

Series No.: 2

Tranche No.: 1



Members Equity Bank Limited
(ABN 56 070 887 679)

Programme for the Issuance of Capital Notes

Issue of
A\$100,000,000 Perpetual Capital Notes
("Capital Notes")

The date of this Pricing Supplement is 3 December 2018 ("**Pricing Supplement**").

This Pricing Supplement (as referred to in the Information Memorandum dated 14 November 2017 ("**Information Memorandum**") in relation to the above Programme) relates to the Tranche of Capital Notes referred to above. It is supplementary to, and should be read in conjunction with the terms and conditions of the Capital Notes contained in the Information Memorandum ("**Terms**") and the Note Deed Poll dated 14 November 2017 made by the Issuer. Unless otherwise indicated, terms defined in the Conditions have the same meanings in this Pricing Supplement.

The Capital Notes qualify as Additional Tier 1 Capital of Members Equity Bank Limited ("**Issuer**") under the prudential standards and guidelines made by the Australian Prudential Regulation Authority ("**APRA**") and applicable to the Issuer. The Capital Notes will be Written-off if a Non-Viability Trigger Event occurs.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Capital Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

The particulars to be specified in relation to the Tranche of Capital Notes referred to above are as follows:

1 Issuer : Members Equity Bank Limited (ABN 56 070 887 679)

2	Type of Notes	:	Perpetual, non-cumulative, subordinated, unsecured debt obligations constituting Additional Tier 1 Capital of the Issuer which are Floating Rate Notes (Condition 4.4)
3	Method of distribution	:	Syndicated Issue
4	Arranger	:	Members Equity Bank Limited (ABN 56 070 887 679)
5	Dealers	:	Members Equity Bank Limited (ABN 56 070 887 679) National Australia Bank Limited (ABN 12 004 044 937) Westpac Banking Corporation (ABN 33 007 457 141) UBS AG, Australia Branch (ABN 47 088 129 613)
6	Registrar	:	Austraclear Services Limited (ABN 28 003 284 419)
7	Status of the Capital Notes	:	Subordinated (ranking ahead only of Members Equity Bank Shares and any other instruments constituting Common Equity Tier 1 Capital of the Issuer) The Capital Notes do not constitute deposit liabilities of the Issuer for the purposes of the Banking Act 1959 (Cth)
8	If to form a single Series with an existing Series, specify date on which all Capital Notes of the Series become fungible, if not the Issue Date	:	Not applicable
9	Aggregate principal amount of Capital Notes	:	A\$100,000,000
10	Issue Date	:	5 December 2018
11	Issue Price / Purchase Price	:	A\$100,000,000
12	Currency	:	Australian dollars
13	Denomination and Face Value	:	A\$10,000
14	Record Date	:	Terms apply
15	Distribution Rate	:	As per Condition 4.4
16	Distribution Commencement Date, if not Issue Date	:	Not applicable

17	Distribution Payment Dates	:	Each 5 March, 5 June, 5 September and 5 December, subject to adjustment in accordance with the Business Day Convention
18	Business Day Convention	:	Following Business Day Convention
19	Margin	:	5% per annum
20	Fixed Coupon Amount	:	Not applicable
21	Day Count Fraction	:	Not applicable (Clause 4.4 of the Terms applies)
22	Rounding	:	As per Terms
23	Optional Redemption by the Issuer	:	<p>Clause 6.1(b) of the Terms is applicable</p> <p>For the purposes of clause 6.1(b) of the Terms, the first date on which the Issuer may Redeem the Capital Notes is 5 December 2023</p> <p><i>The Issuer must obtain the prior written approval of APRA before Redeeming Capital Notes. Such approval may or may not be given</i></p>
24	Specify any other conditions to exercise of option (which are not set out in Terms)	:	Not applicable
25	Early Redemption on occurrence of Tax Event	:	Clause 6.1(a) (Tax Event) of the Terms is applicable
26	Early Redemption on occurrence of Regulatory Event	:	Clause 6.1(a) (Regulatory Event) of the Terms is applicable
27	Additional or alternate newspapers	:	Not applicable
28	Other relevant terms and conditions or amendments to Terms	:	<p>Not applicable</p> <p>As provided in the Information Memorandum, the Capital Notes will not be issued unless the aggregate consideration payable by each offeree is at least A\$500,000 (disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act 2001 of Australia ("Corporations Act")</p>
29	Clearing System(s)	:	Austraclear System, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme
30	ISIN	:	AU3FN0046215
31	Common Code	:	191778057

- 32 Selling Restrictions : As per Information Memorandum
- 33 Other amendments : On page 3 of the Information Memorandum under the heading "Terms of issue", the words "maturity date" are deleted. See also the Schedule to this Pricing Supplement

Refer to Schedule for further updates to the Information Memorandum

CONFIRMED

For and on behalf of
Members Equity Bank Limited

By: 

Name: *GRANT DICKSON*

Title: *CEO*

Date: *2/12/2018*

SCHEDULE

Amendments and Supplements to Information Memorandum

The section in the Information Memorandum entitled "Risks" (starting on page 19) is replaced with the following section:

Risks

Investors must take or obtain their own advice with respect to investment and other risks.

This Information Memorandum describes only some of the risks of investing in the Capital Notes. It does not describe all the risks of an investment in the Capital Notes. If prospective investors are in any doubt about the risks associated with an investment in the Capital Notes, they should consult their own professional, financial, legal and tax advisers about such risks and the suitability of investing in the Capital Notes in light of their particular circumstances.

Risks associated with the Issuer

Macroeconomic, political and regulatory risks

ME's performance may be subject to changes in economic conditions in Australia (and globally), and any governmental or regulatory response to those changing conditions. The changes in economic conditions could include:

- changes in economic growth, unemployment levels and consumer confidence which may lead to a decline in the demand for ME's products and services and the quality of ME's existing portfolio of loans;
- changes in fiscal and monetary policy, including inflation and interest rates, which may impact ME's profitability or cause a decline in the demand for ME's products and services;
- declines in aggregate investment and economic output in Australia or in key offshore regions;
- national or international political and economic instability or the instability of national or international financial markets; and
- changes in residential real estate values.

Although ME will have in place a number of strategies to minimise the exposure to economic risk and will engage in prudent management practices to minimise its exposure in the future, these factors may nonetheless have an adverse impact on ME's financial performance and position. As part of these strategies ME will undertake regular stress testing of its portfolios, but this testing might not anticipate the exact circumstances of the change in the various factors which have an impact on the economy, or on ME.

The financial services industry, and banking in particular, is currently the subject of increased public scrutiny and government and regulatory oversight, including through the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and various other regulatory and governmental reviews. The 2017 Budget outlined a number of changes to the supervision of the banking industry, including the provision of additional powers to APRA as part of its prudential supervisory responsibilities. This is an area which continues to be the subject of significant public discussion and media coverage.

ME is subject to a broad range of regulatory and legal oversight, including by, among others, APRA, the Reserve Bank of Australia, the Australian Competition and Consumer Commission, ASIC and AUSTRAC. These regulators (with others) are responsible for a broad range of laws, prudential requirements, regulations, policies and other standards, the change in, or implementation or interpretation of, which could affect ME either directly or indirectly in substantial and unpredictable ways.

There is a risk that ME may not respond sufficiently quickly and effectively to regulatory changes, which could have a material adverse impact on ME's financial position, performance and reputation.

Strategic

Competitive environment

ME reviews its strategy at least annually, or more regularly if circumstances require. The products and services offered by ME are homogenous with those products offered by its competitors. ME faces the additional risk of not being able to respond, or not responding sufficiently quickly, to changing customer sentiment, preferences and habits, and may lose customers as a result.

While ME will seek to optimise its advantages, it continues to face the risks associated with operating in a highly regulated and highly competitive industry, where the four major banks hold significant market share and market power.

The risk of disruption in financial services, and banking in particular, is also a factor for ME, including through new entrants, distribution models and collaboration across borders and industries through the application of technology.

ME uses mortgage brokers – through a number of the major aggregator businesses - to distribute its home loan products to customers, and while not dependent on any individual aggregator business there remains a risk of the failure, inability or unwillingness of brokers to distribute ME's home loan products due to a range of factors.

Shareholders

ME is an unlisted public company, owned by a number of industry superannuation funds ("ISFs") in differing proportions. ME's Constitution provides that it may only issue shares to Eligible Investors, which (in summary) are complying superannuation funds under the *Superannuation Industry (Supervision) Act 1993* (Cth). The market for ME shares is therefore restricted, and could be considered illiquid.

Given the superannuation industry is also subject to ongoing regulatory supervision and change there is a risk that the shareholders may no longer be allowed to hold their ME shares, or there may be other regulatory obligations in relation to the shareholding which are not met. In addition the shareholders' investment strategies may change causing them to sell their shares in ME.

Mergers and acquisitions

ME may engage in merger, acquisition or divestment activity to support its strategic direction, any of which could impact ME's risk profile, and business position. While any such activity would involve appropriate planning and close Board and management attention there will be a risk that the anticipated benefits of the activity are not obtained, or not obtained within the period anticipated.

Credit

This is the risk that customers or counterparties will not be able to meet their financial obligations as they fall due, including their obligations to ME to repay loans and interest, and ME will suffer a financial loss.

Credit risk is a significant risk for ME. As a home lending organisation, ME has a substantial exposure to residential mortgage lending, with only a small portion of its lending assets in credit cards and personal loans. While ME's home loans are secured by mortgages, its credit cards and personal loans are unsecured. A failure in its borrowers to repay these loans may have a material adverse impact on ME's financial performance and position.

ME does not have any exposure to commercial credit risk as it sold its commercial lending and asset financing assets in late 2016.

ME has put in place a series of policies and assessment processes and tests to satisfy itself as to the ability of its borrowers to repay their loans, at origination and over the term of the loan, but circumstances can change – including at a macroeconomic level – which will cause stress on borrowers and affect their ability to repay. Accordingly ME has put in place collective and individually

assessed provisions for its credit exposures. If economic conditions deteriorate, and customers and/or counterparties experience higher levels of financial stress ME may experience an increase in defaults and write offs and be required to increase its provisioning. Deterioration in economic conditions, inadequate provisioning or a significant breakdown in credit lending disciplines could diminish available capital and could adversely affect ME's business, financial performance, liquidity, capital resources, financial condition and prospects.

Concentration risk

The Bank is primarily a home loan provider, with over 95% of its lending assets in home loans (as at 30 June 2018). Accordingly any change in the stability of house prices, or a decrease in house prices more generally, will have a larger impact on the Bank's credit risk profile than on the credit risk profile of other lenders with a broader asset base.

The Bank applies a number of controls over its home lending to manage the risk exposures in its portfolio such as geographic risk (where its security is located), product risk (the type of home loan products being sold), and the amount lent to its customers against the value of the property.

Balance sheet

Market

ME's exposure to market risk relates to the asset and liability management of its balance sheet.

ME may suffer losses arising from adverse movements in levels and volatility of market factors, including interest rates, foreign exchange rates, equity prices and credit spreads. If ME were to suffer substantial losses due to any market volatility, it could adversely affect ME's financial performance, liquidity, capital resources, financial condition and prospects.

Funding and Liquidity

Funding risk relates to the risk of one or more of ME's funding sources being reduced or no longer available to ME, or there is a significant increase in ME's cost of funding through either a systemic or company specific event. ME meets this risk by diversifying its funding base, reducing reliance on a single source of funding, such as securitisation. While ME manages this risk through diversification and pricing, if ME's funding costs become so expensive as to be uncompetitive, ME can curtail its other business activities to reduce lending growth.

Liquidity risk is the risk that ME cannot meet its financial (or payment) obligations as they fall due, which may arise for a number of reasons, such as a result of a mismatch between the payment obligations and ME's access to liquid assets, adequate funding on acceptable terms, or cash flows from its business. ME manages this risk through the application of relevant policies with clear triggers and limits on the level of liquidity the Bank must hold in different categories, including in high quality liquid assets, and over different timeframes, and in different market conditions.

Capital

ME manages its capital to meet a number of key metrics, including the limits imposed by APRA.

ME raises Common Equity Tier 1 capital in the form of ordinary shares ("Voting Shares" as defined in its Constitution) from its shareholders, but as noted above may only issue Voting Shares in ME to "Eligible Investors".

In addition, ME is limited by a number of factors in relation to the alternative forms of capital it might raise to support its growth.

Capital distribution constraints will apply if ME's Common Equity Tier 1 Capital ratio is within the "capital buffer range" (consisting of the "capital conservation buffer" plus any "countercyclical capital buffer", each of which are set by APRA). APRA has published a table (in Attachment B to APS 110) indicating the percentage of earnings that an ADI (such as ME) is unable to distribute where its Common Equity Tier 1 Capital ratio falls within certain quartiles. Where the Common Equity Tier 1

Capital ratio of ME falls within the first quartile of buffer as specified in the table, ME must also cease all Tier 1 Capital distributions. This would include distributions to be paid on the Capital Notes.

APRA has an ongoing program of review of the ADI capital framework, involving discussion papers and potential reforms to meet three principal objectives: achieving an overall level of capital which meets an “unquestionably strong” aspiration, improving the risk sensitivity of capital requirements by better alignment with risks and improving the transparency, comparability and flexibility of the capital framework. This program will extend to 2019 and potentially later. It is unclear as to what, if any, material impact there will be on ME Bank – or the Capital Notes – as a result of the program of review.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. ME is exposed to a variety of operational risks associated with people, systems and processes, such as workplace safety, project and change management, compliance, business continuity and crisis management, key person dependencies, internal and external fraud and other dishonest activities, information and systems resilience as well as reliance on partners, suppliers and outsourcing. Even though ME has adopted policies and procedures to control exposure to, and limit the extent of, these risks, there are inherent limitations in any risk management control system and control breakdowns can occur.

Law, Regulation and government policy – failure by ME to comply

ME’s failure to meet its legal and regulatory obligations may have a material adverse effect on ME’s reputation among customers and in the market, and on its relationship with the regulators. It may also result in significant remediation costs to ME. ME has in place a range of measures, including a compliance framework, policies and procedures to manage the risk of non-compliance.

Accounting practices

ME exercises judgment in determining the accounting policies and methods it applies to appropriately recording and reporting on its financial position and the results of its operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of financial position and results of operations. Sometimes this requires a decision between two or more acceptable accounting policies or methods, each of which is appropriate but might result in reporting materially different outcomes than would have been reported using a different policy or method.

ME may change its accounting policies and methods from time to time as accounting standards and regulations change.

Tax laws

Australian taxation laws are frequently changing, or are subject to differing interpretations, with these changes potentially giving rise to risks to ME in relation to the manner in which it undertakes its taxation assessments.

There are risks that any changes in tax laws, including in relation to company income tax, may have an impact on ME’s financial position including its net profit after tax, and its dividend franking position.

Program of work

ME is committed to investing in its organisation through an annual program of work, which will involve a number of projects across the organisation executed under the guidance of its Project Management Office. There is a risk that these projects might not be effectively or efficiently planned or executed, or the costs of the projects might exceed reasonable expectations or tolerances, or the projects may be delayed, the projects might affect IT systems in an unplanned manner causing disruption, or the organisation might not be able to consume the volume of change generated by the projects, causing a disruption in ME’s service to its customers, or a deterioration in ME’s financial performance.

Change in credit ratings

ME's credit rating as assigned by a rating agency is based on an evaluation of a number of factors by that agency (with those factors differing between the agencies), including ME's financial strength.

A credit rating downgrade could be driven by the occurrence of one or more of the other risks discussed in this Information Memorandum or by other events, including changes in the macroeconomic environment. A downgrade in ME's current corporate credit rating could have an adverse effect on ME's cost of funds and related margins, liquidity, competitive position and access to capital markets.

While these Capital Notes will not be rated, any changes in ME's credit rating could adversely affect the market price, liquidity and performance of the Capital Notes. ME's corporate credit rating is not a rating of the Capital Notes.

Disputes, litigation and regulatory proceedings

From time to time, ME may be involved in disputes or be party to claims, proceedings and litigation, including those it brings itself or where it is the subject of the claims. There is a risk that any material or costly dispute or litigation could adversely affect the value of ME's assets or its future financial performance. ME may also be subject to proceedings brought by regulatory bodies, including ACCC, ASIC or AUSTRAC, in relation to its practices or regulatory compliance. ME has in place risk and compliance frameworks, policies and procedures to manage the risk of non-compliance and minimise the risk of any ensuing disputes.

ME is not currently involved in any proceedings, or subject to any claims, which it believes will result in a material adverse effect on ME, its operations, or its financial position.

Technology and data risk

Technology is fundamental to ME's delivery of its services and products to its customers, and is constantly changing. For ME to compete effectively in the future it needs to continue its investment in its technology and product platforms to support the efficient delivery of its products and services. There is a risk that these platforms, or other technology services and infrastructure which ME uses to deliver products and services, might fail or not operate as expected.

Most of the ME's daily operations are computer-based and information technology (IT) systems are essential to maintaining effective communications with customers. The exposure to systems risks includes the complete or partial failure of IT systems or data centre infrastructure, the inadequacy of internal and third-party IT systems due to, among other things, failure to keep pace with industry developments, and the capacity of the existing systems to effectively accommodate growth and integrate existing and future acquisitions and alliances.

Maintaining secure access to properly collected and well managed data is fundamental to allow ME to not only meet its privacy and reporting obligations, but to be able to deliver its strategy, fulfil its customer promises and grow its business. Poor data governance, including in respect of the manner in which data is transferred within ME, could lead to loss or corruption of data, incorrect reporting, incorrect record retention, or breach of its obligations including under the Payment Card Industry Data Security Standard.

ME has a dedicated technology department to manage these risks, operating under an overarching IT strategy and operating model which provide for the organisational structure, key services, and governance model. Focus areas are IT security, IT risk management, disaster recovery, service management, change management, IT architecture and strategy, and IT delivery teams. Notwithstanding the focus ME puts on managing its IT systems and services, a failure of these systems or services could result in business interruption, loss of customers, financial compensation, and/or a weakening of ME's competitive position, any of which could adversely impact ME's business and reputation and have a material adverse effect on ME's financial condition and operations.

As the IT environment is constantly developing and changing ME must not only keep its current IT systems up to date but also implement new systems, in part to address regulatory requirements, but also to ensure information security, enhance technology based services to its customers, and

integrate the various segments of its business. A failure to implement these projects effectively or execute them efficiently, could lead to increased project costs, delays in the ability to comply with regulatory requirements, failure of information security controls, or a decrease in ME's capacity and ability to service its customers.

Data access, security and use

ME has a significant online presence and business operations are reliant upon key systems, which are supported by a combination of in-house expertise and outsourced partners. Like all organisations, ME faces the risk of cyber-attacks. Cyber attackers include organised crime syndicates, hacker activists and state-based cyber espionage, all of which use techniques including denial of service attacks, hacking, network intrusions, malicious software, phishing, and other forms of social engineering. ME has in place a number of ways in which it protects itself, and its customers' data, from cyber-attacks including identity management, firewalls, intrusion detection and prevention systems, and virus protection.

Given the continuing evolution of cyber security threats and their increasing sophistication ME maintains constant vigilance and endeavours to deliver ongoing control improvements. However, even with strong controls and ongoing enhancements, a successful cyber security attack remains possible, which, in the worst case scenario, could significantly disrupt business operations and/or result in loss of data, loss of customers, reputation damage and regulatory action. This would have an adverse effect on ME's reputation, business, financial performance, liquidity, capital resources, financial condition and prospects.

In addition, a breach of ME's cyber security could result in the loss and publication of customer data resulting in a breach of ME's privacy obligations.

Outsourcing, and reliance on third parties

Outsourcing involves an organisation entering into an agreement with a third party (including a related entity) to perform, on an ongoing basis, a business activity that currently is, or could be, undertaken within that organisation. 'Offshoring' is the practice of outsourcing business activities to a service provider located in another country or where material elements of the service are provided from another country.

ME has in place a number of material outsource arrangements which are structured, managed and controlled in a way intended to protect ME's reputation, and ensure the service to customers, financial performance and obligations to regulators are enhanced or preserved. Notwithstanding ME's approach to managing its outsourced arrangements, there remains a risk that these arrangements might fail or the objectives of the arrangements are not achieved.

Model risk

As ME uses models to support material decisions in relation to its business, there is a risk ME does not identify or correct fundamental errors in these models, and they produce invalid outputs for the intended business use. While ME has policies and procedures in place to address this risk, it is possible the complexity of its models, or the use of incorrect assumptions in the modelling, could result in material financial impacts.

Reputational risk

ME has a number of areas in which it could be exposed to reputational risk, some of which are outlined above, and may extend to the inappropriate management of conflicts of interest and other ethical issues, or poor sales and trading practices, or due to regulatory breaches (for example in relation to its anti-money laundering/counter-terrorism financing obligations).

If ME's reputation is damaged this could lead to a loss of public, consumer, shareholder, regulator or rating agency confidence in ME. This could lead to a loss of customers and have a negative impact on ME's financial position, its capacity to source funding and secure capital, or could trigger a loss of regulator confidence in ME. In addition, there is a risk that the activity which caused the reputational

damage could also cause regulatory action and the imposition of penalties or other enforcement action as a consequence.

Failure of risk management strategies

ME has developed a Risk Management Strategy, supported by a Risk Management Framework (RMF) and Risk Appetite Statement, and internal controls which include processes and procedures intended to identify, measure, assess, monitor and mitigate the risks to which it is subject, including the risk classes discussed above.

While ME may have these approaches – and the RMF – in place, there are inherent limitations with any risk management framework as risks may exist, or develop, which ME has not identified or anticipated or for which they have not put in place effective controls. If any of ME's risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, ME could suffer unexpected losses and reputational damage which could adversely affect ME's operations, financial performance, capital resources, financial condition and prospects.

Risks associated with the Capital Notes

Liquidity

There may be no liquid market for Capital Notes. Holders who wish to sell their Capital Notes may be unable to do so at a price acceptable to them, or at all.

Distributions may not be paid

Distributions are discretionary and are payable only subject to no Payment Condition existing. Distributions are non-cumulative.

It is not certain whether and when Capital Notes may be Redeemed

There are a number of scenarios in which Capital Notes may be Redeemed. It is uncertain whether and when a Redemption may occur. The timing of any Redemption may not suit Holders. Capital Notes may not be Redeemed at all, in which case, Capital Notes have no maturity date.

Write-off following a Non-Viability Trigger Event

Holders should be aware that a Non-Viability Trigger Event could occur at any time. It could occur on dates not previously contemplated by them or which may be unfavourable in light of then prevailing market conditions or Holders' individual circumstances.

Where the Capital Notes are Written-off, all rights of Holders in respect of Capital Notes will be irrevocably terminated with effect on and from the date of the Non-Viability Trigger Event.

Relevant Securities will be converted or written-off first

It is important that investors understand that if a Non-Viability Trigger Event occurs and APRA does not require all capital instruments of the Issuer to be converted or written-off, Holders will be subject to Write-off ahead of any Tier 2 Capital instruments which the Issuer has issued or may issue in future.

Restrictions on a winding-up of the Issuer

In a winding-up of the Issuer, if Capital Notes have not been Redeemed or Written-off, Capital Notes will rank equally with all other Equal Ranking Instruments, but behind all Senior Creditors of the Issuer (including any Tier 2 Capital instruments which the Issuer has issued or may issue in future). If there is a shortfall of funds on a winding-up of the Issuer to pay all amounts ranking higher or equally with the Capital Notes, Holders will lose some or all of their investment.

Regulatory classification and prudential supervision

APRA's current treatment of the Capital Notes may change and that may give rise to a Regulatory Event entitling the Issuer, with APRA's approval, to Redeem the Capital Notes.

APRA has power under applicable law to direct the Issuer, which it may exercise in a manner adverse to Holders.

Australian taxation

The summary of the taxation treatment for certain Holders may not apply in the circumstances of particular Holders, and the tax laws on which it is based may change. Changes in tax law may be unfavourable for Holders. In particular, they may affect the taxation of Distributions or the return of the amount invested. They may affect the Issuer so as to give rise to a Tax Event, entitling the Issuer, with APRA's approval, to Redeem the Capital Notes.

The section in the Information Memorandum entitled "Australian Taxation" (starting on page 66) is replaced with the following section:

Australian Taxation

The following is a summary of the Australian income tax, capital gains tax ("**CGT**") and goods and services tax ("**GST**") consequences for Australian tax resident Holders of Capital Notes ("**Resident Holders**") and Holders who are not tax residents of Australia ("**Non-Resident Holders**") who hold the Capital Notes on capital account for tax purposes.

The following is general in nature and should be treated with appropriate caution. It is not exhaustive and, in particular, does not deal with the position of certain classes of Holders of Capital Notes (including, dealers in securities, custodians or other third parties who hold Capital Notes on behalf of any Holder). Prospective Holders of Capital Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Capital Notes for their particular circumstances. This summary should not be read as constituting advice to any particular Holder.

The Issuer has applied for a public class ruling from the ATO on a number of Australian taxation implications for Resident Holders. The information provided below is consistent with that application. Resident Holders should refer to the ATO's class ruling once it is published.

1. Distributions on Capital Notes

The Capital Notes should be characterised as non-share equity interests for Australian income tax purposes. Distributions should be treated as non-share dividends and not as interest income for income tax purposes.

Distributions on the Capital Notes are frankable distributions and may carry franking credits. Distributions are expected to be franked at the same rate as the Issuer's Ordinary Shares. The Issuer will provide distribution statements to Holders in respect of each Distribution on the Capital Notes. Holders may refer to the distribution statement to ascertain:

- (a) the amount of the Distribution;
- (a) the amount of franking credits attached to the Distribution; and
- (b) the amount of the unfranked part of the Distribution that is declared by the Issuer to be conduit foreign income.

Resident Holders

The amount of Distributions will be included in the assessable income of a Resident Holder.

Provided the Resident Holder is a 'qualified person' (see discussion below) in relation to a Distribution, the franking credit should also be included in the assessable income of the Resident Holder and the Resident Holder should be entitled to a tax offset equal to the amount of the franking credits.

For some Resident Holders, if the tax offset exceeds their income tax liability for an income year, the excess tax offset may be refunded.

A Resident Holder will be a 'qualified person' in relation to a Distribution if the Resident Holder

has held the Capital Notes 'at risk' for a continuous period of at least 90 days during the relevant qualification period.

The length of the qualification period will depend on whether the Resident Holder has made a 'related payment' in relation to the Distribution. Generally, this occurs where the Resident Holder makes a payment which passes the benefit of the Distribution to another person.

The Commissioner of Taxation may also apply anti-avoidance rules to deny the benefit of franking credits to Holders in limited circumstances.

These issues are being addressed in the ATO class ruling requested by the Issuer. Resident Holders should refer to the ATO class ruling once it is published.

Non-Resident Holders

Non-resident Holders who do not hold the Capital Notes at or through a permanent establishment in Australia may be subject to Australian dividend withholding tax on the Distributions.

If Distributions are partially franked, dividend withholding tax at the rate of 30% may be applied. Dividend withholding tax should generally not apply to non-resident Holders to the extent that:

- the non-resident Holder derives the Distribution in carrying on a business at or through a permanent establishment in Australia;
- the Distribution is franked; or
- the amount of the unfranked part of the Distribution is declared by the Issuer to be conduit foreign income.

Australian dividend withholding tax is imposed at a general rate of 30% but the rate may be reduced under a double tax treaty between Australia and the jurisdiction where the Holder is resident.

If any dividend withholding tax is applicable, the Issuer will not increase the amount of the Distribution to account for that withholding.

2. ABN/TFN withholding tax

Holders may choose to notify the Issuer of their tax file number ("**TFN**"), Australian Business Number ("**ABN**"), or a relevant exemption from ABN/TFN withholding tax with respect to Distributions.

If the Issuer does not receive such notification, withholding tax may be deducted at the rate of (currently) 47%.

Holders may be able to claim a tax credit or rebate in respect of any tax withheld on the Distributions in their income tax returns.

3. CGT consequences of ordinary disposal

Gains and losses made on the disposal of Capital Notes should be taxed under the CGT provisions. This is on the basis that the Capital Notes should not be treated as 'traditional securities' for income tax purposes.

The cost base of each Capital Note acquired by a Holder should include the Face Value of the Capital Note which the Holder pays on subscription. The cost base of each Capital Note should also include certain incidental costs (e.g. legal costs, broker fees) associated with the purchase and disposal of the Capital Note.

A Holder who acquires Capital Notes pursuant to the offering under this Information Memorandum should be taken to acquire the Capital Notes on the Issue Date.

Resident Holders

A Resident Holder should make a capital gain on the sale of Capital Notes if the sale proceeds exceed their cost base in the Capital Notes. If the sale proceeds are less than their reduced cost base, the Resident Holder should make a capital loss. Capital losses may only be offset against capital gains (and not other income) in the same or later years of income.

A Resident Holder may be entitled to the CGT discount in respect of a capital gain made on the sale of Capital Notes if they have held the Capital Notes for at least 12 months. A Resident Holder who is an individual or trust is entitled to a discount percentage of 50% and complying superannuation entities are entitled to a discount percentage of 33 $\frac{1}{3}$ %. Companies are not entitled to the CGT discount.

Non-resident Holders

Any capital gain or capital loss made in respect of the Capital Notes by a Non-Resident Holder who does not hold the Capital Notes at or through a permanent establishment in Australia should be disregarded for Australian tax purposes.

4. CGT consequences of Redemption and Write-off

4.1 Redemption

A Redemption of the Capital Notes should constitute a disposal of Capital Notes for CGT purposes. Holders should refer to the consequences set out above at section 3 in relation to the CGT consequences on a disposal of Capital Notes.

4.2 Write-off

The Capital Notes will only be Written-off in limited circumstances if a Non-Viability Trigger Event occurs. A Write-off of Capital Notes may cause Resident Holders to make a capital loss. This is on the basis that no capital proceeds will be provided to Resident Holders on a Write-off of their Capital Notes. As discussed above, capital losses may only be offset against capital gains (and not other income) of the same or later years of income.

5 Taxation of Financial Arrangements

The 'taxation of financial arrangements' ("TOFA") regime contains tax timing rules for certain taxpayers to bring to account gains and losses from "financial arrangements". The TOFA regime does not generally apply to an investment in Capital Notes unless the Holder has made certain elections under the TOFA regime.

Holders who have made one of the elections should obtain specific tax advice relating to their individual circumstances regarding the application of the TOFA regime to their investment in the Capital Notes.

6 Goods and services tax

Holders should not be liable for GST in respect of their investment in Capital Notes or the disposal of Capital Notes.

Additionally, input tax credits are unlikely to be available for any GST paid by a Holder in respect of costs (e.g. legal fees) incurred in relation to the acquisition of Capital Notes.

7 Stamp duty

Neither the issue to nor the receipt by a Holder of the Capital Notes should give rise to a stamp duty liability in any Australian State or Territory provided that following the issue or receipt of Capital Notes, no Holder will, either alone or together with any associated persons, be entitled to a distribution of 50% or more of the property of the Issuer on a notional distribution of all the property of the Issuer.

The Redemption or Write-off of the Capital Notes in accordance with the Terms should also not give rise to any stamp duty liability in any Australian State or Territory following the Redemption or Write-off of the Capital Notes in accordance with the Terms, provided that no Holder will either alone or together with any associated person hold an interest in the Issuer of 50% or more.

U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT AND OECD COMMON REPORTING STANDARD

FATCA

Under sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”), a 30% withholding (“**FATCA withholding**”) may be required if (i)(A) an investor does not provide information sufficient for the Issuer or any other non-U.S. financial institution (“**FFI**”) through which payments on the Capital Notes are made to determine the Holder’s status under FATCA, or (B) an FFI to or through which payments on the Capital Notes are made is a “non-participating FFI”; and (ii) the Capital Notes are treated as debt for U.S. federal income tax purposes and the payment is made in respect of Notes issued or modified after 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, or the Capital Notes are treated as equity for U.S. federal income tax purposes, whenever issued.

Reporting Australian Financial Institutions (“**RAFI**”) under the Australia–U.S. FATCA Intergovernmental Agreement dated 28 April 2014 must comply with specific due diligence procedures to identify their account holders and provide the Australian Taxation Office (“**ATO**”) with information on financial accounts held by U.S. persons and recalcitrant account holders. The ATO is required to provide such information to the U.S. Internal Revenue Service. Consequently, Holders may be requested to provide certain information and certifications to the Issuer and to any other financial institutions through which payments on the Capital Notes are made. A RAFI that complies with its obligations under the Australian IGA will not be subject to FATCA withholding on amounts it receives, and will not be required to deduct FATCA withholding from payments it makes, other than in certain prescribed circumstances.

In the event that any amount is required to be withheld or deducted from a payment on the Capital Notes as a result of FATCA, pursuant to the terms and conditions of the Capital Notes, no additional amounts will be paid by the Issuer as a result of the deduction or withholding.

Common Reporting Standard

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