in North American market is expected to slowly reduce, fuelled by softening reinsurance pricing following another year of reduced catastrophe loss activity. Unpredictable developments also affect the industry's profitability, including changes in competitive conditions and pricing pressures, unforeseen developments in loss trends, market acceptance of new coverages, changes in operating expenses, fluctuations in inflation and interest rates and other changes in investment markets that affect market prices of investments and income from such investments. Fluctuations in the availability of capital also have a significant influence on the cyclical nature of general insurance and reinsurance markets. These cycles influence the demand for and pricing of the Group's products and services and, therefore, affect its financial position, profits and dividends. Accordingly, the Group's results of operations may be adversely impacted if actual experience differs from management's estimates.

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

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

For the six months ended 30 June 2014, net claims incurred for the period included prior year net undiscounted central estimate development of US\$131 million compared to US\$178 million for the six months ended 30 June 2013. The main adverse contribution to the Group's prior accident year claims development in 2014 related to the Argentine workers' compensation portfolio in Latin America, following a review of the claims reserves. The review was instigated in response to an observed increase in litigated workers' compensation claims costs following legislative changes in 2012 and 2013, and partly in response to recent deterioration of economic conditions in Argentina. The adverse prior accident year claims development in Argentina was partially offset by positive prior accident year claims development across the remainder of the Group's global operations in the aggregate, including favourable development in Europe and Australia & New Zealand. North American

Operations recorded adverse prior accident year claims development, mainly due to industry-wide late claims notification in crop portfolio.

Net claims incurred for 2013 included prior year net undiscounted central estimate development of US\$552 million compared to US\$464 million in 2012. In 2013, the Group took measures to strengthen claims provision for the US program business due to prior year accident year claims development in long tail classes such as workers' compensation, general liability and construction defect risks. Upgrades were also required as a result of the Italian and Spanish medical malpractice portfolio deterioration in European Operations. In Latin America, additional provisions were required for prior accident year development for Argentina's workers' compensation portfolio as a result of court awards as well as top-ups to our Argentine motor and Colombian SOAT portfolios. In 2012, the Group significantly strengthened its net discounted central estimate of outstanding claims for a number of underperforming and run-off portfolios.

The Group also holds risk margins in relation to the uncertainty in the net discounted central estimate of outstanding claims. Net claims incurred for 2013 included a charge of US\$266 million compared to US\$88 million in 2012 as a result of the Group's decision to strengthen its risk margins in light of such significant adverse prior accident year claims development.

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 United States and the other jurisdictions in which the Group does business. The Group competes with general insurers and reinsurers many of whom have greater financial and marketing resources and greater name recognition than the Group has.

The level of profitability of a general insurance or reinsurance company is significantly influenced by the adequacy of premium income relative to its risk profile and claims exposure, as well as the general level of business costs. Competition and overcapacity kept premium rate increases low in many of the markets in which QBE operates during the first half 2014. Indicative of the more competitive global pricing environment, the Group's premium rate increases averaged 0.7% for the six months ended 30 June 2014 compared to 5% for the six months ended 30 June 2013. Competition in the global insurance industry remains strong. After a number of years of price increases in Australia & New Zealand, mainly led by catastrophe events, the extent of rate increases in these markets is abating, and trending back towards inflationary levels. Similarly, the extent of rate increases in North American market is expected to slowly reduce, fuelled by softening reinsurance pricing following another year of reduced catastrophe loss activity. The Group has experienced premium rate increases averaging slightly less than 4% for the year ended 31 December 2013 compared to over 5% for the year ended 31 December 2012. While the Group seeks to maintain premium rates at targeted levels, the effect of competitive market conditions may have a material adverse effect on its market share and financial condition. In addition, development of alternative distribution channels for certain types of insurance products, including through the internet, may result in increasing competition as well as pressure on margins for certain types of products.

#### ***The Group is dependent on its ability to reinsure risks***

A general insurance company will usually attempt to limit its risks in particular lines of business or from specific events by using outward reinsurance arrangements. The Group enters into a significant number of reinsurance contracts to limit its risk. Under these arrangements, other reinsurers assume a portion of the claims and related expenses in connection with insurance policies the Group writes. The availability, amount and cost of reinsurance depend on prevailing market conditions, in terms of price and available capacity, which may vary significantly.

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

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



expense ceded to Equator Re for the six months ended 30 June 2014 was US\$1,476 million compared to US\$1,533 million for the six months ended 30 June 2013. The amount of reinsurance expense ceded to Equator Re for the years ended 31 December 2013, 2012 and 2011 was US\$3,361 million, US\$3,712 million and US\$3,697 million, respectively.

While the Group has purchased additional reinsurance covers and changed the structure of reinsurance contracts in 2013 to provide a broader cover to the Group against a frequency of catastrophe claims, there can be no assurance regarding the adequacy of its current reinsurance or retrocessional coverage or the future availability of coverage at adequate rates and levels for its external reinsurance arrangements. In the event that adequate reinsurance capacity at acceptable rates becomes unavailable, the Group would attempt to reduce its exposures to within available reinsurance capacity or acceptable levels of insurance risk. However, the Group may not be successful and it may remain exposed to certain risks unless and until this reduction could be completed.

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

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

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

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

The Group is subject to extensive regulation and supervision in the jurisdictions in which it does business. This includes, by way of example, matters relating to licensing and examination, rate setting, trade practices, policy reforms, limitations on the nature and amount of certain investments, underwriting and claims practices, mandated participation in shared markets and guarantee funds, adequacy of the Group's claims provisions, capital and surplus requirements, insurer solvency, transactions between affiliates, the amount of dividends that may be paid and underwriting standards. Such regulation and supervision is primarily for the benefit and protection of policyholders and not for the benefit of investors or shareholders. In some cases, regulation in one country may affect business operations in another country. As the amount and complexity of these regulations increase, so will the cost of compliance and the risk of non-compliance. If the Group does not meet regulatory or other requirements, it may suffer penalties including fines, suspension or cancellation of its insurance 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. As a result, the Group's executive management is, and the Issuer expects the Group will continue to be, increasingly required to spend significantly more time on compliance matters. Therefore, the Issuer expects the cost of regulatory compliance and supervision in many of the Group's markets to increase.

In Europe, the implementation of the Solvency II directive has been delayed by several years. Following a decision of the Council of the European Union in December 2013 Solvency II (as amended by the Omnibus II Directive) is expected to be transposed into national law in the Member States by 31 March 2015 and implemented by firms by 1 January 2016. Certain areas of Solvency II, such as risk management and governance arrangements are being introduced in advance of 1 January 2016. Solvency II is one of the major regulatory developments facing the market in Europe. Its risk-based solvency framework is designed to link business

strategies, risk management and governance to an insurer's required capital. It also includes group supervision as a key concept. The directive provides a framework with further detail set out in secondary instruments which are still subject to negotiation and are expected to be agreed before 1 January 2016. Transitional arrangements are currently expected in relation to aspects of the directive. At this stage, uncertainty regarding the final outcome of Solvency II remains, and it is difficult to predict how the regulations resulting from such initiatives and proposals could affect the insurance industry generally or our results of operations, financial condition and liquidity.

Although there is still uncertainty around the Solvency II regime it is expected to 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. The European operation of the Issuer is seeking the approval of the Prudential Regulation Authority of the United Kingdom to enable it to make use of an internal capital model. Were this not to be approved, it is likely that the capital requirements of the Issuer's European operations would increase, potentially substantially.

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

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

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

APRA released proposals in 2010 to extend the current prudential supervision framework to Level 3 conglomerate groups to protect individual entities from contagion risks associated with conglomerate group membership. APRA has recently published a list of groups it intends to be subject to regulation at Level 3 and prudential standards applicable to such groups. The date of implementation of this regulation has been deferred pending the outcome of the Financial System Inquiry described below. At present, the Group is not on the list of groups intended to be regulated on a Level 3 basis when the regulation commences. A change in the composition of the Group or in APRA's approach to regulation of conglomerate groups may result in increased costs to the Group.

In September 2012, the Australian Federal Government proposed a major strengthening of APRA's crisis management powers and other amendments to the Insurance Act and other legislation, including broadening APRA's powers to enable a judicial manager to be appointed in respect of a NOHC and its subsidiaries, or alternatively, a statutory manager to be appointed in respect of an insurer, a NOHC, and subsidiaries of the NOHC or insurer and enhancing and strengthening APRA's direction-making powers over NOHCs and related entities, including in a receivership or liquidation situation. Submissions on the consultation paper closed on 14 December 2012 and the Federal Government has not provided any indication of the time frame within which any reforms would be implemented following the consultation.

The Australian Federal Government's Financial System Inquiry is currently underway. It is charged with examining how Australia's financial system could be positioned to best meet the country's evolving needs and support its economic growth. The Financial System Inquiry has released an interim report containing a number of observations and potential policy options, but has not made any recommendations for policy changes at this stage. The Financial System Inquiry's final report is expected to be released in November 2014. The Australian Federal Government is also undertaking a Review of Competition Policy to ensure there is an effective competition framework that promotes a strong and innovative business sector and better outcomes for consumers across the Australian economy. The implementation of any recommendations from these reviews will ultimately be a decision for the Federal Government and its agencies.

The United States has experienced the most sweeping change to financial regulation in over 70 years, which will impact all federally regulated financial agencies and almost every aspect of the financial services industry. New laws have been enacted to promote financial stability, improve accountability and transparency and curtail the use of governmental bailouts for entities "too big to fail". One of the new initiatives, the Dodd-Frank Act, was

signed into law by President Obama on 21 July 2010. The Dodd-Frank Act represents a comprehensive overhaul of the financial services industry within the United States and establishes a Federal Insurance Office (“FIO”) under the U.S. Treasury Department to monitor all aspects of the insurance industry and of lines of business other than certain health insurance, certain long-term care insurance and crop insurance. The director of the FIO will have the ability to recommend that an insurance company or an insurance holding company deemed “too big to fail” or that is “systemically significant” be subject to heightened prudential standards. The Dodd-Frank Act also provides for the pre-emption of state laws in certain instances involving the regulation of reinsurance and other limited insurance matters and established the federal Bureau of Consumer Financial Protection (the “CFPB”) which will require the CFPB and other federal agencies to implement many new rules. In addition, the U.S. National Association of Insurance Commissioners, as part of its solvency modernisation initiative (“SMI”) is promulgating changes that will expand the authority and focus of state insurance regulators to encompass U.S. insurance holding company systems at the group level. The changes introduce the concept of enterprise risk for U.S. insurers and also impose extensive informational requirements on insurance groups. Under the changes, U.S. state regulators will be granted explicit authority to examine not only local insurers, but also their affiliates in order to assess contagion risk. The Dodd-Frank Act also generally requires all agreements or arrangements that fall within the ‘swap’ or ‘security-based swap’ definitions in the Dodd-Frank Act to be traded on an exchange or regulated swap execution facility and to be centrally cleared through regulated central clearinghouses, unless an exemption is available, which exemptions include an exemption for transactions not accepted for trading or central clearing. The requirement to exchange trade and centrally clear swap and security-based swap transactions, as well as the CFTC and SEC rules implementing the provisions of the Dodd-Frank Act, may adversely affect the Group’s ability to engage in various derivatives transactions of the type the Group have found useful due to the added costs of such transactions.

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

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

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

A majority of the Issuer’s significant insurance and reinsurance subsidiaries have been assigned an “A+” Financial Strength Rating by each of S&P and Fitch. These ratings were affirmed in May 2014 and August 2014 respectively.

The Issuer’s main insurance and reinsurance subsidiaries in the United States and in Europe have been assigned an “A (Excellent)” Financial Strength Rating by A.M. Best.

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

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

Following the December 2013 profits downgrade S&P and A.M. Best revised their rating outlooks on the Issuer, its core operating entities and its other subsidiaries to negative from stable and Fitch revised their Long-Term Issuer Default Rating to “A-” from “A” and revised the outlook to negative from 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 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 42 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; and
- 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.

### ***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.

***Failure to successfully manage activities in the Group's operational transformation program could adversely affect its business***

An important component of the Group's strategic plan is management's operational transformation program. The first phase of this program was successfully implemented in 2013, with the establishment of the Group Shared Services Centre in Manila. The program involves a number of logistical and technical challenges that could result in operational interruptions, which could adversely affect the Group's business and damage the Group's reputation. Additionally, the relocation of labour resources may have a negative impact on the Group's existing employees, which could negatively impact its operations. A second site was opened in Cebu in 2014. Operating in a different part of the Philippines with a discrete weather pattern, this supports business continuity in the Group's shared service operations.

***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.

## **RISKS RELATING TO THE SUBORDINATED NOTES**

***Subordinated Notes may not be a suitable investment for all investors***

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

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes (and the Ordinary Shares which may be issued on Conversion of the Subordinated Notes), the merits and risks of investing in the Subordinated Notes and the information contained or incorporated by reference in this 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 Subordinated Notes and the impact the Subordinated Notes will have on its overall investment portfolio;

- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes, including where the currency for payments in respect of the Subordinated Notes is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Subordinated Notes and the Available Documents and be familiar with the behaviour of any relevant interest rates and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

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

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

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

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

***Risk of mandatory conversion or write-off on account of the non-viability of the Issuer***

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

***Occurrence of a Non-Viability Trigger Event***

A "**Non-Viability Trigger Event**" occurs when APRA has provided a written determination to the Issuer that the conversion or write-off of certain Relevant Capital Instruments is necessary because (i) without the conversion or write-off, APRA considers that the Issuer would become non-viable or (ii) without a public sector injection of

capital into, or equivalent capital support with respect to the Issuer, APRA considers that the Issuer would become non-viable. Potential investors should consider Conditions 6 and 7 where the Non-Viability Trigger Event and related provisions are set out.

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

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

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

#### *Conversion or write-off of Relevant Capital Instruments*

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

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

the Issuer will be required:

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

Potential investors in Subordinated Notes should understand that the Group has on issue US\$1 billion of subordinated debt securities due 24 May 2041 (the "**USD Subordinated Notes due 2041**"), £325 million of subordinated debt securities due 24 May 2041 (the "**GBP Subordinated Notes due 2041**"), £300 million of perpetual capital securities, US\$550 million of perpetual capital securities and US\$500 million of subordinated notes due 2038 (the "**USD Subordinated Notes due 2038**") ("**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 2038) will not, in the event of the occurrence of a Non-Viability Trigger Event, be required to be written-off or converted in accordance with their terms or by operation of law. Accordingly, the Subordinated Notes may be converted or written off before any such instruments (notwithstanding that claims of holders of such instruments may, in the Winding-Up of the Issuer, rank junior or equally with the claims of Holders). Holders of the Subordinated Notes are therefore likely to be in a worse position in the event of the occurrence of a Non-Viability Trigger Event than holders of Existing Securities (other than the USD Subordinated Notes due 2038). The Issuer has no obligation to issue or keep on issue other Relevant Capital Instruments (and expects to repurchase the USD Subordinated Notes due 2038 during November and December 2014).

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

#### *Conversion*

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

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

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

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

There may be no market in Ordinary Shares received on conversion and investors may not be able to sell the Ordinary Shares at a price equal to the value of their investment or at all and as a result may suffer loss. The Ordinary Shares may not be able to be sold at prices representing the price ascribed to them in order to determine the Conversion Number of Ordinary Shares to be issued on Conversion. In particular, the price ascribed to the

Ordinary Shares in order to determine the Conversion Number will be based on trading which occurred before the occurrence of the Non-Viability Trigger Event, and the occurrence of such an event may have a negative impact on the price at which Ordinary Shares may be sold.

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

While the Issuer currently has Ordinary Shares listed on the ASX, the Ordinary Shares issued on Conversion may not be listed, including, for example, if the Issuer is acquired by another entity and delisted, and this may affect the ability of investors to sell Ordinary Shares, as well as the price at which they may be sold. Ordinary Shares are a different type of investment to the Subordinated Notes. Dividends are payable at the absolute discretion of the Issuer and the amount of each dividend is also discretionary. The payment of dividends is also subject to a number of factors including (without limitation) sanctions laws (as to which, see item 6 under the section entitled *General Information* below), dividend withholding tax (as to which, see the section entitled *Taxation—Other Australian Tax Matter*”, below), other taxes and APRA’s power to object to the payment of a dividend. In a Winding-Up, claims of holders of Ordinary Shares rank behind claims of holders of all other securities and debts of the Issuer. The market price of Ordinary Shares may be more sensitive to changes in the Issuer’s performance, operational issues and other business issues than that of the Subordinated Notes. The constitution of the Issuer (“**Constitution**”) and the Corporations Act set out the rights attaching to Ordinary Shares. Changes to the Corporations Act may vary certain rights attaching to Ordinary Shares. Rights attaching to the Ordinary Shares may also be varied if the Constitution is amended, which may occur if the amendment is approved by the requisite majority of holders of Ordinary Shares in accordance with the processes for amendment set out in the Constitution. For a summary of some of the key rights and liabilities attaching to the Ordinary Shares, see the section entitled *Description of the Ordinary Shares*, below.

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

#### *Write-Off*

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

#### *Restrictions on holding and trading Ordinary Shares and Subordinated Notes*

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

Under the Corporations Act, a person must not acquire a relevant interest in issued voting shares in an Australian listed company if, broadly, because of the transaction, that person’s or someone else’s voting power in the company increases from 20 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 Subordinated Notes and the Ordinary Shares, or interests therein) in Australian companies by foreign interests are regulated by the Foreign Acquisitions and Takeovers Act 1975 of Australia (“**FATA**”). FATA applies (subject to certain monetary thresholds) to, among other things, any acquisition or issue of shares which results in either:

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

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

There are also specific limitations on the acquisition of a shareholding in an insurance company or the NOHC of an insurance company under the Financial Sector (Shareholdings) Act 1998 of Australia (the “**FSSA**”). Under the FSSA, a person (including a company) must not acquire an interest in an Australian financial sector company where the acquisition would take that person’s voting power (which includes the voting power of the person’s associates) in the financial sector company to more than 15 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% or more of the issued voting shares of a company through a takeover bid or other means. A person may also compulsorily acquire shares pursuant to a court order in connection with a scheme of arrangement under the Corporations Act, following approval of the scheme of arrangement by the requisite number of shareholders at a prior vote.

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

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

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

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

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

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

The Corporations Act prevents securities, such as the Ordinary Shares to be issued on Conversion, from being sold within 12 months of their issue without disclosure (e.g., a prospectus lodged with ASIC) unless the sale is limited to investors to whom disclosure is not required to be made (broadly, professional or sophisticated investors, as defined in the Corporations Act), or unless the Issuer has taken certain steps (such as the lodging of a prospectus with ASIC or a notice complying with section 708A of the Corporations Act with ASX) to procure that the Ordinary Shares may be freely traded among investors generally. The Issuer has an obligation under the Conditions to use reasonable endeavours to procure the Ordinary Shares may be freely traded on ASX without further action by the Holder (or person to whom the Ordinary Shares are issued). However, if the Issuer fails to take such action, or despite the Issuer's reasonable endeavours the Ordinary Shares are not made freely tradeable on ASX, Ordinary Shares issued on Conversion will be restricted from being sold within 12 months of their issue other than to professional and to sophisticated investors.

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

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

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

The Corporations Act and ASX Listing Rules impose restrictions on certain persons and their 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 Holders are issued Ordinary Shares they should take their own advice having regard to their particular circumstances in relation to any compliance obligations arising in connection with that shareholding.

#### *Ranking on Conversion and Write-Off*

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

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

##### *Contractual subordination*

The Issuer's obligations under the Subordinated Notes will be unsecured and subordinated and, unless they have been Converted or Written-Off, the Issuer's obligations under the Subordinated Notes will rank in a Winding-Up junior in priority of payment to the claims of all Senior Ranking Debt, whether outstanding on the Issue Date or issued after the Issue Date. Accordingly, the Issuer's obligations under the Subordinated Notes will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to the Subordinated Notes. There is

no restriction on the amount or terms of Senior Ranking Debt, Equal Ranking Instruments or other securities which may be issued or incurred by the Issuer.

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

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

#### *Structural subordination*

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

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

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

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

#### ***Future issues or redemptions of securities may impact the Subordinated Notes***

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

The Issuer may in the future issue securities that:

- rank for payment of interest, distributions or return of capital (including on the winding-up of the Issuer) equally with, behind or ahead of the Subordinated Notes;
- have the same or different interest or distribution rates as that applicable to the Subordinated Notes;

- have payment tests and distribution restrictions or other covenants which affect the Subordinated Notes (including by restricting circumstances in which Interest can be paid or the Subordinated Notes can be redeemed); or
- have the same or different terms and conditions as the Subordinated Notes. The Group may incur further indebtedness and may issue further securities including further Tier 2 Capital securities before, or after the issue of the Subordinated Notes.

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

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

***No guarantee***

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

***No policy liability***

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

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

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

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

**Interest on the Subordinated Notes is subject to interest rate risks**

Notwithstanding that the rate of interest applicable to the Subordinated Notes will be reset on each Interest Rate Reset Date, an investment in Subordinated Notes involves the risk that subsequent changes in market interest rates or changes in market interest rates during an Interest Rate Period may adversely affect the value of the Subordinated Notes. In addition, a holder of securities with a fixed interest rate that will periodically be reset during the term of the relevant securities, such as Subordinated Notes, is also exposed to the risk of fluctuating interest rate levels and uncertain interest income.

***The Issuer may redeem the Subordinated Notes early under certain circumstances***

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

Redemption may occur at a time when prevailing market interest rates are lower than the prevailing Interest Rate under the Subordinated Notes. The Issuer may be expected to elect to redeem the Subordinated Notes when it is able to fund itself at a lower rate than that applicable to the Subordinated Notes. If Subordinated Notes are redeemed in such circumstances, the Holder may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate equal to or higher than that applicable to the Subordinated Notes being redeemed. This risk may be higher in respect of the Subordinated Notes than it would be in respect of some floating rate securities as the Interest Rate Periods in respect of the Subordinated Notes are ten years long, and the interest rates under the Subordinated Notes for the then applicable Interest Rate Period may be significantly different from the interest rates prevailing in the market at the date fixed for redemption of the Subordinated Notes.

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

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

If the Issuer fails to pay any amount of interest or principal on Subordinated Notes when due to be paid, the Trustee may, either at its own discretion or at the direction of the requisite number of Holders but subject in each case to its being indemnified and/or secured and/or pre-funded to its satisfaction, take action:

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

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

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

Under the Trust Deed, only the Trustee may enforce the Conditions or the Trust Deed. No Holder or any other person shall be entitled to:

- (a) take any steps or action or proceed directly against the Issuer to enforce any of its rights under or in respect of the Conditions or the Trust Deed; or
- (b) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer,

in each case unless the Trustee, being entitled and having become bound to take any such action, steps or proceedings, fails to do so within a reasonable period and such failure is continuing in which case any Holder may itself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

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

***There are limited rights to accelerate amounts owing under Subordinated Notes***

Holders have no right to require the Issuer to redeem all or some of the Subordinated Notes held by that Holder before their Maturity Date. The Trustee may only (either at its own discretion or at the direction of the requisite number of Holders but subject in each case to its being indemnified and/or secured and/or pre-funded to its satisfaction) accelerate the Subordinated Notes if a Winding-Up Default occurs in relation to the Issuer.

There are no other rights to accelerate the Subordinated Notes.

***Holding Subordinated Notes in a principal amount of less than US\$200,000***

If a Holder holds Subordinated Notes in an aggregate principal amount of less than US\$200,000 and if a Certification Event occurs, it will not receive Definitive Certificates unless it purchases a sufficient principal amount of Subordinated Notes to bring its holding to above US\$200,000.

***The Subordinated Notes have no voting rights***

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

***Modification and waivers***

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

The Conditions and the Trust Deed also provide that the Issuer and the Trustee may, with the prior written consent of APRA but without the consent of the Holders, agree to certain variations and waivers to the Trust Deed (including the Conditions) without the consent of Holders which will bind the Holders.



## **RISKS RELATING TO THE LEGAL AND REGULATORY LANDSCAPE**

### ***Legal investment considerations may restrict certain investments***

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

### ***Change of law***

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

### ***Australian taxation consequences***

A general outline of the tax consequences of investing in Subordinated Notes for certain potential investors 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 (or interpretation thereof) may trigger a Tax Event, following which the Issuer may elect to redeem all (but not some) of the Subordinated 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 non-operating holding company, 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 Holders, including powers to direct the Issuer not to pay or transfer any amount to any person (including in respect of any Subordinated Notes), to conduct its business in a particular way or not to issue Ordinary Shares in connection with a Conversion of Subordinated Notes or to pay a dividend in respect of any Ordinary Shares. APRA's prudential standards may also restrict the payment of dividends or other distributions in respect of Ordinary Shares in particular circumstances.

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

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

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

Under the Foreign Account Tax Compliance Act provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”), a 30% withholding may be imposed starting on (i) 1 July 2014 in respect of certain U.S. source payments, (ii) 1 January 2017 in respect of gross proceeds from the sale of assets that give rise to U.S. source interest or dividends and (iii) 1 January 2017, at the earliest, in respect of “foreign passthru payments” (a term which is not yet defined under FATCA), which are, in each case, paid to or in respect of entities that fail to meet certain certification or reporting requirements (“**FATCA withholding**”).

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

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

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

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

### **RISKS RELATED TO THE MARKET GENERALLY**

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

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

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

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

#### ***There is no prior market for Subordinated Notes***

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

Although in-principle approval has been received for the listing and quotation of the Subordinated Notes 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 Subordinated Notes nor provide the ability to trade the Subordinated Notes through the SGX-ST.

#### ***Exchange rate risks and exchange controls***

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

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

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

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

### **RISKS RELATING TO CREDIT AGENCY RATINGS**

#### ***Credit ratings may not reflect all risks***

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

#### ***Credit rating may change***

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

#### ***Restriction 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.

## 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 and any announcements concerning those financial statements released by the Issuer to ASX after the date of its most recent financial statements filed with ASIC; and
- the half year report released by the Issuer to ASX on 19 August 2014.

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 (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 office set out in the section entitled *Directory* at the end of this Offering Circular. In addition, such 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 internet site [www.qbe.com](http://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 listing rules of ASX. Documents lodged by the Issuer with ASX are available electronically on the website of ASX, at [www.asx.com.au](http://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

### 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 42 countries around the world. It is headquartered in Sydney and its ultimate parent company is the Issuer which is listed on the ASX.

### HISTORY

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

### BUSINESS OVERVIEW

#### *Operations*

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

- North American operations providing general insurance and reinsurance in the United States and Bermuda through seven specialist business segments: (a) mortgage and lender services; (b) consumer; (c) crop; (d) reinsurance; (e) specialty; (f) risk management; and (g) middle market;
- European operations providing commercial insurance and reinsurance, principally in the Lloyds’ market, the United Kingdom and Ireland and throughout mainland Europe;
- Australian & New Zealand operations consisting of the Group’s general insurance operations throughout Australia and New Zealand, providing all major lines of insurance cover for commercial and personal risks;
- Emerging Markets division was formed on 15 August 2014 by the merger of the Asia Pacific operations division and the Latin America operations division. The Asia Pacific operations division provided personal, commercial and specialist insurance in 16 countries in the Asia Pacific region, including professional and general liability, workers’ compensation, marine, corporate property and trade credit. The Latin America operations division provided general insurance in seven countries in Central and South America, focusing mainly on commercial classes of business. The businesses of the two divisions are now part of the Emerging Markets division; and
- Equator Re is the Group’s captive reinsurance business, based in Bermuda, providing reinsurance protection to all of the Group’s operating divisions.

## *Description of Products and Services*

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

- **Property**

Property insurance refers to the underwriting of a broad range of risks including policies for fire, industrial special risks and consequential loss, as well as schemes tailored for specific classes of cover for both personal and property damage. The Group focuses on providing specialised insurance coverage and offers cover for catastrophe, property facultative, direct and excess of loss risks, including lender-placed insurance provided for financial institutions in the United States.

- **Private Motor and Commercial Motor**

Private motor insurance includes the provision of comprehensive insurance for damage to or loss and theft of a vehicle, as well as third party property damage. Commercial motor insurance refers to the underwriting of risks for business vehicles and fleets. Private motor policies are generic, unlike commercial motor coverage, where policies are often tailored to a customer's specific needs. The Group both insures and reinsures motor vehicle risks.

- **Compulsory Third Party**

Compulsory Third Party insurance ("CTP") covers insureds in Australia against liability to third parties injured in motor vehicle accidents and is the means by which those third parties are compensated for their injuries in Australia. The insurance is compulsory for all motor vehicles in Australia. Claims are governed by legislation and disputes can be resolved by the courts. In New South Wales, Queensland and the Australian Capital Territory, CTP is underwritten by private insurers. In other states and the Northern Territory, CTP is underwritten by the respective state and territory governments.

- **Liability (Casualty)**

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

- **Marine**

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

- **Energy**

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

- **Aviation**

Aviation insurance covers both aviation hull and aviation liability, including passengers. The Group's Australian general insurance operation has significant aviation businesses.

- **Accident and Health**

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

- **Professional Indemnity**

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

- **Lenders' Mortgage**

Lenders' mortgage insurance protects banks and other lenders against non-payment or default on residential property loans.

- **Workers' Compensation**

Workers' compensation insurance is provided for work-related injuries. The provision of workers' compensation insurance is typically a statutory class of business, as it is required by local or state government legislation. Legislation also typically requires employers to either self-insure with adequate reinsurance or to obtain appropriate workers' compensation insurance with an approved insurer. The level of insurance required is mainly determined by reference to the number of workers employed and the nature of work performed. It includes employers' liability (see below). In Australia in the states of New South Wales, Victoria, South Australia and Queensland, workers' compensation underwriting is administered by the state governments. The Group's role in the first two of these states is currently largely limited to providing a claims management service on a fee basis.

- **Employers' Liability**

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

- **Financial and Credit**

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

- **Catastrophe**

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

- **Householders'**

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

- **Commercial Packages**

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

- **Multi-Peril Crop Insurance**

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

## **TREND INFORMATION**

There has been no material adverse change in the prospects of the Issuer since 30 June 2014.

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 Reports and the Issuer's Half Year Report for its half year ended 30 June 2014 (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 eleven directors, all of whom may be contacted at the Issuer's registered office.

- **Marty Becker JD, BSBA**

Mr. Becker is based in both West Virginia and Florida in the U.S. Mr. Becker was appointed as an independent, non-executive director in August 2013 and chairman in April 2014. He is a member of the Risk and Capital Committee. Mr. Becker previously served as President and Chief Executive Officer of Alterra Capital Holdings Limited and is also the current Chairman of West Virginia Media Holdings. He has experience in general insurance, reinsurance, investment banking and private equity and has held various insurance and reinsurance executive positions. He is a certified public accountant and is an admitted attorney in West Virginia.

- **Duncan Boyle BA, FCII, FAICD**

Mr. Boyle was appointed as an independent, non-executive director of the Issuer in September 2006. He is chairman of the audit committee and a member of the remuneration committee. Mr. Boyle is a director of Stockland Trust Group and Clayton Utz lawyers, and has over 40 years of insurance experience working in Australia, New Zealand and the United Kingdom. He will retire on 31 December 2014 from the QBE Board of directors.

- **John Graf BA**

Mr. Graf is based in the U.S. and was appointed as an independent, non-executive director of QBE in August 2012. He is a chairman of the investment committee and a member of the risk and capital committee. Mr. Graf is a non-executive director of the financial services company Global Atlantic Financial Group Ltd. Mr. Graf has over 32 years' experience in the U.S. financial services industry including senior executive positions with AXA Financial Inc., American General Corporation, Conseco Inc. and John Hancock Financial Services.

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

Mr. Green was appointed as an independent, non-executive director in March 2010. He is chairman of the risk and capital committee and a member of the investment and remuneration committees. He is a non-executive director of Worley Parsons Limited. He is a member of the Takeovers Panel in Australia, a member of the Council of the National Library in Australia, a book publisher at Pantera Press and a novelist and business writer. Mr. Green was an executive director of Macquarie Bank for 13 years until August 2006 and, prior to that, was a lawyer for 17 years, including as a partner at both Freehills and Blake Dawson.

- **Isabel Hudson MA, FCII**

Ms. Hudson is based in the United Kingdom and was appointed as an independent, non-executive director in November 2005. She is chairman of the remuneration committee and is a member of the audit committee. She is a chairman of the National House Building Council and a director of Phoenix Group Holdings and the Pensions Regulator in the United Kingdom. She is also an ambassador of the United Kingdom charity Scope. Ms. Hudson has 33 years' experience in the insurance industry in the



United Kingdom and mainland Europe and will retire from on 31 December 2014 from the QBE board of directors.

- **Margaret Leung B.Ec**

Margaret Leung is based in Hong Kong, and was appointed as an independent, non-executive director in August 2013. Ms. Leung is a member of the Group's Audit Committee and the Risk and Capital Committee. She was previously the Chief Executive Officer of Hang Seng Bank Limited, a position she held from February 2009 to May 2012. She is also a director of China Construction Bank Corporation, Chong Hing Bank, Hong Kong Exchanges and Clearing Limited (the Hong Kong Stock Exchange), Sun Hung Kai Properties (the second largest Hong Kong property group), Li & Fung (a leading supply chain group) and First Pacific Company Limited (an investment holding company). She has 36 years' experience with the global banking group HSBC and particular exposure to the Asian markets.

- **John Neal**

Mr. Neal joined QBE in 2003 and was appointed Group chief executive officer in August 2012. Prior to his current role, Mr. Neal held the position of chief executive officer of global underwriting operations and, prior to that, held several leadership positions in the Group's European operations, most recently as chief underwriting officer. Mr. Neal has over 26 years' experience in the insurance industry and, before joining QBE, was the chief executive of Ensign, a Lloyd's managing agent. Mr. Neal developed Ensign to become the United Kingdom's leading commercial motor insurance brand. The Issuer acquired Ensign in 2003.

- **Sir Brian Pomeroy MA ACA CBE**

Sir Brian Pomeroy was appointed as a non-executive director on 1 June 2014. Sir Brian is based in the United Kingdom and is currently the non-executive chairman of QBE Insurance (Europe) Limited and QBE Underwriting Limited. He is also a member of the board of the Financial Conduct Authority in the UK. Sir Brian has extensive experience in the insurance industry, including in his previous role as a nominated member of the Council of Lloyd's. He was the Senior Partner of Deloitte Consulting in the UK until 1999 when he took up a number of public, private and voluntary sector appointments.

- **Ms Jann Skinner B.Com, CA, FAICD, FICAANZ**

Ms. Jann Skinner was appointed as a non-executive director on 1 October 2014. Ms Skinner is based in Australia and has extensive experience in audit and accounting and in the insurance industry, having had a long career with PwC. She is currently a non-executive director of QBE's Australian APRA regulated insurance companies and is also a chair of the audit committee and risk and capital committee of QBE Australia. Ms. Skinner is also a Director of Enstar Australia Group, Tasmanian Public Finance Corporation and the Create Foundation Limited.

- **Mr Stephen Fitzgerald B.Ec**

Mr. Stephen Fitzgerald was appointed as a non-executive director on 1 October 2014 and is currently based in the UK. He has had a long career with Goldman Sachs, filling a number of leadership roles in London, Tokyo, Hong Kong and Australia and was Chairman of Goldman Sachs Australia until his retirement in 2012. He is a member of the board of Guardians of the Australian Future Fund and sits on the ASIC External Advisory Panel, The Great Barrier Reef Foundation, the National Centre of Indigenous Excellence and is Deputy Chairman of the New York based Pinebridge Investments.

- **Mr Patrick Regan B.Sc, CA**

Mr. Regan joined QBE on 2 June 2014 as Group chief financial officer and was appointed a director on 1 October 2014. Prior to joining QBE Mr Regan was the chief financial officer at Aviva plc. Mr Regan has extensive global experience in the insurance sector having fulfilled the roles of group chief operating officer and chief financial officer at Willis Group Holdings, group financial controller at Royal & Sun Alliance and AXA SA's finance and claims director for its UK general insurance business. Mr Regan has also held senior positions at GE Capital Bank, GE Global Consumer Finance and Grant Thornton.

## *Key executive officers*

The following are the Group's key executive officers:

- **John Neal—Group chief executive officer**
- **Patrick Regan B.Sc, CA—Group chief financial officer**
- **Peter Horton BA LLB—Group General Counsel & Company Secretary**

Mr. Peter Horton was appointed Group general counsel and company secretary on 9 June 2014. He spent the majority of his legal career working in corporate functions for significant blue-chip companies across challenging sectors, including retail, mining and petroleum. Prior to joining QBE, Peter was Group general counsel and company secretary of Woolworths Limited.

- **David Duclos BSBA—Chief executive officer, North American operations**

Mr. Duclos was appointed as chief executive officer, North American operations in April 2013. He has more than 30 years' experience in the insurance industry, notably with Cigna and in recent years as Chief Operating Officer and then Chief Executive of Insurance Operations at XL Group. Since completing full time employment with the XL Group in 2011, he has acted in a consulting capacity to the CEO and executive team at XL Group, and as a director of RLI Corp, the NYSE listed specialty property and casualty and surety insurer.

- **Richard Pryce B HIS (HONS)—Chief executive officer, European operations**

Mr. Pryce was appointed as chief executive officer, European Operations in November 2013. He joined QBE European Operations in 2012 having worked in the London insurance markets for over 30 years. Prior to joining QBE, Richard was President of ACE UK where he was responsible for its London market specialty business, including Lloyd's operations and the company's property and casualty insurance business in the UK and Ireland.

- **Colin Fagen B Com, MBA—Chief executive officer, Australian & New Zealand operations**

Mr. Fagen was appointed chief executive officer, Australian operations in 2011. This was expanded to include New Zealand operations in 2012. Prior to his current role, Mr. Fagen was the executive general manager, intermediary distribution for Australian Operations. Mr. Fagen has 22 years' experience in the general insurance industry, having held a variety of operational roles. He is a director of the Australian and New Zealand Institute of Insurance and Finance and is also a director of the Insurance Council of Australia.

- **David Fried BA—Chief executive officer, Emerging Markets operations (Asia Pacific operations & Latin American operations)**

In August 2014, David Fried was appointed as chief executive officer, Emerging markets division as a result of bringing the Latin American Operations and Asia Pacific Operations together. Previously Mr. Fried was chief executive officer, Asia Pacific operations. He has had extensive experience in a number of globally-focused strategic roles and has a deep knowledge of Asia and, in particular, the insurance sector in that region. Prior to joining the Group, Mr. Fried was regional chief executive officer of Allianz Asia Pacific and, prior to that, spent 27 years with HSBC Holdings plc.

- **Jenni Smith MBA—Group executive officer, people and communications**

Ms. Smith joined the Group in 2003 and holds the role of group executive officer, people and communications. She is also the Chair of the QBE Foundation. Ms. Smith has substantial international experience, having held executive roles in the United Kingdom advertising and television industry. Before joining the Group, Ms. Smith held the position of general manager human resources, International at Telstra Corporation.

- **Jason Brown B.Ec ACA—Group chief risk officer**

Mr. Brown joined QBE in 2002 and was appointed Group Chief Risk Officer in March 2014. Prior to his appointment he was a chief risk officer of the Australian and New Zealand Operations leadership team with responsibility for the actuarial, reinsurance, enterprise risk, legal, corporate governance, compliance, internal audit, corporate strategy and planning functions, along with mergers and acquisitions. Mr Brown has over 20 years financial services industry experience in Australian and the United Kingdom and spans consulting, audit and corporate executive functions.

- **Mike Emmett B.Com, CA—Group Executive Officer—Operations**

In February 2014, Mike Emmett was appointed to the newly created role of group executive officer, Operations. He previously held the position of group head of operational transformation and prior to that the chief information officer for Australia & New Zealand Operations and Asia Pacific Operations. Before joining QBE, Mr. Emmett was a partner at Ernst and Young in Australia where he led the Financial Services Advisory Practice. He has also worked for PwC, Accenture and IBM where he assisted major insurers and retail banks to improve operations and technology. Originally from South Africa, he spent a number of years working in the UK before moving to Australia in 2010.

## MAJOR SHAREHOLDERS

The Issuer is a public limited company. As at 23 September 2014, the following shareholders each held more than 1 per cent. of the issued share capital of the Issuer:

- HSBC Custody Nominees (Australia) Limited—28%
- JP Morgan Nominees Australia Limited—15%
- National Nominees Limited—14%
- BNP Paribas Noms Pty Ltd—6%
- Citicorp Nominees Pty Limited—6%
- AMP Life Limited—1%
- Key executive officers and directors (16 persons) as a group—0.05%

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 approval by the Australian Treasurer.

There are also specific limitations on the acquisition of a shareholding in an insurer 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 financial years ended 31 December 2012 and 31 December 2013 is contained in its Annual Reports for the years ending 31 December 2012 and 31 December 2013 which are incorporated by reference into this Offering Circular. The financial information in relation to the Issuer for its half year ended 30 June 2014 is contained in its Half Year Report ended 30 June 2014 which are incorporated by reference into this Offering Circular. The financial statements referred to above contain both the Issuer's own statements and consolidated statements for the Group. See "*Documents Incorporated by Reference*" above.

### ***Auditing of historical annual financial information***

The historical financial information referred to above has been audited or reviewed. See the Auditors' statements at page 63 of the Half Year Report ended 30 June 2014, page 174 of the Annual Report for the year ended 31 December 2012 and at page 183 of the Annual Report for the year ended 31 December 2013.

### ***Significant change in the financial or trading position of the Group***

On 29 July 2014, the Group announced that its results would differ from consensus expectations. The first half result was impacted by a claims reserve strengthening of around US\$170 million in Latin America, the majority of which relates to Argentine worker's compensation business, higher than expected large individual risk claims which contributed to a large individual risk and catastrophe claims charge of around 10% of net earned premium and an adverse discount rate impact of around US\$120 million excluding Argentina.

The repurchase and cancellation of the \$500 million of convertible subordinated debt indicated (i.e., the USD Subordinated Notes due 2038) in the capital plan included in the Half Year Report ended 30 June 2014 is expected to occur during November and December 2014. Similarly, the replacement of senior debt with part of the proceeds of this issue, as also indicated in the capital plan included in the Half Year Report ended 30 June 2014, is expected to occur by any one or more of a number of transactions (including but not limited to on-market purchases, tender or other off-market purchases) during November and December 2014.

## **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.

An Australian law firm supported by a litigation funder has been canvassing for participants in a potential class action against the Issuer in relation to the profit downgrade announced by it on 9 December 2013. As far as the Issuer is aware no action has been commenced.

## TERMS AND CONDITIONS OF THE SUBORDINATED NOTES

*Set out below are the terms and conditions of the Subordinated Notes. These terms and conditions are subject to the provisions of the Trust Deed. In particular, but without limitation, the Trust Deed contains provisions:*

- (a) for the enforcement of the Conditions, including (without limitation) that the Trust Deed and the Conditions may only be enforced by the Trustee and that no Holder shall be entitled to commence any enforcement action against the Issuer other than in limited circumstances;*
- (b) for the holding of meetings of Holders;*
- (c) for the variation and waiver of the Conditions, the Trust Deed and the Agency Agreement, including (without limitation) circumstances in which those documents may be varied without the consent of Holders;*
- (d) for the indemnification of the Trustee, including (without limitation) circumstances where Trustee shall not be bound to take, or may refrain from taking, action if not indemnified to its satisfaction;*
- (e) relieving the Trustee and the Agents of certain duties, including (without limitation), that the Trustee and the Agents shall not be under any duty to determine, monitor or report on the occurrence of a Non-Viability Trigger Event or to take any steps to ascertain whether any breach of the provisions of the Trust Deed, the Conditions or the Agency Agreement has occurred or whether any Event of Default, Tax Event, Regulatory Event or Inability Event has happened;*
- (f) allowing the Trustee and the Agents to rely on certain notices and other communications from certain other persons including the Issuer;*
- (g) limiting the liability of the Trustee and the Agents; and*
- (h) limiting the obligations of the Trustee and the Agents following the occurrence of a certain events.*

*A number of provisions of the Trust Deed and Agency Agreement are summarised in Condition 16. Prospective investors should conduct their own independent investigation and review of the Trust Deed.*

## SUBORDINATED NOTE CONDITIONS

### 1 Form and denomination

#### 1.1 Constitution

The Subordinated Notes are constituted by, and owing under, the Trust Deed and are subject to the provisions set forth in the Trust Deed, and:

- (a) if the Subordinated Notes are represented by a Global Certificate, the Global Certificate; or
- (b) if the Subordinated Notes are represented by Definitive Certificates, the Definitive Certificates.

Each Holder, and any person treated for the purposes of these Conditions as the Holder, is entitled to the benefit of the Trust Deed and, by its subscription for or acquisition of Subordinated Notes (or its interest in such Subordinated Notes, as applicable) shall be deemed to be bound by, to have made the acknowledgments and agreements of a Holder set out in and to have notice of, all of the provisions of these Conditions, the Trust Deed and the Agency Agreement (and each person claiming through or under any such person (including, without limitation, any person to whom Ordinary Shares are issued on Conversion) shall also be so bound and be deemed to have such notice).

*For so long as the Subordinated Notes are represented by a Global Certificate, for all purposes other than payment by the Issuer (including, without limitation, in respect of Conversion), the person shown in the records of Euroclear or Clearstream, Luxembourg as the holder of Subordinated Notes with an aggregate Face Value equal to the amount credited to that person in those records shall be treated by the Issuer, the Trustee and the Agents as, and shall have the obligations of, the holder of that aggregate Face Value of Subordinated Notes.*

#### 1.2 Form

The Subordinated Notes are direct, unsecured and subordinated debt obligations of the Issuer issued in registered form by entry in the Register.

#### 1.3 Denomination

The Subordinated Notes are issued in denominations of USD200,000 and integral multiples of USD1,000 above that amount. Each Subordinated Note must be paid for in full on application.

#### 1.4 Global Certificates and Definitive Certificates

- (a) The Subordinated Notes will be initially represented by a global certificate (the “**Global Certificate**”) substantially in the form set out in Schedule 2 to the Trust Deed, which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg.
- (b) On the occurrence of a Certification Event, the Global Certificate will be exchanged for definitive certificates (each a “**Definitive Certificate**”) substantially in the form set out in Schedule 2 to the Trust Deed in the manner set forth in the Trust Deed and the Global Certificate.
- (c) The Issuer will notify the Trustee and the Holders of the occurrence of a Certification Event.

- (d) If a Holder holds a principal amount of Subordinated Notes in its account with the relevant clearing system which is less than USD200,000 at the relevant time, that Holder may not be entered into the Register or receive a Definitive Certificate in respect of the amount of such holding and may be required to purchase a principal amount of Subordinated Notes such that its holding amounts to at least USD200,000.
- (e) If a Global Certificate or a Definitive Certificate is damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same Subordinated Notes may be issued on payment of such fee and on such terms (if any) as evidence and indemnity and the payment of out-of-pocket expenses as the Issuer may reasonably determine and on payment of the costs of the Issuer incidental to its investigation of the evidence and, if damaged or defaced, the tearing up of the old certificate at the Specified Office of the Registrar or any Transfer Agent.

## **2 Status and subordination**

### **2.1 Status and ranking**

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

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

### **2.2 Subordination in a Winding-Up**

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

### **2.3 Effect of Non-Viability Trigger Event**

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

### **2.4 No guarantee, insurance or other support**

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

## **3 Interest**

### **3.1 Subordinated Notes bear interest**

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

### **3.2 Interest Payment Dates**

Subject to the Deferral Provisions, interest in respect of each Subordinated Note will be payable semi-annually in arrear, on 2 June and 2 December each year (each, an “**Interest Payment Date**”), commencing on 2 June 2015.

### **3.3 Interest amounts**

Subject to these Conditions, the Issuer shall pay interest on each Subordinated Note in respect of an Interest Period in arrear on the relevant Interest Payment Date calculated by multiplying the Interest Rate applicable

to the Subordinated Notes at the relevant time by the Face Value and multiplying the product by the Day Count Fraction in respect of that Interest Period.

“**Interest Rate**” means, in respect of:

- (a) the first Interest Rate Period, 6.75% per annum (being an amount equal to the Mid Market Swap Rate applicable to the first Interest Rate Period plus the Margin); and
- (b) each subsequent Interest Rate Period, the rate (expressed as a percentage per annum) equal to the Mid Market Swap Rate applicable to the Interest Rate Period plus the Margin.

“**Margin**” means 4.30% per annum.

“**Mid Market Swap Rate**” means in relation to an Interest Rate Period, the mid market US\$ swap rate Libor basis having a 10 year maturity as appearing on Reuters page “ISDAFIX1” (or such other page as may replace that page on Reuters, or such other page as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) as at 11:00am (New York time) on the Determination Date in respect of that Interest Rate Period, as determined by the Calculation Agent.

### 3.4 Broken periods

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

### 3.5 Determination and notification

The Issuer shall procure that the Calculation Agent:

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

## 4 Interest deferral

### 4.1 Optional deferral

- (a) The Issuer may elect to defer payment of all or part only of any interest amount payable in respect of the Subordinated Notes (including any Additional Amount, any Deferred Interest and any Additional Interest) on any Optional Interest Payment Date to any future date specified by the Issuer (not being later than the Maturity Date), by giving no less than five Business Days’ notice to the Holders prior to the Record Date relating to such Optional Interest Payment Date. Notwithstanding the requirements to give notice pursuant to this Condition 4.1, failure to give such notice shall not prejudice the right of the Issuer to defer the payment of any interest amount pursuant to this Condition 4.1.
- (b) If payment of an interest amount is deferred pursuant to paragraph (a) above, such interest amount shall constitute “**Deferred Interest**”.
- (c) Any Deferred Interest may be paid in whole or in part at any time upon the expiry of not less than 14 days’ notice to such effect given by the Issuer to the Holders. All Deferred Interest (together with any Additional Interest) on a Subordinated Note will, subject to the Solvency Condition being satisfied, automatically become immediately due and payable in whole upon the earliest of the following dates:



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

#### 4.2 Solvency Condition deferral

- (a) When the Issuer is not in a Winding-Up in Australia:
  - (i) the obligations of the Issuer to make any payment in respect of the Subordinated Notes will be conditional on the Issuer being Solvent at the time of the payment; and
  - (ii) no payment in respect of the Subordinated Notes will be made unless the Issuer will be Solvent immediately after making the payment,
 (the "**Solvency Condition**").
- (b) Any amount not paid on account of the Solvency Condition remains as a debt owing by the Issuer to the relevant Holders, which is payable on the first Business Day on which the amount may be paid in compliance with the Solvency Condition.
- (c) For so long as an amount of interest (including without limitation any Deferred Interest or Additional Interest) is not paid on account of the Solvency Condition, that amount shall accrue additional interest in accordance with Condition 4.3 as if that amount were Deferred Interest.
- (d) A certificate signed by an Authorised Officer of the Issuer, its auditor or, if the Issuer is being Wound-Up, its liquidator, as to whether the Issuer is Solvent at any time is (in the absence of wilful default, bad faith or manifest error) conclusive evidence of the information contained in the certificate and will be binding on the Trustee and Holders. In the absence of such a certificate, the Trustee and Holders are entitled to assume (unless the contrary is proved) that the Issuer is Solvent at the time of, and will be Solvent immediately after, any payment in respect of the Subordinated Notes.

#### 4.3 Additional Interest

- (a) Interest will accrue on Deferred Interest at the applicable Interest Rate from time to time in accordance with Condition 3 and such interest shall constitute "**Additional Interest**". Any Additional Interest shall be payable in accordance with Condition 3 and this Condition 4, subject to deferral on the same basis as is provided in this Condition 4.

- (b) Any Additional Interest accrued up to an Interest Payment Date and not paid on that Interest Payment Date shall, for the purposes of determining any subsequent amount accruing under this Condition 4.3, constitute Deferred Interest.

#### **4.4 Amounts not due and payable**

Notwithstanding any other provision of these Conditions:

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

#### **4.5 Interest on unpaid interest**

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

### **5 Redemption**

#### **5.1 Redemption on the Maturity Date**

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

#### **5.2 Early redemption by the Issuer**

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

- (a) all (but not some only) of the Subordinated Notes on 2 December 2024 and the second Interest Rate Reset Date (each an “**Optional Redemption Date**”); or
- (b) all (but not some only) of the Subordinated Notes if a Tax Event or a Regulatory Event occurs, in each case by payment of the Redemption Price in respect of each Subordinated Note redeemed.

#### **5.3 Early Redemption Notice**

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

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

## **5.4 Effect of an Early Redemption Notice**

An Early Redemption Notice given under Condition 5.2 is irrevocable and obliges the Issuer, subject to the Solvency Condition, to redeem the specified aggregate Face Value of Subordinated Notes on the Early Redemption Date, by payment of the Redemption Price in respect of each Subordinated Note to be redeemed.

## **5.5 No early redemption at the option of Holders**

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

## **5.6 Effect of redemption**

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

## **5.7 Purchases**

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

## **5.8 Redemption of Subordinated Notes represented by the Global Certificate**

If Subordinated Notes are redeemed while they are represented by the Global Certificate, any such redemption shall occur in accordance with the rules of Euroclear and/or Clearstream, Luxembourg.

## **5.9 Early redemption and purchase restrictions**

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

- (a) before or concurrently with the redemption or purchase, the Issuer replaces the Subordinated Notes the subject of the redemption or purchase with a capital instrument which is of the same or better quality (for the purposes of APRA's prudential standards as they are applied to the Level 2 Insurance Group at the relevant time) and the Issuer obtains confirmation from APRA that APRA is satisfied that the replacement of the relevant Subordinated Notes is done under conditions that are sustainable for the income capacity of the Issuer; or
- (b) the Issuer obtains confirmation from APRA that APRA is satisfied, having regard to the capital position of the Level 2 Insurance Group, that the Issuer does not have to replace the Subordinated Notes the subject of the redemption or purchase.

The Trustee is entitled to rely conclusively on an Officer's Certificate delivered to it by the Issuer stating that the event entitling the Issuer to redeem has occurred and that any conditions to that redemption have been satisfied.

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

# **6 Conversion on Non-Viability Trigger Event**

## **6.1 Non-Viability Trigger Event**

- (a) A "**Non-Viability Trigger Event**" occurs when APRA provides a written determination to the Issuer that the conversion or write-off of Relevant Capital Instruments in accordance with their terms or by operation of law is necessary because:

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

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

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

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

## 6.2 Non-Viability Trigger Event Notice

- (a) If a Non-Viability Trigger Event occurs:
  - (i) on the date that event occurs (the “**Non-Viability Conversion Date**”), the Issuer must immediately determine in accordance with the Non-Viability Determination:
    - (A) the aggregate Face Value of Subordinated Notes that will Convert (such amount being the “**Required Amount**”) and the aggregate nominal amount of other Relevant Capital Instruments which will convert or be written-off; and
    - (B) the identity of the Holders at the time that the Conversion is to take effect on that date (and in making that determination the Issuer may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of Subordinated Notes that have not been settled or registered at that time);
  - (ii) subject only to Condition 6.3 and despite any other provision in these Conditions, on the Non-Viability Conversion Date the Required Amount of Subordinated Notes will Convert, and the relevant aggregate nominal amount of other Relevant Capital Instruments will convert or be written-off, in each case immediately and irrevocably; and
  - (iii) the Issuer must give notice of the occurrence of a Non-Viability Trigger Event (a “**Non-Viability Trigger Event Notice**”) to Holders and the Trustee as soon as practicable after the relevant Conversion or Write-Off occurs which states the Non-Viability Conversion Date, the Required Amount of Subordinated Notes Converted or Written-Off and the relevant amount of other Relevant Capital Instruments converted or written-off, the Nominal Amount of the relevant Holder’s Subordinated Notes Converted or Written-Off together with relevant particulars of any related calculations or determinations as they relate to that Holder made by the Issuer.

- (b) If, in accordance with Condition 6.1(b)(ii), the Issuer is required to convert only an amount of Relevant Capital Instruments, the Issuer will determine the Required Amount of Subordinated Notes which will Convert and other Relevant Capital Instruments which will convert or be written-off on the following basis:
- (i) first, the Issuer must procure the conversion or write-off of all Relevant Tier 1 Capital Instruments before Conversion of the Subordinated Notes;
  - (ii) second, if conversion or write-off of Relevant Tier 1 Capital Instruments is less than the amount sufficient to satisfy APRA that the Issuer would not become non-viable (and provided that APRA has not withdrawn the Non-Viability Determination as a result of the conversion or write-off of the Relevant Tier 1 Capital Instruments), the Issuer must Convert Subordinated Notes and 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 procuring the Conversion of Subordinated Notes or conversion or writing-off of other Relevant Tier 2 Capital Instruments, the Issuer will endeavour to treat Holders and holders of other Relevant Tier 2 Capital Instruments (and Holders as between themselves) on a pro rata basis or such other basis as may, in the Issuer's opinion, be fair and reasonable, but may elect to Convert some but not all Subordinated Notes in whole, may elect to Convert some or all Subordinated Notes in part rather than in whole and may otherwise discriminate to take account of logistical considerations and the need to effect the Conversion of Subordinated Notes and the conversion or write-off of other Relevant Tier 2 Capital Instruments immediately.
- (c) None of the following shall prevent, impede or delay the Conversion of Subordinated Notes as required by this Condition 6.2:
- (i) any failure of, or delay in, the conversion or write-off of any other Relevant Capital Instruments;
  - (ii) any failure or delay in giving a Non-Viability Trigger Event Notice;
  - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion;
  - (iv) any decision as to the identity of Holders whose Notes are to be Converted in accordance with Condition 6.2(a)(i)(B); or
  - (v) any requirement to select or adjust the amount of Subordinated Notes to be Converted in accordance with Condition 6.2(b)(iii).
- (d) From (and including) the Non-Viability Conversion Date, subject to Condition 6.3 and Condition 15.2(c), the Issuer shall treat the Holder in respect of the Subordinated Notes as the holder of the Conversion Number of Ordinary Shares and will take all such steps, including updating any register relating to the Ordinary Shares, required to record the Conversion.

### **6.3 No further rights if Conversion cannot occur**

Where, for any reason (including, without limitation, an Inability Event), a Conversion in respect of a Subordinated Note required by these Conditions has not been effected within five Scheduled Trading Days after the Non-Viability Conversion Date, then the rights of the relevant Holder (including without limitation in respect of a redemption (whether or not a notice of that redemption has been given) and to the payment of interest (including without limitation any Deferred Interest and any Additional Interest) and the Redemption

Price) in relation to the Nominal Amount of that Subordinated Note required to be Converted are immediately and irrevocably written-off and terminated (“**Written-Off**”).

#### **6.4 Partial Conversion or Write-Off**

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

- (a) the Face Value (including without limitation for the purposes of calculating interest), the Redemption Price, the amount of any interest (including any Deferred Interest and Additional Interest) applicable to that Subordinated Note and any related amount shall be reduced in the same proportion as the Face Value Converted or Written-Off in respect of that Subordinated Note bore to the Face Value of that Subordinated Note before such Conversion or Write-Off and these Conditions (including without limitation this Condition 6) continue to apply in respect of the Subordinated Note as so reduced;
- (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; and
- (c) the Holder must immediately present the Certificate relating to that Subordinated Note at the Specified Office of the Registrar or a Transfer Agent and, at the option of the Issuer, that Certificate must either be endorsed to reflect the Conversion or Write-Off or surrendered, in which case the Registrar or Transfer Agent (as the case may be) must authenticate and deliver (or procure the delivery of) a new Certificate to the Holder representing the Subordinated Notes held by the Holder following the Conversion or Write-Off. In any such case, delivery will be to the Specified Office of the Registrar or the Transfer Agent or by uninsured mail (at the risk of the Holder) to such address as the Holder may request. Any failure or delay in performing the obligations in this Condition 6.4(c) shall not prevent, impede or delay the Conversion or Write-Off of the Subordinated Notes required by Condition 6.2.

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

#### **6.5 Surrender of Certificates**

If a Subordinated Note is Converted or Written-Off in full, the Holder must immediately present and surrender the Certificate relating to that Subordinated Note at the Specified Office of the Registrar or a Transfer Agent, but any failure or delay in so presenting or surrendering any Certificate shall not prevent, impede or delay the Conversion or Write-Off of the Subordinated Notes required by Condition 6.2.

#### **6.6 No conversion at the option of Holders**

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

### **7 Conversion mechanics**

#### **7.1 Conversion**

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

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

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

where:

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

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

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

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

## 7.2 Adjustments to VWAP generally

For the purposes of calculating VWAP under Condition 7.1:

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

- (b) where, on some or all of the Trading Days in the VWAP Period, Ordinary Shares have been quoted as ex dividend or ex any other distribution or entitlement, and Subordinated Notes will be Converted into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Trading Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement will be increased by the Cum Value.
- (c) Any adjustment made by the Issuer in accordance with this Condition 7.2 will be effective and binding on Holders and the Trustee under these Conditions and will be construed accordingly.

### 7.3 Adjustments to VWAP for Reorganisation

- (a) Where during the relevant VWAP Period there is a change to the number of Ordinary Shares on issue as a result of a Reorganisation, in calculating the VWAP for the VWAP Period, the VWAP for each Trading Day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reorganisation basis shall be adjusted by multiplying the applicable VWAP by the following formula:

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

where:

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

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

- (b) Any adjustment made by the Issuer in accordance with this Condition 7.3 will be effective and binding on Holders and the Trustee under these Conditions and these Conditions will be construed accordingly.

### 7.4 Adjustments to Issue Date VWAP generally

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

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

### 7.5 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to Condition 7.5(b), if at any time after the Issue Date, the Issuer makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

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

Where:

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

“V<sub>0</sub>” means the Issue Date VWAP applying immediately prior to the application of this formula;



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

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

- (b) For the avoidance of doubt, Condition 7.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purpose of Condition 7.5(a), an issue will be regarded as a bonus issue notwithstanding that the Issuer does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing the Issuer is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this Condition 7.5 for any offer of Ordinary Shares not covered by Condition 7.5(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by Condition 7.5(a) shall not in any way restrict the Issuer from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence of the Holders.
- (f) Any adjustment made by the Issuer in accordance with this Condition 7.5 will be effective and binding on Holders and the Trustee under these Conditions and these Conditions will be construed accordingly.

## **7.6 Adjustments to Issue Date VWAP for Reorganisation**

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

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

where:

“A” means the aggregate number of Ordinary Shares on issue immediately before the Reorganisation; and

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

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

## **7.7 No adjustment to Issue Date VWAP in certain circumstances**

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

## 7.8 Announcement of adjustments to Issue Date VWAP

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

## 7.9 Status of Ordinary Shares

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

## 7.10 Listing Ordinary Shares issued on Conversion

The Issuer must use reasonable endeavours to:

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

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

## 7.11 Provision of information

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

- (a) its name and address (or the name and address of any person in whose name it directs the Ordinary Shares to be issued) for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares;
- (b) the Holder's security account details in CHESS or such other account to which the Ordinary Shares may be credited; and
- (c) such other information as is reasonably requested by the Issuer for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to the Holder.

## 7.12 Issue to nominee

- (a) If any Subordinated Notes are required to be Converted under Condition 6 and:
  - (i) a Holder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of the Conversion (whether entirely or to the extent specified in the notice), which notice may be given at any time prior to the Non-Viability Conversion Date;
  - (ii) the Subordinated Notes are held by a person which the Issuer believes in good faith may not be a resident of Australia (a "**Foreign Holder**"); or
  - (iii) if for any reason (whether or not due to the fault of a Holder) the Issuer has not received any information required by it in accordance with Condition 7.11 so as to impede the Issuer issuing the

Ordinary Shares to a Holder on the Non-Viability Conversion Date,

then, on the Non-Viability Conversion Date:

- (iv) where subparagraph (i) or (ii) applies, the Issuer is obliged to issue the Ordinary Shares to that Holder only to the extent (if at all) that:
  - (A) where subparagraph (i) applies, the Holder wishes to receive them;
  - (B) where subparagraph (ii) applies, the Issuer is satisfied that the laws of both Australia and the Foreign Holder's country of residence permit the issue of the Ordinary Shares to the Foreign Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer, in its absolute discretion, regards as acceptable and not unduly onerous;and to the extent that the Issuer is not obliged to issue Ordinary Shares to that Holder, the Issuer will issue the balance of the Ordinary Shares to the nominee in accordance with subparagraph (v) of this Condition 7.12; and
- (v) otherwise, subject to applicable law, the Issuer will issue the balance of Ordinary Shares in respect of that Holder to a nominee appointed by the Issuer (which nominee may not be the Issuer or a Related Entity) and, subject to applicable law:
  - (A) where sub-paragraph (iii) applies, the nominee will hold Ordinary Shares in an aggregate amount equal to the aggregate number to be issued in respect of that Holder and will transfer Ordinary Shares to that Holder if, within 30 days of the Non-Viability Conversion Date, the Holder provides the nominee with the information required to be provided by that Holder under Condition 7.11 (as if a reference in sub-paragraph (c) of Condition 7.11 to the Issuer is a reference to the nominee and a reference to the issue of Ordinary Shares is a reference to the transfer of Ordinary Shares); and
  - (B) the nominee will as soon as reasonably possible (or, where sub-paragraph (iii) applies, as soon as reasonably possible after the expiration of the period of 30 days), sell the Ordinary Shares it receives and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Holder.
- (b) The issue of Ordinary Shares to a nominee pursuant to paragraph (a)(v) will satisfy all obligations of the Issuer to that Holder in connection with the Conversion and on and from the issue of Ordinary Shares to such nominee such Subordinated Notes will be deemed to be Converted and the rights of the Holder the subject of this Condition shall be limited to its rights in respect of the Ordinary Shares or their net cash proceeds as provided in this Condition.
- (c) Nothing in this Condition 7.12 shall affect the Conversion of the Subordinated Notes of a Holder which is not a person to which any of subparagraphs (a)(i) to (iii) (inclusive) applies.

### **7.13 No duty on sale**

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

## 7.14 Power of attorney

- (a) Each Holder appoints each of the Issuer, its officers and any External Administrator of the Issuer (each an “**Attorney**”) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney’s opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder’s obligations under these Conditions including, but not limited to, effecting any Conversion or Write-Off of Subordinated Notes, making any entry in the Register or the register of any Ordinary Shares or exercising any voting power in relation to any consent or approval required for Conversion or Write-Off.
- (b) The power of attorney given in this Condition 7.14 is given for valuable consideration and to secure the performance by the Holder of the Holder’s obligations under these Conditions and is irrevocable.

## 7.15 Holder acknowledgments

Each Holder irrevocably acknowledges and agrees that:

- (a) where it is required to accept Ordinary Shares under these Conditions, it consents to becoming a member of the Issuer and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion;
- (b) its Subordinated Notes will be Converted or, where applicable, Written-Off, when required by these Conditions notwithstanding:
  - (i) any change in the financial position of the Issuer since the Issue Date;
  - (ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally;
  - (iii) any breach by the Issuer of any obligation in connection with the Subordinated Notes; or
  - (iv) any other circumstance which might affect a Conversion of the Subordinated Notes;
- (c) Conversion and, where applicable, Write-Off, of the Subordinated Notes in accordance with Condition 6 and this Condition 7 are fundamental terms of the Subordinated Notes and are not subject to any other conditions other than those expressly provided in Condition 6 and this Condition 7;
- (d) Conversion must occur immediately on the Non-Viability Conversion Date and Conversion or Write-Off may result in disruption or failures in trading or dealings in the Subordinated Notes or other loss to Holders;
- (e) it will not have any rights to vote in respect of any Conversion or Write-Off;
- (f) without prejudice to the Issuer’s obligations under Condition 7.10, the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all;
- (g) the determinations made by the Issuer under Condition 6.2 are final and binding; and
- (h) it has no remedies on account of a failure by the Issuer to issue Ordinary Shares in accordance with Condition 7 other than (and subject always to Condition 6.3) to seek specific performance of the obligation to issue the Ordinary Shares to it or, where Condition 7.12 applies, to the nominee.

## **8 Title and transfer**

### **8.1 Title**

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

### **8.2 Register conclusive as to ownership**

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

### **8.3 Non-recognition of interests**

No notice of any trust, Encumbrance or other interest in, or claim to, any Subordinated Note will be entered in the Register. None of the Issuer, the Trustee or any Agent need take notice of any trust, Encumbrance or other interest in, or claim to, any Subordinated Note, except as ordered by a court of competent jurisdiction or required by law, and no trust, Encumbrance or other interest in, or claim to, any Subordinated Note will in any way affect any provision of these Conditions.

### **8.4 Joint Holders**

Where two or more persons are entered in the Register as the joint Holders of a Subordinated Note, they are taken to hold the Subordinated Note as joint tenants with rights of survivorship, but the Registrar or a Transfer Agent is not bound to register more than three persons as joint Holders of a Subordinated Note.

### **8.5 Transfers of interests in Subordinated Notes represented by the Global Certificate**

- (a) For so long as any of the Subordinated Notes is represented by the Global Certificate, and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, Holders may transfer interests in the Subordinated Notes only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.
- (b) Transfers of beneficial interests in the Subordinated Notes represented by the Global Certificate will be effected by Euroclear and/or Clearstream, Luxembourg, 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.

### **8.6 Transfers of Subordinated Notes represented by Definitive Certificates**

- (a) Where the Subordinated Notes are represented by Definitive Certificates, transfers of Subordinated Notes may be effected by presentation and surrender of the relevant Definitive Certificate (together with the Transfer Form relating thereto duly completed on behalf of the transferor and the transferee, stamped (if applicable) and accompanied by such material as the Issuer determines and notifies the Holders from time to time is necessary or desirable for the Issuer to comply with its obligations under applicable know your customer requirements and by a declaration of the transferee's place of residence in the form the Issuer determines and notifies the Holders from time to time) at the Specified Office of the Registrar or a Transfer Agent. If the transfer complies with the requirements of these Conditions:
  - (i) the Registrar will enter the transfer in the Register;
  - (ii) the Registrar or the Transfer Agent (as the case may be) will authenticate and deliver (or procure the delivery of) a new Definitive Certificate to the transferee representing an aggregate amount of

- Subordinated Notes equal to the aggregate amount of the Subordinated Notes transferred; and
- (iii) the Registrar or the Transfer Agent (as the case may be) will where the transfer is of less than all the Subordinated Notes represented by the transferor's Definitive Certificate, authenticate and deliver (or procure the delivery of) a new Definitive Certificate to the transferor representing the Subordinated Notes held by the transferor following the transfer.
- (b) Delivery will be to the Specified Office of the Registrar or the Transfer Agent or by uninsured mail (at the risk of the transferee or the transferor (as the case may be)) to such address as the transferee or the transferor (as the case may be) may request. The Registrar or a Transfer Agent shall only issue a Definitive Certificate in respect of a whole number of Subordinated Notes.

## **8.7 Refusal to register**

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

## **9 Payments**

### **9.1 Method of payment**

Subject to all applicable fiscal or other laws and regulations and to Condition 9.2:

- (a) each payment made in respect of interest on a Subordinated Note (whether or not represented by the Global Certificate) will be made by cheque and mailed to the Holder of record at such Holder's address as it appears in the Register on the relevant Record Date; and
- (b) any payment in respect of the Redemption Price of a Subordinated Note (whether or not represented by the Global Certificate) will be made by cheque against presentation and surrender of the relevant Certificate at the Specified Office of any of the Paying Agents,

provided, however, that a Holder may receive such payment by direct transfer if appropriate transfer instructions have been received by the Registrar or the Paying Agent (as the case may be) in sufficient time prior to the relevant Payment Date. Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the Holder is late in surrendering a certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

### **9.2 Payments in respect of Subordinated Notes represented by the Global Certificate**

For so long as any of the Subordinated Notes is represented by the Global Certificate, the registered holder of the Subordinated Notes is the only person entitled to receive payments in respect of Subordinated Notes and the Issuer is discharged by payment to, or to the order of, the registered holder of such Subordinated Notes in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular principal amount of a Subordinated Note represented by such Global Certificate must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for that person's share of each payment so made by the Issuer to the registered holder.

### **9.3 Entitlement to payment**

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

- (a) in the case of a payment of interest (including without limitation any Deferred Interest and any Additional Interest), to the Holder appearing in the Register at the close of business on the Record Date; and
- (b) in the case of a payment of the Redemption Price, to the Holder appearing in the Register at 10:00am (Sydney time) on the date which is three Business Days prior to the date fixed for redemption.

### **9.4 Time limit for claims**

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

### **9.5 Determinations and calculations final**

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

### **9.6 Rounding**

Unless otherwise specified in these Conditions:

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

### **9.7 Payment to joint Holders**

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

### **9.8 No set-off or offsetting rights**

A Holder:

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

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

### **9.9 Payment on Business Days**

If a payment:

- (a) is due on a Subordinated Note on a day which is not a Business Day then the due date for payment will be the first following Business Day; or
- (b) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the first following day on which banks are open for general banking business in that place,

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

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

### **9.10 Applicable law**

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

## **10 Taxation**

### **10.1 General**

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

### **10.2 Deductions**

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

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

### **10.3 Additional Amounts**

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

- (a) in respect of which the Holder, or a third party recipient on behalf of a Holder, is liable for those Taxes by reason of its having some connection with Australia, other than the mere holding of the Subordinated Notes or the receipt of the relevant payment provided that a Holder shall not be regarded as having a connection with Australia for the reason that the Holder is a resident of Australia within the meaning of the Tax Act where, and to the extent that, such taxes are payable by reason of section 128B(2A) of the Tax Act;
- (b) in respect of which the Holder, or a third party recipient on behalf of a Holder, is an Offshore Associate of the Issuer (acting other than in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act);
- (c) in respect of which the Holder could lawfully avoid (but has not so avoided) such Taxes by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar case for exemption to any tax authority; or
- (d) to, or to a third party on behalf of, an Australian resident Holder or a non-resident Holder who is engaged in carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if that person has not supplied an appropriate tax file number, Australian Business Number or other exemption details.



## 10.4 FATCA

The Issuer and any Paying Agent may withhold or make deductions from payments or from the issue of Ordinary Shares to a Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of Subordinated Notes may be subject to FATCA, and may deal with such payment, and any Ordinary Shares 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 or issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of Subordinated Notes for or in respect of any such withholding or deduction.

## 10.5 Tax file number

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

## 10.6 References to amounts in respect of Subordinated Notes

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

# 11 Events of Default

## 11.1 Events of Default

An “**Event of Default**” occurs if:

(a) either:

- (i) the Issuer does not pay the Redemption Price in respect of the Subordinated Notes when such payment becomes due and payable, and, provided that if such failure is caused by technical or administrative error only, such failure continues for a period of three days after the applicable due date; or
- (ii) the Issuer does not pay any interest (including any Deferred Interest or any Additional Interest) or other amount when such payment becomes due and payable and such failure continues for a period of 30 days after the applicable due date,

(a “**Payment Default**”); or

(b) either:

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

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

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

## **11.2 Notification**

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

## **11.3 Enforcement**

If an Event of Default occurs and is continuing:

- (a) in the case of a Payment Default, the Trustee may 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
- (b) in the case of a Winding-Up Default, in addition to taking any of the actions specified in Condition 11.3(a), the Trustee may declare by notice to the Issuer that the Redemption Price of each Subordinated Note is payable on a date specified in the notice and, subject to Condition 12, may prove in the Winding-Up of the Issuer for that amount.

## **11.4 No other remedies against the Issuer**

None of the Holders or the Trustee may exercise any other remedies (including any right to sue for damages which has the same economic effect as acceleration) as a consequence of an Event of Default or other default except as specified in this Condition 11 or as otherwise expressly provided in these Conditions (but this does not affect the Trustee's right to be indemnified for or claim payment of its Costs or remuneration or the ability of the Trustee or, subject to these Conditions and the Trust Deed, the Holders, to seek an injunction or order for specific performance in respect of an obligation).

## **11.5 Trustee's duty to enforce**

The Trustee shall not be bound to take any of the actions referred to in Condition 11.3 to enforce the obligations of the Issuer in respect of the Subordinated Notes or any other proceedings, steps or action to or in connection with the Trust Deed or these Conditions unless:

- (a) directed or requested to do so:
  - (i) by a Special Resolution; or
  - (ii) in writing by the Holders of at least one-quarter of the aggregate Face Value of the Subordinated Notes then Outstanding;

and, in any case, then only if it shall have been indemnified and/or secured and/or pre-funded to its satisfaction in accordance with the Trust Deed; and

- (b) it is not entitled under the Trust Deed to refrain from, or restricted by the Trust Deed from, taking any such action.

## **11.6 Holders' right to enforce**

Only the Trustee may enforce the obligations of the Issuer in respect of the Subordinated Notes and the Trust Deed. No Holder or any other person shall be entitled to:

- (a) take any steps or action or proceed directly against the Issuer to enforce any of its rights under or in respect of these Conditions or the Trust Deed; or

- (b) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer,

in each case unless the Trustee, being entitled and having become bound to take any such action, steps or proceedings in accordance with the Trust Deed, fails to do so within a reasonable period and such failure is continuing in which case any Holder may itself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

## **12 Subordination**

### **12.1 Winding-Up**

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

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

### **12.2 Agreements and acknowledgments of Holders**

Each Holder irrevocably acknowledges and agrees that:

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

### **12.3 No consent of creditors under Senior Ranking Debt**

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

### **12.4 No security interest**

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

## **13 Meetings of Holders**

### **13.1 Meeting provisions**

Meetings of Holders may be held in accordance with the Meeting Provisions and the Trust Deed. Subject to the Meeting Provisions, a meeting may consider any matter affecting the interests of Holders, including any variation to these Conditions proposed by the Issuer in accordance with Condition 14.

### **13.2 Convening a meeting**

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

### **13.3 Quorums and voting thresholds**

The Meeting Provisions provide that:

- (a) a resolution is passed if approved by no less than 50% (in the case of an Ordinary Resolution) or 75% (in the case of a Special Resolution) of votes cast (on a poll) or persons voting (on a show of hands) at the relevant duly convened and quorate meeting (or, in the case of a written resolution, respectively, 50% and 75% of the Face Value of all Subordinated Notes outstanding);
- (b) the quorum for meetings of Holders regarding Ordinary Resolutions is one or more persons representing one-tenth (in the case of an unadjoined meeting) or one or more persons representing any proportion (in the case of an adjourned meeting) of the aggregate Face Value of Subordinated Notes outstanding;
- (c) the quorum for meetings of Holders regarding Special Resolutions is, depending on the subject matter of the Special Resolution proposed to be considered at such meeting, 50% or 66 2/3% (in the case of an unadjoined meeting) or, respectively, one or more persons representing any proportion or 50.01% (in the case of an adjourned meeting) of the aggregate Face Value of Subordinated Notes outstanding;
- (d) Subordinated Notes held by or on behalf of or for the benefit of any member of the Group, in each case as beneficial owner, shall (unless and until ceasing to be so held) carry no entitlement to vote, shall not count towards quorums requirements nor shall it carry any entitlement to execute a written resolution.

### **13.4 Resolutions binding**

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

## **14 Variation**

### **14.1 Variation with approval**

Subject to Condition 14.2 and Condition 14.3, the Issuer may agree with the Trustee to vary the Trust Deed, the Agency Agreement or these Conditions with the approval of the Holders by Special Resolution and the Trustee.

### **14.2 Variation without approval**

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

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

### **14.3 No variation which may affect Tier 2 Capital eligibility**

The prior written approval of APRA is required in respect of any variation in respect of the Trust Deed and these Conditions where such variation may affect the eligibility of the Subordinated Notes as Tier 2 Capital. The Trustee is entitled to rely on an Officer’s Certificate delivered to it by the Issuer as conclusive evidence of such eligibility and whether APRA’s approval of a variation is required and, if required, has been obtained.

### **14.4 Notice to Holders**

The Issuer must notify Holders and the Trustee of any variation to the Trust Deed, the Agency Agreement and these Conditions promptly after it is made.

### **14.5 Meaning of vary and variation**

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

### **14.6 Trustee may rely on certificate of the Issuer as to certain matters**

For the purposes of Condition 14.2(c)(i), in forming its opinion as to whether a variation to the terms of any Subordinated Notes is 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,

the Trustee is entitled to rely on an Officer’s Certificate delivered to it by the Issuer as conclusive evidence of the purpose(s) of a variation made or proposed to be made in accordance with Condition 14.2(c).

## **15 General rights**

### **15.1 Further issues**

- (a) The Issuer may, from time to time without the consent of the Holders, issue, guarantee or otherwise support any securities or other instruments ranking equally with the Subordinated Notes (on the same terms or otherwise) or ranking in priority or junior to the Subordinated Notes.
- (b) Any securities which the Issuer may issue pursuant to paragraph (a) above and with an issue date no later than the fifth anniversary of the Issue Date may, at the option of the Issuer, have the same terms as

the Subordinated Notes in all respects (save for the amount, issue date and date of the first payment of interest thereon) so that those securities will be consolidated with and form a single series with the outstanding Subordinated Notes.

## **15.2 No other rights**

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

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

## **16 Provisions of Trust Deed and Agency Agreement**

### **16.1 Interests of Holders**

The Trust Deed provides, among other things, that, in connection with the exercise of its functions and/or exercise of any of its respective rights, powers and/or discretions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution), the Trustee shall, in each case, have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders, and the Trustee shall not be entitled to require on behalf of any Holder, nor shall any Holder be entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders.

### **16.2 Maintenance of Agents**

The Agency Agreement provides, among other things, that:

- (a) the Agents appointed from time to time under the Agency Agreement act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Holder;
- (b) the Issuer may, at any time, vary or terminate the appointment of any Agent and appoint additional or other Paying Agents and/or Transfer Agents, provided that the Issuer shall at all times maintain:
  - (i) a Principal Paying Agent;
  - (ii) a Registrar outside the United Kingdom;
  - (iii) a Calculation Agent;
  - (iv) a Principal Transfer Agent; and
  - (v) a paying agent and transfer agent in such place as may be required by SGX-ST or such other stock exchange on which the Subordinated Notes are listed from time to time; and
- (c) the Issuer shall give notice of any such change or any change of any Specified Office of an Agent to the Holders in accordance with Condition 17.

### **16.3 Indemnification etc**

The Trust Deed and the Agency Agreement contain provisions providing, among other things, for:

- (a) the indemnification of the Trustee and each Agent and for their relief from responsibility, including provisions relieving the Trustee from taking proceedings unless indemnified and/or secured and/or pre-funded to its satisfaction;
- (b) the Trustee and each Agent being entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit;
- (c) the Trustee having absolute and uncontrolled discretion as to the exercise or non-exercise of its trusts, powers, authorities and discretions and not being responsible for any liability which may result from their exercise or non-exercise and the Trustee not being bound to act at the request or direction of the Holders unless it shall first be indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may render itself liable or which it may incur by so doing;
- (d) the Trustee not being liable to any person by reason of having acted upon any Special Resolution made in writing or any Special Resolution or other resolution purporting to have been passed at any meeting of the holders of Subordinated Notes;
- (e) the Trustee not being under any obligation to take any steps to ascertain whether any breach of the provisions of these Conditions, the Trust Deed or the Agency Agreement has occurred or whether any Event of Default has happened or whether a Tax Event, a Regulatory Event, a Non-Viability Trigger Event or an Inability Event has happened; and
- (f) the Trustee being entitled to rely without liability to Holders or any other person on any Officers' Certificate of the Issuer or on any certificate, advice or opinion of any expert and any such certificate, advice or opinion shall be conclusive and binding on the Holders.

## **17 Notices**

### **17.1 Notices to the Holders**

Subject to Condition 17.3, a notice or other communication is properly given to a Holder if it is:

- (a) delivered personally to the address of the Holder shown in the Register five Business Days before the date of the notice or communication;
- (b) sent by prepaid post (airmail, if appropriate) to the address of the Holder shown in the Register five Business Days before the date of the notice or communication;
- (c) sent by fax to the fax number of the Holder (if any) shown in the Register five Business Days before the date of the notice or communication;
- (d) sent by email or electronic message to the address of the Holder (if any) shown in the Register five Business Days before the date of the notice or communication; or
- (e) given in any other manner agreed between the Issuer and the Trustee,

and, if a Subordinated Note is represented by a Definitive Certificate and held jointly by more than one Holder, if it is given, sent or delivered (as applicable) to the first named Holder.

### **17.2 When notices to the Holders take effect**

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

Subject to Condition 17.3, notices and communications to Holders are taken to be received:

- (a) if sent by post, the day immediately following the day on which the notice was posted (or four days after posting if sent from one country to another);

- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent; and
- (c) if sent by email, when the sender receives an automated message confirming delivery or four hours after sending, whichever occurs first.

### **17.3 Notices while the Subordinated Notes are represented by the Global Certificate**

For so long as any of the Subordinated Notes is represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, a notice or other communication is properly given to a Holder if it is delivered to Euroclear and/or Clearstream, Luxembourg, as the case may be, for communication by them to the Holders. Any such notice shall be taken to have been given to the Holders on the day immediately following the day on which the notice was delivered to Euroclear and/or Clearstream, Luxembourg, as the case may be.

### **17.4 Notices while the Subordinated Notes are listed on SGX-ST**

For so long as any Subordinated Notes are listed on SGX-ST, if the rules of SGX-ST so require, any notice given under this Condition 17 will also be published in a manner which complies with the rules and regulations of SGX-ST, including where so required or permitted in a leading daily newspaper of general circulation in Singapore or any other place or places required by those rules or, if required on the SGX-ST website.

### **17.5 Non-receipt of notice by a Holder**

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

### **17.6 Notices to the Issuer**

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

- (a) delivered personally to the address set out below;
- (b) sent by prepaid post (airmail, if appropriate) to the address set out below;
- (c) sent by fax to the fax number set out below; or
- (d) given in any other way agreed between the Issuer and the Trustee.

For the purposes of this Condition 17.6, the Issuer's address and fax number for notices and other communications is the address set out below or as otherwise notified by the Issuer to Holders:

Name: QBE Insurance Group Limited  
Address: Level 27, 8 Chifley Square  
Sydney NSW 2000  
Australia  
Attention: Company Secretary  
Fax: +612 9231 6104

### **17.7 When notices to the Issuer take effect**

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



## 18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Subordinated Note under the Contracts (Rights of Third Parties) Act 1999, 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 jurisdiction

### 19.1 Governing law

The Subordinated Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except for:

- (a) the subordination provisions set forth in Conditions 2 and 12; and
- (b) the provisions of Conditions 6 and 7;

which are governed by, and shall be construed in accordance with, the laws in force in the State of New South Wales, Australia.

### 19.2 Jurisdiction

The Issuer irrevocably agrees that the courts of England are to have non-exclusive jurisdiction to settle any disputes (including a dispute relating to any non-contractual obligations) which may arise out of or in connection with the Subordinated Notes and, accordingly, submits to the non-exclusive jurisdiction of the English courts. The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

### 19.3 Appointment of process agent

The Issuer has appointed 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. The Issuer undertakes that, in the event of QBE European Operations Plc ceasing so to act or ceasing to be registered in England, the Issuer will appoint another person approved by the Trustee as its agent for service of process in England in respect of any suit, action or proceedings arising out of or in connection with the Subordinated Notes. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## 20 Interpretation and definitions

### 20.1 Definitions

In these Conditions the following expressions have the following meanings:

**Additional Amount** has the meaning given in Condition 10.3.

**Additional Interest** has the meaning given in Condition 4.3.

**Agency Agreement** means the agency agreement dated on or about 25 November 2014 between the Trustee, certain Agents and the Issuer.

**Agent** means any or all (as the context requires) of:

- (a) the Calculation Agent;
- (b) the Paying Agents;
- (c) the Transfer Agents; and
- (d) the Registrar,

or in any case, any successor appointed in accordance with the Agency Agreement.

**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 applicable to instruments such as the Subordinated Notes, as amended, varied or waived in their application to the Issuer from time to time.

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

**Attorney** has the meaning given in Condition 7.14.

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

**Authorised Officer** means:

- (a) any person who is a director or the secretary of the Issuer or has been notified by the Issuer in writing to the Trustee and 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 the Trust Deed, these Conditions and the Agency Agreement; and
- (b) without limiting paragraph (a) above, the Issuer's Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Company Secretary or General Counsel.

**Business Day** means 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 Sydney, London and New York.

**Calculation Agent** means The Bank of New York Mellon, London Branch or any successor appointed from time to time as calculation agent in accordance with the terms of the Agency Agreement.

**Certificates** means the Definitive Certificates and the Global Certificate and **Certificate** shall mean any of them.

**Certification Event** means:

- (a) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Subordinated Notes in the form of Definitive Certificates instead of in the form of the Global Certificate;
- (b) the Issuer determines that the Subordinated Notes should cease to be represented by a Global Certificate in order to facilitate a Conversion; or
- (c) 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, in any such case, no successor or alternative clearing system satisfactory to the Issuer is available.

**CHESS** means the Clearing House Electronic Subregister System operated by ASX.

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

**Conditions** means these terms and conditions.

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

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

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

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

**Costs** includes costs, expenses and charges.

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

**Day Count Fraction** means, in respect of a period, the number of days in the period (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

**Deferred Interest** has the meaning given in Condition 4.1.

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

**Definitive Certificate** has the meaning given in Condition 1.4(b).

**Determination Date** means, in respect of the first Interest Rate Period, 24 November 2014 or, in respect of any other Interest Rate Period, the second Business Day preceding the first day of such Interest Rate Period.

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

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

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

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

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

**Event of Default** has the meaning given in Condition 11.1.

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

**External Administrator** means, in respect of a person:

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

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

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

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

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

**Global Certificate** has the meaning given in Condition 1.4(a).

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

**Group** means the Issuer and each of its Subsidiaries.

**Holder** means, for a Subordinated Note, the person whose name is entered in the Register as the holder of that Subordinated Note (except that for so long as the Subordinated Notes are represented by a Global Certificate, for all purposes other than payment by the Issuer (including, without limitation, in respect of any Conversion), the person shown in the records of Euroclear or Clearstream, Luxembourg as the holder of Subordinated Notes with an aggregate Face Value equal to the amount credited to that person in those records shall be treated by the Issuer, the Trustee and the Agents as, and shall have the obligations of, the holder of that aggregate Face Value of Subordinated Notes).

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

**Interest Payment Date** has the meaning given in Condition 3.2.

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

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

**Interest Rate Period** means:

- (a) for the first period, the period from (and including) the Issue Date to (but excluding) the first Interest Rate Reset Date;
- (b) for the second period, the period from (and including) the first Interest Rate Reset Date to (but excluding) the second Interest Rate Reset Date; or
- (c) for the final period, the period from the second Interest Rate Reset Date to (but excluding) the Maturity Date.

**Interest Rate Reset Date** means each of 2 December 2024 and 2 December 2034.

**Issue Date** means the date on which a Subordinated Note is issued being 2 December 2014.

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

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

**Junior Ranking Instrument** means:

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

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

**Margin** has the meaning given in Condition 3.3.

**Maturity Date** means 2 December 2044.

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

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

**Mid Market Swap Rate** has the meaning given in Condition 3.3.

**Nominal Amount** has the meaning given in Condition 7.1.

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

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

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

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

**Officer’s Certificate** means a certificate signed by an Authorised Officer.

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

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

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

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

**Ordinary Resolution** has the meaning given in the Trust Deed.

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

**Outstanding** has the meaning given in the Trust Deed.

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

**Paying Agent** means the Principal Paying Agent and each other paying agent appointed in accordance with the Agency Agreement.

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

**Principal Paying Agent** means The Bank of New York Mellon, London Branch or any successor appointed from time to time as principal paying agent in accordance with the terms of the Agency Agreement.

**Principal Transfer Agent** means The Bank of New York Mellon (Luxembourg) S.A. or any successor appointed from time to time as principal transfer agent in accordance with the terms of the Agency Agreement.

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

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

**Redemption Price** means an amount equal to the Face Value together with any Deferred Interest, any Additional Interest, any Additional Amounts and any accrued but unpaid interest to the date of redemption determined in accordance with Condition 3, provided always that:

- (a) any amounts payable under Condition 3 on the Redemption Date which are separately paid in full on that date shall be excluded from the Redemption Price; and
- (b) if the Redemption Price becomes due for payment on an Early Redemption Date due to the occurrence of a Regulatory Event, the reference to Face Value above shall be deemed to be a reference to the product of the Face Value multiplied by 101%.

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

**Registrar** means The Bank of New York Mellon (Luxembourg) S.A. or such other entity as the Issuer appoints from time to time to maintain the Register outside of the United Kingdom.

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

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

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

**Relevant Jurisdiction** means Australia, Belgium, Luxembourg, Singapore or the United Kingdom, as applicable, or any other jurisdiction from which a payment on the Subordinated Notes is made (or any respective political subdivision or taxing authority thereof or therein).

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

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

**Required Amount** has the meaning given in Condition 6.2.

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

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

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

**SGX-ST** means the exchange operated by Singapore Exchange Securities Trading Limited.

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

**Solvent** means at any time in respect of the Issuer:

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

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

**Special Resolution** has the meaning given in the Trust Deed.

**Specified Office** means, in the case of:

- (a) the Calculation Agent, 40th Floor, One Canada Square, London, E14 5AL, United Kingdom;
- (b) the Principal Paying Agent, 40th Floor, One Canada Square, London, E14 5AL, United Kingdom;
- (c) the Principal Transfer Agent, Vertigo Building, Polaris, 2-4 rue Eugène Ruppert, L-2453, Luxembourg; and
- (d) the Registrar, Vertigo Building, Polaris, 2-4 rue Eugène Ruppert, L-2453, Luxembourg,

or, in each case, such other office as may be notified to Holders from time.

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

**Subsidiary** has the meaning given in the Corporations Act.

**Tax Act** means:

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

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

**Tax Event** means the receipt by the Issuer of an opinion of competent tax counsel to the effect that, as a result of the introduction of, or amendment or clarification to, or change in, or change in the interpretation of (or announcement of a prospective introduction of, amendment or clarification to or change in) a law or regulation by any legislative body, court, 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 any pay Additional Amounts;
- (b) interest payments on the Subordinated Notes are not or may not be allowed as a deduction for the purposes of Australian income tax; or
- (c) the Issuer would be exposed to more than a *de minimis* increase in its costs in relation to the Subordinated Notes as a result of any taxes, duties or other governmental charges or civil liabilities,

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

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

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

**Trading Day** means any day:

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

**Transfer Agent** means the Principal Transfer Agent and each other transfer agent appointed in accordance with the Agency Agreement.

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



**Trust Deed** means the trust deed dated on or about 25 November 2014 between the Trustee and the Issuer.

**Trustee** means The Bank of New York Mellon, London Branch or any successor trustee appointed in accordance with the Trust Deed.

**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 7 (such average being rounded to the nearest full Australian cent) (with each such daily price converted into USD on the basis of 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, expressed in US dollars 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:

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

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

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

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

## 20.2 Interpretation

- (a) Unless otherwise specified, a reference to a Condition is a reference to a provision of these Conditions.
- (b) If a calculation is required under these Conditions, unless the contrary intention is expressed, the calculation will be rounded to four decimal places (with 0.00005 being rounded up to 0.0001).
- (c) Headings and boldings are for convenience only and do not affect the interpretation of these Conditions.
- (d) The singular includes the plural and vice versa.
- (e) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them and references to the law includes statutes, ordinances, directives or common law and principles of equity having general application.
- (f) If an event under these Conditions must occur on a stipulated day which is not a Business Day, then, for an event other than a Non-Viability Trigger Event and a Non-Viability Conversion Date, the stipulated day will be taken to be the next Business Day, unless a contrary intention is expressed. For the avoidance of doubt, no Interest Payment Date, Interest Rate Reset Date nor the Maturity Date is an event for these purposes.

- (g) A reference to US Dollars, USD, US\$, \$ or cents is a reference to the lawful currency of the United States of America.
- (h) A reference to Australian Dollars, AUD or A\$ or Australian cents is a reference to the lawful currency of Australia.
- (i) A reference to Sterling, GBP, £ or pence is a reference to the lawful currency of the United Kingdom.
- (j) A period of time dating from a given day or the day of an act or event is to be calculated exclusive of that day.
- (k) A day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.
- (l) Any reference to any requirements of APRA or any other prudential regulatory requirements in these Conditions will apply or be operative with respect to the Issuer only if the Issuer is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of a holding company, which is subject to regulation and supervision by APRA at the relevant time.
- (m) Any requirement for APRA's consent or approval in any provision of these Conditions will apply only if APRA requires that such consent or approval be given at the relevant time.
- (n) Where, under these Conditions, APRA's approval is required for any act to be done or not done, that term does not imply that APRA's approval has been given as at the Issue Date.
- (o) Nothing in these Conditions shall confer rights on the Holder of any Relevant Capital Instrument or any other person other than the Holders.
- (p) A reference to a term defined by the ASX Listing Rules or the ASX Settlement Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.
- (q) If the principal securities exchange on which Ordinary Shares are listed becomes an exchange other than ASX, unless the context otherwise requires, a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Settlement Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be).
- (r) A reference to an Agent includes a reference to any successor agent appointed in accordance with the Agency Agreement.
- (s) 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.
- (t) 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.
- (u) 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.

## DESCRIPTION OF THE ORDINARY SHARES

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

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 the section entitled *Risks Factors—Restrictions on holding and trading Ordinary Shares*, above.

### ***No rights to redemption***

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

### ***General meetings***

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

### ***Dividend entitlement***

Subject to the Corporations Act, the Constitution and the terms of issue of Ordinary Shares, the board of directors of the Issuer (“**Board**”) may resolve to pay dividends on Ordinary Shares.

### ***Rights of Members on a winding-up of the Issuer***

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

### ***Transfer of ordinary shares***

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

### ***Limitations on ownership***

There are detailed Australian laws and regulations which govern the acquisition of interests in the Issuer, and a summary of these is described the section entitled *Risks Factors—Restrictions on holding and trading Ordinary Shares*, above. The Constitution also contains certain limitations on the rights to own securities in the Issuer, such as providing that the Issuer will not, in certain circumstances, recognise 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 parcel of Ordinary Shares worth less than A\$500.

### ***Issues of further shares***

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

### ***Variation of rights***

The Issuer may modify or vary the rights attaching to any class of shares with the 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 31 October 2014, the Issuer has 1,364,945,301 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](http://www.asx.com.au)

**SUMMARY OF PROVISIONS RELATING TO THE SUBORDINATED NOTES  
REPRESENTED BY A GLOBAL CERTIFICATE**

**Initial Issue of Subordinated Notes**

Subordinated Notes will be issued in registered form and will be initially represented by interests in a Global Certificate which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg on the Issue Date. Upon the registration of the Subordinated Notes in the name of a nominee of the common depository for Euroclear and Clearstream, Luxembourg, and delivery of the Global Certificate to the common depository for Euroclear and Clearstream, Luxembourg, Euroclear and Clearstream, Luxembourg will credit each subscriber with such number of Subordinated Notes equal to the number thereof for which that subscriber has subscribed and paid.

**Accountholders**

So long as a Subordinated Note is registered in the name of a nominee for Euroclear and Clearstream, Luxembourg, the nominee for Euroclear and Clearstream, Luxembourg will be the sole registered owner or holder of the Subordinated Notes represented by the relevant Global Certificate and will be treated by the Issuer as the holder of the Subordinated Note with respect to all payments (see the definition of Holder in Condition 19). As set forth under Condition 1.1, the persons shown in the records of Euroclear and Clearstream, Luxembourg as the holders of interests in the Subordinated Notes evidenced by a Global Certificate (each an “**Accountholder**”) will not be entitled to have the Subordinated Note registered in their names, will not receive or be entitled to receive physical delivery of Definitive Certificates but will be considered holders of the nominal amount of Subordinated Notes recorded in their name in the clearing system for all other purposes (other than payment). Accordingly, each Accountholder must rely upon both the Conditions as well as the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be, to exercise the rights and obligations of a Holder under the Conditions.

**Exchange**

Interests in the Global Certificate will be exchangeable in whole but not in part (free of charge to the Holder) for Definitive Certificates only upon the occurrence of a Certification Event.

A “**Certification Event**” means:

- (a) the Issuer has or will become subject to adverse tax consequences which would not be suffered where the Subordinated Notes are in the form of Definitive Certificates instead of in the form of the Global Certificate;
- (b) the Issuer determines that Subordinated Notes should cease to be represented by a Global Certificate in order to facilitate a Conversion; or
- (c) 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, in any such case, no successor satisfactory to the Issuer is available.

The Subordinated Notes have denominations consisting of a minimum of US\$200,000 plus one or more higher integral multiples of US\$1,000. It is possible that the Subordinated Notes may be traded in amounts such that a Holder holds an amount which is less than US\$200,000 in their account with the relevant clearing system. If a Holder holds an amount of Subordinated Notes in their account with the relevant clearing system which is less than US\$200,000 at the relevant time it may not receive a Definitive Certificate in respect of the amount of such holding and may be required to purchase a principal amount of Subordinated Notes such that their holding amounts to at least US\$200,000. If the Global Certificate is exchangeable following the occurrence of a Certification Event:

- (i) the Issuer will promptly give notice to Holders upon the occurrence of such Certification Event; and

- (ii) Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of a Certification Event as described in (a) 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 first relevant notice by the Registrar.

Whenever the Global Certificate is to be exchanged for Definitive Certificates, such Definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of this Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of this Global Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the Definitive Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the Global Note and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

### **Payments**

Payments of principal, interest and any other amount in respect of Subordinated Notes which are represented by a Global Certificate will, in the absence of provision to the contrary, be made to the person shown on the Register as the registered holder of the Global Certificate. None of the relevant Issuer, the Trustee, 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 a Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Each Accountholder must look solely to Euroclear and Clearstream, Luxembourg, as the case may be, for its share of each payment made by the Issuer to the registered Holder subject to and in accordance with the respective rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be. Such persons shall have no claim directly against the Issuer in respect of payments due on the Subordinated Notes for so long as the Subordinated Notes are represented by such Global Certificate and such obligation of the Issuer will be discharged by payment to the registered holder of the Subordinated Notes in respect of each amount so paid.

### **Transfers of Interests**

Accountholders will only be able to transfer their beneficial interests in the Subordinated Notes in accordance with the Trust Deed and Agency Agreement and, for so long as any of the Subordinated Notes are represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, with the rules and procedure of Euroclear and Clearstream, Luxembourg, as the case may be.

### **Notices**

For so long as any of the Subordinated Notes is represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, a notice or other communication is properly given to a Holder if it is delivered to Euroclear and/or Clearstream, Luxembourg, as the case may be, for communication by them to the Holders. Any such notice shall be taken to have been given to the Holders on the day immediately following the day on which the notice was delivered to Euroclear and/or Clearstream, Luxembourg, as the case may be.

## **USE OF PROCEEDS**

The net proceeds from the issue of the Subordinated Notes will be used primarily to fund the retirement of senior debt and otherwise for general corporate purposes.

## TAXATION

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

*The summary is based on tax law and practice in force as at the date of this 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 Subordinated Notes. The summary does not apply to Holders who hold Subordinated Notes on revenue account, as trading stock or as part of a securities trading business and may not apply to certain other classes of persons. It is not intended to be advice and should not be relied upon as such.*

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

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

## INTRODUCTION

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

This summary applies to Holders that are:

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

## AUSTRALIAN INCOME TAX

As the Subordinated Notes are denominated in US Dollars, Holders will generally need to translate payments and receipts in respect of Subordinated Notes into Australian currency for the purposes of applying the Australian Tax Act. Other than for certain purposes specified in the Australian Tax Act, Holders should generally apply the relevant US Dollar/Australian Dollar exchange rate as at the time of the relevant payment or receipt.

### *Interest payments*

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

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

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

### *Gain on disposal or redemption of Subordinated Notes*

Australian Holders will be required to include any gain or loss on disposal or redemption of Subordinated Notes in their assessable income. Depending on the circumstances of the Australian Holder, either the rules relating to “taxation of financial arrangements” (see summary below) or “foreign currency gains and losses” (see the



“foreign currency gains and losses” summary below) and “traditional securities” (in sections 26BB and 70B of the Australian Tax Act) should apply.

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

- (a) the cost of a Subordinated Note should generally be its issue price for Holders who acquire Subordinated Notes under this Offering Circular;
- (b) the proceeds from a disposal will generally be the gross amount received by the Holder in respect of the disposal of Subordinated Notes; and
- (c) if the Subordinated Notes are redeemed by the Issuer, the proceeds from the redemption may be taken to exclude any parts of the redemption amount paid to Holders that are referable to any accrued and unpaid interest on Subordinated Notes. Those interest amounts may be treated in the same manner as interest payments received during the term of Subordinated Notes. Again, Holders should seek their own taxation advice in relation to the application of the Australian Tax Act to their particular circumstances.

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

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

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

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

#### ***No gain on conversion of Subordinated Notes***

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

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

## **AUSTRALIAN INTEREST WITHHOLDING TAX**

### ***Interest Withholding Tax***

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

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

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

### ***Section 128F exemption from IWT***

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

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

In broad terms, the requirements are as follows:

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

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

- offers to 10 or more unrelated financiers, or securities dealers or entities that carry on the business of investing in securities;
- offers to 100 or more investors of a certain type;
- offers of listed Subordinated Notes;
- offers via publicly available information sources;
- offers to a dealer, manager or underwriter who offers to sell Subordinated Notes within 30 days by one of the preceding methods; or
- the offering of a ‘global bond’ which satisfies the requirements of section 128F(10) of the Australia Tax Act.

A ‘global bond’ will satisfy the requirements of section 128F(10) if:

- it describes itself as a global bond or a global note;
- it is issued to a clearing house (as defined in section 128F(9)) or to a person as trustee or agent for, or otherwise on behalf of, one or more clearing houses;
- in connection with the issue of the ‘global bond’, the clearing house or houses confer rights in relation to the ‘global bond’ on other persons and will record the existence of the rights;
- before the issue of the ‘global bond’, the Issuer or a dealer, manager or underwriter in relation to the placement of debentures, on behalf of the Issuer, announces that, as a result of the issue, such rights will be able to be created;
- the announcement is made in a way or ways covered by any of the first five public offer methods above; and
- under the terms of the ‘global bond’, interests in the ‘global bond’ are able to be surrendered, whether or not in particular circumstances, in exchange for other debentures issued by the Issuer, that are not themselves ‘global bonds’;

- (c) the Issuer does not know, or have reasonable grounds to suspect, at the time of issue, that Subordinated Notes (or interests in those Subordinated Notes) were being, or would later be, acquired, directly or indirectly, by an “associate” of the Issuer, except as permitted by section 128F(5) of the Australian Tax Act (see below); and
- (d) at the time of the payment of interest, the Issuer does not know, or have reasonable grounds to suspect, that the payee is an “associate” of the Issuer, except as permitted by section 128F(6) of the Australian Tax Act (see below).

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

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

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

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

#### ***Exemptions under certain double tax conventions***

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

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

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

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

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

#### ***Payment of Additional Amounts***

As set out in more detail in Condition 10 (Taxation), if the Issuer is at any time compelled or authorised by law to deduct or withhold an amount in respect of any Australian withholding taxes imposed or levied by the Commonwealth of Australia in respect of Subordinated Notes, the Issuer must, subject to certain exemptions contained in Condition 10.3, pay such Additional Amounts as may be necessary in order to ensure that the net amounts received by the Holders of those Subordinated Notes after such deduction or withholding are equal to the respective amounts which would have been received had no such deduction or withholding been required. If the Issuer is compelled by law in relation to any Subordinated Notes to pay an Additional Amount in respect of a

Subordinated Note under Condition 10.3 (Additional Amounts), the Issuer may, subject to the prior written approval of APRA and certain other conditions being satisfied, have the option to redeem those Subordinated Notes in accordance with Condition 5.2.

## OTHER AUSTRALIAN TAX MATTERS

Under Australian laws as presently in effect:

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

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

Division 230 does not apply to certain taxpayers or in respect of certain short term “financial arrangements”. Division 230 should not, for example, generally apply to Holders of Subordinated Notes which are individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their “financial arrangements”. Potential Holders should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made;

- **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. 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, Holders should seek their own taxation advice regarding how to account for any foreign exchange gains or losses arising from their holding of Subordinated Notes;
- **death duties**—no Subordinated Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
- **stamp duty and other taxes**—no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue, transfer or redemption of any Subordinated Notes;
- **TFN/ABN withholding**—withholding tax is presently imposed on the payment of interest on certain securities unless the relevant payee has quoted an Australian tax file number (“TFN”), (in certain circumstances) an ABN or proof of some other exception (as appropriate). A withholding rate of 49% will apply temporarily in respect of payments of interest made from 1 July 2014 until 30 June 2017, taking into account the Temporary Budget Repair Levy. A withholding rate of 47% will then apply from 1 July 2017.

Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to Subordinated Notes, then withholding will not apply to payments to a non-resident Holder who does not hold their Subordinated Notes in the course of carrying on a business at or through a permanent establishment in Australia. Payments to Australian Holders in respect of Subordinated Notes may be subject to a withholding where the Australian Holder does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);

- **Dividend Withholding Tax**—Non-Australian Holders may be subject to dividend withholding tax (“DWT”) on certain distributions paid on equity interests in Australian resident entities (such as Ordinary Shares). DWT is generally imposed to the extent “franking credits” do not attach to the relevant distribution. Australian DWT is imposed at a general rate of 30 per cent. but the rate may be reduced under an applicable double tax treaty. Holders should consider the application of DWT in the

event the Holder's Subordinated Notes are converted into Ordinary Shares. The Issuer does not "gross-up" distributions on its Ordinary Shares to account for the imposition of DWT.

- **additional withholdings from certain payments to non-residents**—the Governor-General may make regulations requiring withholding from certain payments to non-residents of Australia (other than payments of interest and other amounts which are already subject to the current IWT rules or specifically exempt from those rules). Regulations may only be made if the responsible Minister is satisfied the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The possible application of any future regulations to the proceeds of any sale of Subordinated Notes will need to be monitored by Holders;
- **garnishee directions by the Commissioner of Taxation**—the Commissioner may give a direction requiring the Issuer to deduct from any payment to a Holder or the holder of an Ordinary Share any amount in respect of Australian tax payable by the Holder. If the Issuer is served with such a direction, then the Issuer will comply with that direction and will make any deduction required by that direction;
- **supply withholding tax**—payments in respect of Subordinated Notes can generally be made free and clear of any "supply withholding tax"; and
- **goods and services tax**—neither the issue nor receipt of Subordinated Notes should give rise to a liability for GST in Australia on the basis that the supply of Subordinated Notes should comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of the Redemption Price or interest by the Issuer, nor the disposal of the Subordinated Notes by the Holder, should give rise to any GST liability in Australia.

## EU SAVINGS TAX

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either the provision of information or transitional withholding) in relation to payments of interest or other similar income payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

## FATCA WITHHOLDING

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

Under FATCA, a 30% withholding may be imposed starting on (i) 1 July 2014 in respect of certain U.S. source payments, (ii) 1 January 2017 in respect of gross proceeds from the sale of assets that give rise to U.S. source interest or dividends and (iii) 1 January 2017, at the earliest, in respect of “foreign passthru payments” (a term which is not yet defined under FATCA), which are, in each case, paid to or in respect of entities that fail to meet certain certification or reporting requirements.

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

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

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

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

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

## SUBSCRIPTION AND SALE

### Subscription for the Subordinated Notes

Pursuant to a subscription agreement dated on or about 25 November 2014 (the “**Subscription Agreement**”) between the Joint Lead Managers and the Issuer, the Joint Lead Managers have jointly and severally agreed to subscribe for Subordinated Notes at a price of 100 per cent. of their principal amount on the terms and conditions set out in the Subscription Agreement.

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

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

### Selling Restrictions

#### *Australia*

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

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

in each case unless:

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

#### *United States*

Each Joint Lead Manager has acknowledged that neither the Subordinated Notes nor the Ordinary Shares issued on Conversion have been registered, and neither the Subordinated Notes nor the Ordinary Shares issued on Conversion will be registered under the Securities Act, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

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

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

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

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

### ***United Kingdom***

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of the Subordinated Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Subordinated Notes in, from or otherwise involving the United Kingdom.

### ***Singapore***

Each Joint Lead Manager has acknowledged and agreed that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Subordinated Notes may not be circulated or distributed, nor may the Subordinated Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the 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 Subordinated Notes are subscribed or purchased in reliance of an exemption under Section 274 or 275 of the SFA, the Subordinated Notes shall not be sold within the period of 6 months from the date of the initial acquisition of the Subordinated Notes, except to any of the following persons:

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

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



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

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

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

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (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.

### ***Korea***

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

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

### ***Taiwan***

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

### ***China***

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

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

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

### ***Japan***

The Subordinated Notes have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the “FIEL”) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Subordinated Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Subordinated Notes may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Subordinated Notes is conditional upon the execution of an agreement to that effect.

### ***Hong Kong***

Each Joint Lead Manager has represented and agreed that:

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

### ***Malaysia***

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

## *New Zealand*

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

- (a) at any time on or before 30 November 2014, to any or all of the following persons only:
  - (i) persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, or who in the circumstances can properly be regarded as having been selected other than as members of the public;
  - (ii) persons who are each required to pay a minimum subscription price of at least NZ\$500,000 for the Notes (disregarding any amount lent by the offeror, the Issuer, or any associated person of the offeror or the Issuer) before the allotment of those Notes; or
  - (iii) in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand, provided that Notes may not be offered or transferred to any “eligible persons” (as defined in section 5(2CC) of the Securities Act 1978 of New Zealand); and
- (b) at any time on or after 1 December 2014, to any or all of the following persons only:
  - (i) “wholesale investors” as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand (“FMC Act”), being a person who is:
    - a. an “investment business”;
    - b. “large”; or
    - c. a “government agency”,in each case as defined in Schedule 1 to the FMC Act; and
  - (ii) in other circumstances where there is no contravention of the FMC Act, provided that (without limiting paragraph a. above) Notes may not be offered or transferred to any “eligible investors” (as defined in the FMC Act) or any person that meets the investment activity criteria specified in clause 38 of Schedule 1 to the FMC Act.

## **General**

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

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

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

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

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

## GENERAL INFORMATION

1. The issue of the Subordinated Notes has been authorised by resolution of the board of directors of the Issuer passed on 22 September 2014.
2. Approval in-principle has been received for the listing and quotation of the Subordinated Notes on the Official List of the SGX-ST. The Subordinated Notes will be traded in a minimum board lot size of US\$200,000 (or equivalent in another currency) for so long as the Subordinated Notes are listed on the SGX-ST.
3. For so long as the Subordinated 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 Subordinated Notes may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Definitive Certificates. In addition, in the event that a Global Certificate is exchanged for Definitive Certificates, 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 Certificates, including details of the paying agent in Singapore.
4. The Subordinated Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The Common Code and ISIN for the Subordinated Notes allocated by Euroclear and Clearstream, Luxembourg are 114449580 and XS1144495808, respectively.
5. Copies of the following Available Documents will be available for inspection at the registered office of the Issuer:
  - (a) the financial statements of the Issuer filed with ASIC in respect the Financial Year ended 31 December 2012;
  - (b) the financial statements of the Issuer filed with ASIC in respect the Financial Year ended 31 December 2013;
  - (c) the half year report released by the Issuer to ASX on 19 August 2014;
  - (d) the Trust Deed (including the Conditions);
  - (e) the Agency Agreement; and
  - (f) the Constitution.

Requests for such documents should be directed to the Issuer at its offices set out in the Directory at the end of this 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 Holder or a genuine prospective holder of Subordinated Notes.

In addition, copies of the Available Documents 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 Holder or a genuine prospective holder of Subordinated Notes).
6. The Issuer has obtained a waiver from ASX from Listing Rule 7.1 to allow the Conversion to occur without the of the issue of Ordinary Shares needing to be approved by holders of Ordinary Shares at or around the time of Conversion.
7. 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 prescribed 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. As at the date of this Offering Circular Supplement, “designated persons or entities” include:

- (a) persons who have been indicted for an offence by or within the jurisdiction of the International Criminal Tribunal for the former Yugoslavia, as well as certain supporters of the former Milosevic regime;
- (b) persons or entities engaging (or who have engaged) in activities that seriously undermine democracy; respect for human rights and the rule of law in Zimbabwe;
- (c) certain persons or entities associated with the weapons of mass-destruction or missiles program of the Democratic People’s Republic of Korea (North Korea);
- (d) certain persons associated with the Myanmar regime;
- (e) certain persons or entities who have contributed or are contributing to Iran’s nuclear or missile programs, or have assisted or are assisting Iran to violate certain United Nations Resolutions;
- (f) certain close associates of the former Qadhafi regime, entities under the control of the Qadhafi family and persons or entities who have assisted or are assisting in the violation of certain United Nations Resolutions with respect to Libya;
- (g) certain persons or entities providing support to the Syrian regime or responsible for human rights abuses in Syria; and
- (h) certain persons or entities responsible for, or complicit in, the threat to the sovereignty and territorial integrity of Ukraine.

Additional information on the above restrictions and prohibitions may be found on the website of the Department of Foreign Affairs and Trade at [www.dfat.gov.au](http://www.dfat.gov.au).

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 prescribed 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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