Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Insurance Australia Group Limited (**IAG**)

ABN

60 090 739 923

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	Capital notes, which are perpetual, convertible, subordinated debt obligations in form of unsecured notes ("Capital Notes"). Capital Notes are unsecured notes for the purposes of section 283BH of the Corporations Act 2001 (Cth).
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	4,041,265 Capital Notes

+ See chapter 19 for defined terms.

3	Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	Please refer to the IAG Capital Notes Prospectus lodged with ASIC and ASX on 29 November 2016 (**Prospectus**), in particular Section 1 ("Investment overview"), Section 2 ("About the Capital Notes") and the Capital Notes Terms in Appendix A. Capitalised terms in this Appendix 3B have the same meaning as set out in the Prospectus.

+ See chapter 19 for defined terms.

4	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	In a winding-up of IAG, Capital Notes rank ahead of Ordinary Shares, equally among themselves, equally with Equal Ranking Instruments (including the CPS and, if issued, RES Preference Shares) and behind all Senior Ranking Creditors. The ranking of Capital Note Holders in a winding-up will be adversely affected if a Non-Viability Trigger Event occurs. If, following a Non-Viability Trigger Event, Capital Notes are Converted into Ordinary Shares, Capital Note Holders will have a claim as holders of Ordinary Shares. If, following a Non-Viability Trigger Event, Capital Notes are Written-Off, those Capital Notes will never be Exchanged, all rights in relation to those Capital Notes will be terminated, and Capital Note Holders will not have their capital repaid. For more information on the ranking of Capital Notes in a winding-up of IAG, refer to Section 1.3 of the Prospectus.
5	Issue price or consideration	$100 per Capital Note
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	To raise Additional Tier 1 Capital as part of IAG's capital management strategy. IAG will use the proceeds of the Offer to refinance some CPS and for general corporate purposes.
6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h *in relation to the +securities the subject of this Appendix 3B*, and comply with section 6i	No.

6b	The date the security holder resolution under rule 7.1A was passed	Not applicable.
6c	Number of +securities issued without security holder approval under rule 7.1	Not applicable.
6d	Number of +securities issued with security holder approval under rule 7.1A	Not applicable.
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Not applicable.
6f	Number of +securities issued under an exception in rule 7.2	Not applicable.
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Not applicable.
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable.
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Not applicable.
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	22 December 2016

+ See chapter 19 for defined terms.

8 Number and +class of all +securities quoted on ASX (*including* the +securities in section 2 if applicable)

Number	+Class
2,367,524,344	Fully paid ordinary (ASX: IAG)
1,530,150	Full paid, perpetual, unsecured, redeemable and convertible preference shares (ASX: IAGPC)
4,041,265	Capital Notes

9 Number and +class of all +securities not quoted on ASX (*including* the +securities in section 2 if applicable)

Number	+Class
425,340	Redeemable convertible notes (3.38%) due 20 April 2035
35,000	Subordinated floating rates notes
350,000,000	Unsecured subordinated convertible notes due 15 June 2043
121,569,333	Options on issue

+ See chapter 19 for defined terms.

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Subject to the Payment Conditions and IAG's absolute discretion, Distributions are payable quarterly in arrears on the Distribution Payment Dates (being each 15 March, 15 June, 15 September and 15 December until the date that the Capital Note is Converted or Redeemed, and each date on which an Exchange of that Capital Note occurs other than in connection with a Non-Viability Trigger Event, whether or not a Distribution is, or is able to be, paid on that date). A Payment Condition will exist if: • unless APRA otherwise approves in writing, paying the Distribution on the Capital Notes on the Distribution Payment Date would result in IAG or the IAG Level 2 Insurance Group not complying with APRA's then current capital adequacy requirements; • paying the Distribution on the Distribution Payment Date would result in IAG becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or • APRA objects to the Distribution payment on the Capital Notes on the Distribution Payment Date.

Part 2 - Pro rata issue

11	Is security holder approval required?	Not applicable.
12	Is the issue renounceable or non-renounceable?	Not applicable.
13	Ratio in which the +securities will be offered	Not applicable.
14	+Class of +securities to which the offer relates	Not applicable.

+ See chapter 19 for defined terms.

15	+Record date to determine entitlements	Not applicable.
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable.
17	Policy for deciding entitlements in relation to fractions	Not applicable.
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	Not applicable.
19	Closing date for receipt of acceptances or renunciations	Not applicable.

+ See chapter 19 for defined terms.

20	Names of any underwriters	Not applicable.
21	Amount of any underwriting fee or commission	Not applicable.
22	Names of any brokers to the issue	Not applicable.
23	Fee or commission payable to the broker to the issue	Not applicable.
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable.
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable.
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	Not applicable.
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable.
28	Date rights trading will begin (if applicable)	Not applicable.
29	Date rights trading will end (if applicable)	Not applicable.
30	How do security holders sell their entitlements *in full* through a broker?	Not applicable.
31	How do security holders sell *part* of their entitlements through a broker and accept for the balance?	Not applicable.

+ See chapter 19 for defined terms.

32	How do security holders dispose of their entitlements (except by sale through a broker)?	Not applicable.
33	+Issue date	Not applicable.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(*tick one*)

(a) ☒ +Securities described in Part 1

(b) ☐ All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☒ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☒ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☒ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	Not applicable.
39	+Class of +securities for which quotation is sought	Not applicable.
40	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	Not applicable.
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)	Not applicable.

42 Number and +class of all +securities quoted on ASX (*including* the +securities in clause 38)

Number	+Class
Not applicable.	

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

- There is no reason why those +securities should not be granted +quotation.

- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

  Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date: 22 December 2016
Company secretary

Print name: Christopher Bertuch

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+ See chapter 19 for defined terms.