Revocation of existing approval and granting of new approval to hold a stake in a financial sector company of more than 20%

Financial Sector (Shareholdings) Act 1998

To: Latitude Financial Group Limited ACN 625 845 883 (LFGL), Latitude SaleCo Limited ACN 625 845 874 (LSL) and the persons named in the attached Schedule 1 (the applicants)

SINCE

1. Each applicant listed in Schedule 1 (the Schedule 1 applicants) has applied for approval under section 13 of the *Financial Sector (Shareholdings) Act 1998* (the Act) to hold a stake of 100% in:
	1. Hallmark Life Insurance Company Ltd. ABN 87 008 446 884 (HLIC) and Hallmark General Insurance Company Ltd. ABN 82 008 477 647 (HGIC), each an authorised insurance company under the Act (the insurers); and
	2. each holding company of the insurers that is a 100% subsidiary of LFGL from the time LFGL becomes a holding company of the insurers.
2. Each Schedule 1 applicant who is to acquire a direct control interest in LFGL has applied for approval under section 13 of the *Financial Sector (Shareholdings) Act 1998* (the Act) to hold a stake of 70% in LFGL from the time LFGL becomes a holding company of the insurers;
3. LSL has applied for approval under section 13 of the *Financial Sector (Shareholdings) Act 1998* (the Act) to hold a stake of 100% in the insurers and each holding company of the insurers that is a financial sector company from the time LSL acquires a direct control interest in the insurers;
4. The applicants listed in Schedule 2 have an approval dated 7 November 2017 under subsection 14(1) of the Act to hold a 100% stake in the insurers (the existing approval) but, to take proper account of the proposed restructure of the applicants’ ownership interests in the insurers including as a result of the public listing of LFGL, have requested that the existing approval be revoked from the time LFGL becomes a holding company of the insurers;
5. I am satisfied it is in the national interest to:
	1. approve each applicant holding the stake in each financial sector company requested in Recitals A., B and C.; and
	2. revoke the existing approval held by the persons in Schedule 2 to hold a 100% stake in the insurers from the time LFGL becomes a holding company of the insurers,

I, Adrian Rees, a delegate of the Treasurer, under:

1. subsection 14(1) of the Act, APPROVE each Schedule 1 applicant holding a 100% stake in:
	1. each of HLIC and HGIC; and
	2. each holding company of the insurers that is a 100% subsidiary of LFGL, from the time LFGL becomes a holding company of the insurers;
2. subsection 14(1) of the Act, APPROVE each Schedule 1 applicant, who acquires a direct control interest in LFGL at the completion of the public float process (IPO) of LFGL, holding a 70% stake in LFGL from the time LFGL becomes a holding company of the insurers;
3. subsection 14(1) of the Act, APPROVE LSL holding a 100% stake in:
	1. each of HLIC and HGIC; and
	2. each holding company of the insurers that is a financial sector company,

from the time LSL acquires a direct control interest in the insurers;

1. subsection 16(1) of the Act IMPOSE the conditions in Schedule 3 to which the approvals in (a) and (b) are subject; and
2. subsection 18(3) of the Act, REVOKE, from the time LFGL becomes a holding company of the insurers, the instrument made on 7 November 2017 granting, among other things, the persons in the Schedule 2 approval to hold a 100% stake in the insurers.

This instrument comes into force from the date it is signed.

Dated 27 September 2019

[Signed]

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Adrian Rees

General Manager

Diversified Institutions Division

Interpretation

In this Notice:

***100% subsidiary*** has the meaning given in section 3 of the Act

***authorised insurance company*** has the meaning given in section 3 of the Act

***financial sector company*** has the meaning given in section 3 of the Act

***holding company*** has the meaning given by section 4 of the Act

***stake*** in relation to a company, has the meaning given in clause 10 of Schedule 1 to the Act.

***unacceptable shareholding situation*** has the meaning given in section 10 of the Act

*Note 1* Under paragraph 16(2)(a) of the Act, the Treasurer may, by written notice given to a person who holds an Approval under section 14, impose one or more conditions or further conditions to which the Approval is subject. Under paragraph 16(2)(b) of the Act, the Treasurer may revoke or vary any conditions imposed under paragraph 16(2)(a) of the Act or specified in the Notice of Approval. The Treasurer’s powers under subsection 16(2) may be exercised on the Treasurer’s own initiative or an application made to the Treasurer in accordance with the requirements of subsection 16(4) of the Act, by the person who holds the Approval (see subsection 16(3) of the Act).

*Note 2* A person who holds an Approval under section 14 of the Act may apply to the Treasurer under subsection 17(1) of the Act, to vary the percentage specified in the Approval.

 *Note 3* Under subsection 17(6) of the Act, the Treasurer may, on the Treasurer’s own initiative, by written notice given to a person who holds an Approval under section 14, vary the percentage specified in the Approval if the Treasurer is satisfied it is in the national interest to do so.

*Note 4* The circumstances in which the Treasurer may revoke a person’s Approval under section 14 are set out in subsection 18(1) of the Act.

*Note 5* Section 19 of the Act provides for flow-on approvals. If an Approval has been granted for the holding of a stake in a financial sector company and the financial sector company is a holding company for an authorised deposit-taking institution or an authorised insurance company, then an approval is taken to exist for the holding of a stake of equal value in each financial sector company that is a 100% subsidiary of the holding company.

*Note 6* Under section 14 of the Act, the Treasurer must give written notice of this Approval to the applicants and financial sector company concerned and must publish a copy of this notice in the *Gazette*.

*Note 7* Under section 11 of the Act, a person or 2 or more persons under an arrangement are guilty of an offence if the person(s) acquires shares in a company and the acquisition has the result, in relation to a financial sector company, that:

1. an unacceptable shareholding situation comes into existence; or
2. if an unacceptable shareholding situation already exists in relation to the company and in relation to a person – there is an increase in the stake held by the person in the company;

and the person(s) was reckless as to whether the acquisition would have that result. A maximum penalty of 400 penalty units applies or by virtue of subsection 4B(3) of the *Crimes Act 1914*, in the case of a body corporate, a penalty not exceeding 2,000 penalty units. By virtue of section 39 of the Act, an offence against section 11 is an indictable offence.

*Note 8* Under section 32(3) of the Act, if a person has engaged in or is proposing to engage in any conduct in contravention of a condition to which an approval under section 14 is subject, the Federal Court may, on the application of the Treasurer, grant an injunction:

1. restraining the person engaging in the conduct; and
2. if in the court’s opinion, it is desirable to do so, requiring the person to do something.

**SCHEDULE 1 - the persons, in addition to Latitude Financial Group Limited ACN 625 845 883 (LFGL), who have applied for approval to hold a 100% stake in the insurers from the time LFGL becomes a holding company of the insurers**

1. Latitude Insurance Holdings Pty Ltd ABN 37 619 174 926 (**LIH**)
2. Deutsche Bank Aktiengesellschaft (Germany) ABN 13 064 165 162 **(DBA)**
3. Vatpo Assets LLC (USA)
4. Vatpo Investments Pte. Ltd. (Singapore) (**Vatpo**)
5. KKR Clarendon Trust Holdings LLC (USA) (**KKRCT**)
6. KKR Clarendon Holdings L.P. (Delaware, USA) (**KKRC**)
7. Clarendon Singapore Pte Ltd (Singapore) (**CS**)
8. KKR Asia II Fund Investments Pte. Ltd. (“**Asia II**”)
9. KKR Asia II ESC Pte. Ltd. (“**ESC II**”)
10. KKR Asia II SBS Pte. Ltd. (“**SBS II**”)
11. KKR Partners II (International) L.P.
12. Latitude Financial Services Australia Holdings Pty Ltd ABN 46 603 161 100 (**LFSA**)
13. Latitude Personal Finance Pty Ltd ABN 54 008 443 810 (**LPF**)
14. KVD Singapore Pte. Ltd. (Company Number 201509236C)

*Note 1: LIH is an authorised non-operating holding company (****ANOHC****) and each insurer is a 100% subsidiary of the ANOHC*

*Note 2: DBA intends to hold a direct control interest in LFGL through direct shareholdings in LFGL*

*Note 3: Vatpo intends to hold a direct control interest in LFGL through direct shareholdings in LFGL*

*Note 4: KKRC intends to retain a direct control interest in LFGL through holding shares in CS*

*Note 5: LSL is to hold up to 70% of the shares in LFGL pending the completion of the public float process (IPO) of LFGL but will not hold any shares in LFGL following completion of the IPO*

*Note 6: The place of incorporation of each of the foreign companies in Schedules 1 and 2 appears in the brackets after the name of the company*

**SCHEDULE 2 – persons who have an approval dated 7 November 2017 to hold a 100% stake in the insurers**

1. Deutsche Bank Aktiengesellschaft (Germany) ABN 13 064 165 162
2. Vatpo Investments Pte. Ltd. (Singapore)
3. KKR Clarendon Holdings L.P. (Delaware, USA)
4. KVD Singapore Pte. Ltd. (Singapore)
5. KVD Australia Holdco Pty Ltd ABN 83 604 747 391
6. KVD Australia Pty Ltd ABN 37 604 634 157
7. Latitude Financial Services Australia Holdings Pty. Ltd ABN 46 507 161 100
8. Latitude Personal Finance Pty Ltd ABN 54 008 443 810

**SCHEDULE 3**

The conditions to which the approvals are subject are:

1. The direct control interest held by Vatpo Investments Pte. Ltd. (Singapore) in Latitude Financial Group Limited ACN 625 845 883 must at all times remain 24.5% or below from the time LFGL becomes a holding company of the insurers;
2. The direct control interest held by KKR Clarendon Holdings L.P. (Delaware, USA) in Latitude Financial Group Limited ACN 625 845 883 must at all times remain 24.5% or below from the time LFGL becomes a holding company of the insurers; and
3. The direct control interest held by Deutsche Bank Aktiengesellschaft (Germany) ABN 13 064 165 162 in Latitude Financial Group Limited ACN 625 845 883must at all times remain 19.99% or below from the time LFGL becomes a holding company of the insurers.

*Direct control interest* has the meaning given in clause 11 of Schedule 1 to the Act