News release
22 March 2018

IAG announces subordinated debt issue

Insurance Australia Group Limited (IAG) today announced it will offer a new A$ subordinated debt issue to wholesale investors which is expected to price on or before Friday 23 March 2018, subject to market conditions.

IAG is seeking to raise a minimum of $300 million of subordinated debt which is expected to qualify as Tier 2 Capital under the Australia Prudential Regulation Authority's (APRA) capital adequacy framework. The proposed issue includes the following terms:

- A legal maturity in June 2044 (year 26) subject to rights of conversion or redemption as outlined below;
- IAG has an option to redeem the securities at face value between years 6 and 7 and at any time for certain tax and regulatory events (in each case subject to APRA's prior written approval). Wholesale investors should not expect that APRA's approval will be given for any early redemption;
- If not redeemed, converted or written-off beforehand, the securities may be converted into IAG fully paid ordinary shares (IAG Ordinary Shares) at the option of holders on certain dates from year 9;
- If APRA determines IAG to be non-viable, the securities will convert into IAG Ordinary Shares or, if conversion does not occur when required, the securities will be written off;
- The number of IAG Ordinary Shares received on conversion will be based on a volume-weighted average price (VWAP) over a certain period, less a discount of 1%. The number of IAG Ordinary Shares will be capped at a maximum number set by reference to the VWAP or IAG Ordinary Shares prior to the issue date (50% of that VWAP for conversion at the holder's option and 20% of that VWAP for conversion on non-viability);
- If not redeemed, converted or written-off beforehand, on a winding up of IAG the securities will be subordinated to senior creditors;
- IAG has an option to defer payment of interest in certain circumstances;
- The Securities may be issued in fixed and/or floating rate tranches with the margin to be determined by a bookbuild process; and
- The securities will have a notional face value of $10,000 per note, with a minimum subscription amount of $500,000 or otherwise issued in a manner which does not require disclosure in accordance with Part 6D.2 or Part 7 of the Corporations Act.

No shareholder approval is needed for the issue, and no offer is being made under this announcement. There are risks associated with an investment in the securities and wholesale investors should consider the content of the Information Memorandum in its entirety, including the terms and conditions before making any investment decision.

Upon request until the Issue Date, IAG will provide, free of charge, a copy of:

- IAG's latest annual financial report and full year results announcement released to ASX on 23 August 2017;
- IAG's latest half year financial report and half year results announcement released to ASX on 14 February 2018; and
- any continuous disclosure notices given by IAG to ASX since 23 August 2017 and before the date of this notice.

These documents are also available free of charge from IAG's website at: https://www.iag.com.au/results-and-reports

For further information, please see following:

- Draft Investor Terms Sheet
- Information Memorandum

About IAG
IAG is the parent company of a general insurance group (the Group) with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia. The Group's businesses underwrite over $11 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, State, AMI and Lumley Insurance (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia and India. For further information, please visit www.iag.com.au.

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Insurance Australia Group Limited

(ABN 60 090 739 923)

AUD Floating Rate Subordinated Medium Term Notes

(Subordinated MTNs)

Draft Terms to accompany offering announcement

This is a summary only and is not to form the basis of or be relied on for the purposes of any investment decision. Please refer to the Information Memorandum for the Programme for full details. Capitalised terms which are not defined in this document have the meaning given to them in the terms and conditions for the Subordinated MTNs issued by IAG under the Programme (**Terms**). References to "**Conditions**" are conditions contained in the Terms.

The Subordinated MTNs are complex financial instruments intended for issue and sale solely to professional and sophisticated investors who have the skill and experience necessary to make their own investigations and analysis of the risks involved in investments in instruments of that kind and of Insurance Australia Group Limited (the ***Issuer****) without the need for disclosure to investors under the Corporations Act. If you are not such an investor then the Subordinated MTNs are not a suitable investment for you. If in any doubt, consult your financial adviser.*

Issuer	Insurance Australia Group Limited (**IAG** or the **Issuer**).
Security	The Subordinated Medium Term Notes (**Subordinated MTNs**) are direct, unsecured, subordinated debt obligations of the Issuer. The Subordinated MTNs are convertible in certain circumstances into ordinary shares of IAG (**Ordinary Shares**).
Rating	The Subordinated MTNs will be rated BBB by S&P. *A credit rating is not a recommendation to buy, sell or hold securities including the Subordinated MTNs and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency. Each credit rating should be evaluated independently of any other credit rating.*
Status and ranking	Subordinated MTNs are intended to rank behind all claims of Senior Creditors and all liabilities mandatorily preferred by law, equally among themselves and with the claims of holders of Equal Ranking Securities, and ahead of the claims of holders of Junior Ranking Creditors. The ranking of the Subordinated MTNs may be affected by certain laws as described in the Information Memorandum. The Issuer's obligations to make payments in respect of the Subordinated MTNs (including to pay interest and to repay the principal on maturity) are at the discretion of the Issuer in certain circumstances, and are conditional on the Issuer being Solvent at the time of the payment and immediately after making the payment. *Subordinated MTNs are not policy liabilities of the Issuer, and are not guaranteed or insured by any government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by IAG or any of its Subsidiaries or by any other person.* See the Information Memorandum for further details.
Pricing Date	[●] March 2018
Settlement	[29] March 2018 (T+4)

Maturity	[15] June 2044 (as adjusted by the Business Day convention) (Year 26).
Optional redemption	Subject to APRA prior written approval and the other conditions in Condition 6.7 being satisfied, the Issuer may redeem the Subordinated MTNs early on [15] June 2024 (Year 6) and each subsequent Interest Payment Date until and including [15] June 2025 (Year 7). *Investors should not expect APRA's approval will be given to the redemption of the Subordinated MTNs.* Holders have no right to require early redemption of the Subordinated MTNs. See the Information Memorandum for further details.
Early redemption for tax or regulatory event	Subject to APRA prior written approval and the other conditions in Condition 6.7 being satisfied, the Issuer may redeem the Subordinated MTNs early at any time upon a Regulatory Event or Tax Event. *Investors should not expect APRA's approval will be given to the redemption of the Subordinated MTNs.* See the Information Memorandum for further details.
Issue Size	A$[300],000,000.
Coupon	3m BBSW + Margin payable quarterly in arrears with a short first coupon interpolated between 2 month and 3 month BBSW.
Margin	[●]% per annum.
Issue price	100%
Interest Payment Dates	Subject to Condition 5.7, on [15] March, [15] June, [15] September and [15] December (as adjusted by the Business Day Convention) each year, commencing on [15] June 2018 (as adjusted by the Business Day Convention).
Day Count Fraction	Actual/365 (Fixed).
Business Day Convention	Modified Following Business Day Convention.
Optional Interest Deferral	The Issuer has the right to defer payment of Interest in its absolute discretion if, on or before the relevant Interest Payment Date: • APRA requests IAG, the Group or a Regulated Subsidiary to restore or improve any applicable minimum or notional margin of solvency or capital adequacy levels and no interest payments have been made on the Issuer's Junior Ranking Securities and no dividends have been paid to shareholders since the date of that request; or • no payments have been made on Equal Ranking Securities (other than an Equity Ranking Security where the terms of that security do not enable the Issuer to defer) or Junior Ranking Securities in each case during the Financial Year in which such Interest Payment Date falls, and no other dividends or distributions

	have been paid to shareholders of the Issuer or IAG during the Financial Year in which such Interest Payment Date falls. Any deferral of Interest is not an event of default and does not give any Holder the right to accelerate repayment of the Subordinated MTNs. See the Information Memorandum for further details.
Deferred Interest Accrues	Any deferred Interest is cumulative and will accrue Interest at the Interest Rate until it is paid. Deferred Interest must be paid in certain circumstances, including if a payment is made on any Junior Ranking Securities or Equal Ranking Securities (excluding any such payment on an Equal Ranking Security 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 Securities), if a dividend or other distribution on any class of the Issuer's share capital is paid. See the Information Memorandum for further details.
Holder Conversion	On each Interest Payment Date on and from [15] June 2027 (Year 9), Holders have the option to require the Conversion of the Subordinated MTNs into Ordinary Shares at a 1% discount to the VWAP of Ordinary Shares during the 20 Business Days immediately prior to (but not including) the relevant Interest Payment Date. The number of Ordinary Shares to be issued upon Holder Conversion is capped at the Maximum Conversion Number set at 50% of the Issue Date VWAP. See the Information Memorandum for further details.
Non-Viability Trigger Event	A Non-Viability Trigger Event occurs when: • APRA issues a written determination to IAG that conversion or write-off of Relevant Securities is necessary because, without it, APRA considers that IAG would become non-viable; or • APRA determines, and notifies IAG in writing, that without a public sector injection of capital, or equivalent support, IAG would become non-viable. If Conversion occurs, Holders will become holders of Ordinary Shares and, in a winding up of IAG, will rank equally with all other holders of Ordinary Shares.
Conversion (or Write-off) on Non-Viability Trigger Event	If a Non-Viability Trigger Event occurs, IAG must immediately convert or write-off such nominal amount of Relevant Securities (including Subordinated MTNs) (which amount may, and in certain circumstances must, be all Relevant Securities, including all Subordinated MTNs, and in certain limited circumstances may be a lesser amount as is sufficient to satisfy APRA that IAG is viable without further conversion or write-off). If less than all Relevant Securities are required to be converted, IAG will first convert or write-off all Relevant Tier 1 Securities, and if that is not sufficient to satisfy APRA that IAG is viable without further conversion or write-off, the Issuer will Convert some or all of the Subordinated MTNs. Subordinated MTNs may be Written-Off in full or in part. The relevant nominal amount of Subordinated MTNs will Convert into a number of Ordinary Shares calculated by reference to the VWAP during the 5 Business Days immediately prior to (but not including) the Trigger Event Date. The number of Ordinary Shares to be issued is capped at the Maximum Conversion Number (20% of the Issue Date VWAP). If Conversion of the relevant Subordinated MTNs has not been effected within five Business Days after the relevant Trigger Event Date for any reason (including,

	without limitation, an Inability Event), the relevant Subordinated MTNs (or portions thereof) will permanently and irrevocably be Written-Off and all rights under the relevant Subordinated MTNs (or portions thereof) (including to payments of Interest and repayment of the Face Value) will be terminated. See the Information Memorandum for further details.
Issue of Ordinary Shares	In all cases the issue of Ordinary Shares on Conversion is subject to certain conditions including IAG having received all necessary information and being satisfied that the issue complies with applicable laws. See the Information Memorandum for further details.
Events of Default	There are no events of default other than: • payment default by IAG (broadly, non-payment of interest or principal, subject to applicable grace periods); and • winding up of IAG. Holders' remedies for default are limited to: • for a payment default, recovery of unpaid amounts, subject to IAG remaining solvent after making the payment; or • for a winding up default, proving as a subordinated creditor in the winding up. A Holder has no rights of acceleration (other than on a winding up of IAG). See the Information Memorandum for further details.
Interest Withholding Tax	Non-Australian Holders should not generally be subject to Australian income tax in respect of interest payments received on their Subordinated MTNs. 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 MTNs. See the Information Memorandum for further details.
Selling Restrictions	The offer, sale and delivery of Subordinated MTNs and the distribution of the Information Memorandum and other materials in relation the Subordinated MTNs are subject to such restrictions as may apply in any country in which such offer, sale, delivery or distribution may occur. See the Information Memorandum for further details.
Joint Lead Managers	1 JP Morgan Australia Limited (ABN 52 002 888 011) 2 Westpac Banking Corporation (ABN 33 007 457 141)
Business Day	Sydney and Melbourne
Denominations	A$10,000, provided that the aggregate consideration payable by the Issuer is at least A$500,000 (disregarding moneys lent by the Issuer or its associates) unless: • the Subordinated MTNs are otherwise issued in a manner which does not require disclosure in accordance with Part 6D.2 or Part 7 of the Corporations Act; and • the offer or invitation from which the issue results does not constitute an offer to a "retail client" as defined for the purposes of section 761G of the Corporations Act.

ISIN	[TBA]
Common Code	[TBA]
Settlement	Austraclear; and Euroclear and Clearstream via Austraclear bridge.
Calculation Agent	Computershare Investor Services Limited (ABN 48 078 279 277).
Paying Agent	Computershare Investor Services Limited (ABN 48 078 279 277). *Computershare Investor Services Limited acts solely as paying agent pursuant to its agreement with the Issuer and has no obligation to holders. The Subordinated MTNs are not deposit liabilities of, or guaranteed by, Computershare Investor Services Limited. See the Information Memorandum for further details.*
Registrar	Computershare Investor Services Limited (ABN 48 078 279 277)
Listing	Unlisted.
Governing law	New South Wales, Australia.
S&P treatment	Qualifies as “Intermediate’ equity credit.
Regulatory treatment	Tier 2 capital.

The **DISCLAIMER** on the following pages contains important information which is an integral part of this Indicative Term Sheet.

Insurance Australia Group Limited

(ABN 60 090 739 923)

AUD Floating Rate Subordinated Medium Term Notes

Draft Terms to accompany offering announcement

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

This indicative term sheet is subject to and must be read in conjunction with the terms and conditions of the Subordinated MTNs and the Information Memorandum dated 22 March 2018 ("**Information Memorandum**") for the Programme. This indicative term sheet and such other documents are not an offer to sell the Subordinated MTNs, nor soliciting an offer or a recommendation to buy the Subordinated MTNs in any jurisdiction where such offering or sale is not permitted and should not be treated as giving investment advice. In particular, this indicative term sheet is for distribution only to professional investors whose ordinary business includes the buying or selling of securities such as Subordinated MTNs, and who are not "retail clients" as defined in section 761G of the Corporations Act, in circumstances where disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act 2001 of Australia ("**Corporations Act**") and in such other circumstances as may be permitted by applicable law. The Subordinated MTNs have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("**Securities Act**") or the securities laws of any state in the United States. Subordinated MTNs may not be offered or sold within the U.S. or to or for the account of U.S. persons (as defined in Regulation S under the Securities Act) except as described in the Information Memorandum.

This material is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the materials. It should not be regarded by recipients as a substitute for the exercise of their own judgement.

J.P. Morgan Disclaimer

This indicative term sheet is subject to and must be read in conjunction with the terms and conditions of relevant securities (the "**Notes**"), the Information Memorandum (including the documents incorporated by reference therein) and the Pricing Supplement relating to the Notes.

This indicative term sheet and such other documents are not an offer to sell the Notes, nor soliciting an offer or a recommendation to buy the Notes in any jurisdiction where such offering or sale is not permitted and should not be treated as giving investment advice.

In particular, this indicative term sheet is for distribution only to professional investors whose ordinary business includes the buying or selling of securities such as Notes in circumstances where disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act 2001 of Australia and in such other circumstances as may be permitted by applicable law. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("**Securities Act**"), the rules of the U.S. Office of the Comptroller of the Currency or the securities laws of any state in the United States. Notes may not be offered or sold within the U.S. or to or for the account of U.S. persons (as defined in Regulation S under the Securities Act) except as described in the Information Memorandum.

This material is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the materials. It should not be regarded by recipients as a substitute for the exercise of their own judgment.

J.P. Morgan Australia Limited (ABN 52 002 888 011 / AFSL 238188) or an affiliate thereof (the "**Lead Manager**"), its directors, officers and employees or clients may have or have had interests or long or short positions in the securities or other financial instruments referred to herein and may at any time make purchases and/or sales in them as principal or agent. The Lead Manager may act or have acted as market-maker in the securities or other financial instruments discussed in this material. Furthermore, the Lead Manager may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant companies. The Lead Manager, in its capacity as principal or agent is involved in a wide range of commercial banking and investment banking activities globally from which conflicting interests or duties may arise. The Lead Manager may provide services to any member of the same group as the Issuer or any other entity or person (a “**Third Party**”), engage in any transaction (on its own account or otherwise) with respect to the Issuer or a Third Party, or act in relation to any matter for itself or any Third Party, notwithstanding that such services, transactions or actions may be adverse to the Issuer or any member of its group, and the Lead Manager may retain for its own benefit any related remuneration or profit.

None of the Issuer, the Lead Manager or any of their affiliates, or any of their respective directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this material. By accepting this material, you acknowledge and agree that the Lead Manager is acting, and will at all times act, as an independent contractor on an arm’s-length basis and is not acting, and will not act, in any other capacity, including in a fiduciary capacity, with respect to you. The Lead Manager specifically prohibits the redistribution of this material and accepts no liability whatsoever for the actions of third parties.

Westpac Banking Corporation Disclaimer

This term sheet is for distribution only to professional investors whose ordinary business includes the buying or selling of securities such as the securities described above (the “Notes”) in circumstances where disclosure is not required under Chapter 6D.2 of the Corporations Act, 2001 and in such other circumstances as may be permitted by applicable law. This term sheet should not be distributed to, and is not intended for, any other person. This term sheet is distributed solely for informational purposes and is not to be construed as a solicitation, recommendation or an offer to buy or sell any Notes and should not be treated as giving investment advice. This term sheet is subject to and must be read in conjunction with the terms and conditions of the Notes, the Information Memorandum for the Notes and the pricing supplement relating to this issue.

Information Memorandum

INSURANCE AUSTRALIA GROUP LIMITED
ABN 60 090 739 923

INSURANCE AUSTRALIA LIMITED
ABN 11 000 016 722
Issuers

A$1,000,000,000
Debt Issuance Programme

22 March 2018

CONTENTS

Introduction

Insurance Australia Group Limited (ABN 60 090 739 923) ("**IAG**" and "**Issuer**") and **Insurance Australia Limited** (ABN 11 000 016 722) ("**IAL**" and "**Issuer**") may offer from time to time short term notes in registered form ("**STNs**"), electronic promissory notes ("**EPNs**") and medium term notes in registered form ("**MTNs**") (together, "**Notes**") under the Debt Issuance Programme described in this Information Memorandum ("**Programme**"). For the avoidance of doubt this Information Memorandum applies only to Notes issued on or after the date of this Information Memorandum. The terms and conditions of Notes issued before the date of this Information Memorandum are contained in the Information Memorandum applicable at the time of issue.

The aggregate principal amount of Notes outstanding under the Programme will not at any time exceed A$1,000,000,000 (or the approximate equivalent in other currencies at the date of issue). This limit may be increased from time to time.

Subject to applicable laws, regulations and directives, an Issuer may issue Notes under the Programme in any country including Australia and countries in Europe and Asia (but not the United States of America unless such Notes are registered under the United States Securities Act of 1933 (as amended) ("**Securities Act**") or an exemption from the registration requirements is available). Each Issuer may also issue notes, bonds or other debt instruments (including, without limitation, dematerialised securities) otherwise than under the Programme.

Each issue of Notes under the Programme will be made pursuant to such documentation as the relevant Issuer may determine. Notes will be issued in one or more Tranches (each a "**Tranche**") within one or more series (each a "**Series**"). Tranches of Notes within a particular Series may have various issue dates, issue prices and interest commencement dates and, in respect of the first interest payment (if any), different interest payment amounts but will otherwise be issued on identical terms and conditions.

A pricing supplement and/or another supplement to the terms and conditions of the Notes (each a "**Supplement**") will be issued for each Tranche or Series of Notes issued under the Programme and will contain details of the aggregate principal amount, issue price, issue date, maturity date, details of interest (if any), together with any other terms and conditions not contained in this Information Memorandum which apply to that Tranche or Series of Notes. The Issuers may also publish a supplement to this Information Memorandum which contains additional terms and conditions not contained in the Information Memorandum which apply to that Tranche or Series of Notes.

MTNs may be issued in the form of unsubordinated senior notes ("**Senior MTNs**") or subordinated notes ("**Subordinated MTNs**"). STNs and EPNs will only be issued in senior form.

Application may be made to list Notes of a particular Series on the Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691) ("**ASX Limited**") or any other stock exchange. However, unlisted Notes may also be issued pursuant to the Programme. The relevant Supplement in respect of the issue of Notes will specify whether or not such Notes will be listed on the Australian Securities Exchange (or any other stock exchange).

The Notes are not a policy liability of either Issuer for the purposes of the Insurance Act 1973 (Cth) ("**Insurance Act**"), are not protected policies for the purposes of the financial claims scheme established under Part VC of the Insurance Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.

Any credit rating in respect of any Notes or an Issuer is for distribution only to persons who are not a "retail client" within the meaning of section 761G of the Corporations Act 2001 (Cth) ("**Corporations Act**") and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives it must not distribute it to any person who is not entitled to receive it.

Important Notice

Responsibility

This Information Memorandum has been prepared by and issued with the authority of each Issuer. Each Issuer accepts responsibility for the information contained in this Information Memorandum.

Documents incorporated by reference

This Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated by reference (see "Documents incorporated by reference" below). This Information Memorandum shall, unless otherwise expressly stated, be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum. References to "Information Memorandum" are to this Information Memorandum and to any other document incorporated by reference collectively and to any of them individually.

Programme Manager

As at the date of this Information Memorandum, no Programme Manager has been appointed in respect of this Programme. Any reference in this Information Memorandum to a Programme Manager only applies while a Programme Manager is appointed. For the avoidance of doubt, when a Programme Manager is not appointed, any requirement of an agreement or consent of, provision of a notice or other document to, or consultation with the Programme Manager shall not apply.

No independent verification

None of the Programme Manager, the Dealers, any Agent or the Registrar (each as defined under "Programme Summary" below) (and none of (i) their respective affiliates, or (ii) their respective directors, partners, officers, employees, agents, representatives or advisers, or (iii) the affiliates of any of the persons referred to in (ii)) has independently verified the information contained in this Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any such person as to the accuracy or completeness of this Information Memorandum or any further information supplied by an Issuer in connection with the Programme. Any Programme Manager which is appointed from time to time will act in this Programme in its capacity as administration manager of the Programme, and not in any capacity as a fiduciary.

Independent advice

This Information Memorandum contains only summary information concerning the Notes. It is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuers, the Programme Manager, the Dealers, any Agent and the Registrar (or any of (i) their respective affiliates, or (ii) their respective directors, partners, officers, employees, agents, representatives or advisers, or (iii) the affiliates of any of the persons referred to in (ii)) that any recipient of this Information Memorandum or any other financial statements purchase any Notes or any rights in respect of any Notes. Each investor contemplating purchasing any Notes or any rights in respect of any Notes under the Programme should make (and shall be taken to have made) its own independent investigation of the financial condition and affairs of, and its own appraisal of the creditworthiness of, each Issuer.

No advice is given in respect of the taxation treatment of investors in connection with investment in any Notes and each investor is advised to consult its own professional adviser.

Currency of information

Neither the delivery of this Information Memorandum nor any sale made in connection with this Information Memorandum at any time implies that the information contained in this Information Memorandum concerning an Issuer is correct at any time subsequent to the Preparation Date (as defined under "Preparation Date" below) or that any other information supplied in connection with the Programme is correct as of any time subsequent to the Preparation Date. The Programme Manager, the Dealers, any Agent and the Registrar (and (i) their respective affiliates, or (ii) their respective directors, partners, officers, employees, agents, representatives or advisers, or (iii) the affiliates of any of the persons referred to in (ii)) expressly do not undertake to review the financial condition or affairs of an Issuer during the life of the Programme and make no representations as to the ability of an Issuer to comply with its obligations under any Notes. Investors should review, amongst other things, the documents deemed to be incorporated in this Information Memorandum by reference when deciding whether or not to purchase any Notes.

None of the Programme Manager, any Dealer, any Agent or the Registrar makes any representation as to the performance of an Issuer, the maintenance of capital or any particular rate of return, nor does the Programme Manager nor any Dealer or any Agent or the Registrar guarantee the repayment of capital or any particular rate of capital or income return, in each case, on the Notes.

The Issuers are not under any obligation to update the Information Memorandum at any time after an issue of Notes.

No authorisation

No person has been authorised to give any information or make any representations not contained in or consistent with this Information Memorandum in connection with the Issuers, the Programme or the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, any of the Dealers, the Programme Manager, any Agent or the Registrar (or any of (i) their respective affiliates, or (ii) their respective directors, partners, officers, employees, agents, representatives or advisers, or (iii) the affiliates of any of the persons referred to in (ii)).

Distribution

The distribution of this Information Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. Each Issuer, the Programme Manager, the Dealers, any Agent and the Registrar (and none of (i) their respective affiliates, or (ii) their respective directors, partners, officers, employees, agents, representatives or advisers, or (iii) the affiliates of any of the persons referred to in (ii)) do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by either Issuer, the Programme Manager, the Dealers, any Agent or the Registrar (or any of (i) their respective affiliates, or (ii) their respective directors, partners, officers, employees, agents, representatives or advisers, or (iii) the affiliates of any of the persons referred to in (ii)) which would permit a public offering of any Notes or distribution of this Information Memorandum in any jurisdiction where action for that purpose is required.

Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Information Memorandum 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 and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Information Memorandum or any Notes come must inform themselves about, and observe, any such restrictions. See “Subscription and Sale” below.

Warning - No registration or review by regulatory authority

Neither this Information Memorandum nor any other disclosure document in relation to the Notes has been lodged with the Australian Securities and Investments Commission (“**ASIC**”).

The Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, Notes may not be offered, sold, delivered or transferred within the United States or to, or for the account of, U.S. Persons (as defined in Regulation S under the Securities Act).

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

No offer

This Information Memorandum does not, and is not intended to, constitute an offer or invitation by or on behalf of either Issuer, the Programme Manager, the Dealers, any Agent or the Registrar (or any of (i) their respective affiliates, or (ii) their respective directors, partners, officers, employees, agents, representatives or advisers, or (iii) the affiliates of any of the persons referred to in (ii)) to any person to subscribe for, purchase or otherwise deal in any Notes. It is not intended to be used for the purpose of or in connection with offers or invitations to subscribe for, purchase or otherwise deal in any Notes by or to any person in any jurisdiction in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer of solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Information Memorandum or any applicable Supplement in any jurisdiction where such action is required.

Agency and distribution arrangements

Each of the Programme Manager, the Dealers, the Agents and the Registrar discloses that it and (i) its respective affiliates, (ii) its respective directors, partners, officers, employees, agents, representatives or advisers, and (iii) the affiliates of any of the persons referred to in (ii):

- may have pecuniary or other interests in the Notes; and
- may receive expenses, fees, brokerage and commissions and may act as principal in dealing in the Notes.

An Issuer may also indemnify the Dealers and Agents against certain liabilities in connection with the offer and sale of the Notes.

Documents incorporated by reference

The following documents are incorporated in and taken to form part of this Information Memorandum:

- all amendments and supplements to this Information Memorandum prepared by an Issuer from time to time;
- the most recent financial statements of each Issuer filed with ASIC and any announcements concerning those financial statements released by IAG to ASX Limited after the date of its most recent financial statements filed with ASIC; and
- all documents issued by an Issuer and expressly stated to be incorporated in this Information Memorandum by reference.

Any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of this Information Memorandum, shall be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

Copies of documents incorporated by reference are available for inspection from each Issuer and the Registrar at their respective offices specified in the “Directory”.

Preparation Date

In this Important Notice section, “**Preparation Date**” means:

- in relation to this Information Memorandum, the date indicated on its face or, if the Information Memorandum has been amended or supplemented, the date indicated on the face of that amendment or supplement;
- in relation to financial accounts incorporated in this Information Memorandum, the date up to or as at the date on which the accounts relate; and
- in relation to any other item of information which is to be read in conjunction with this Information Memorandum, the date indicated on its face as being its date of release.

Corporate and Issuer Profile

ABOUT IAG

IAG is the parent company of a general insurance group with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia. IAG is listed on the Australian Securities Exchange (ASX) with ordinary shares trading under the ticker “IAG.” References in the remainder of this section to IAG and to “the Group” are to IAG and its subsidiaries on a consolidated basis. The IAG Investor Report 1H18 dated 14 February 2018 contains financial data for the period ending 31 December 2017 and a more comprehensive review of IAG and its subsidiaries and associates. The IAG Investor Report 1H18 is available on the Group’s website (www.iag.com.au).

IAG’s current businesses underwrite over $11 billion of gross written premium (GWP) per annum, selling insurance under many leading and established brands including NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, Lumley, State and AMI (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia and India.

Standard & Poor’s has assigned ‘AA-’ insurer financial strength and issuer credit ratings in respect of IAG’s core operating subsidiaries.

Brief History

From its beginnings as a motor vehicle insurer in New South Wales (NSW), Australia, IAG has grown to become a general insurance group diversified by product, distribution channel and geography.

The Group’s heritage dates back to 1920 when the National Roads and Motorists’ Association (NRMA) was established and subsequently offered motor insurance to its members. Following demutualisation in 2000, the insurance arm of NRMA was listed on the ASX as NRMA Insurance Group Limited, and subsequently renamed Insurance Australia Group Limited in 2002.

The Group initially grew organically and through acquisitions in its home market of Australia. Recognising the benefits of geographical diversification, it has expanded offshore to New Zealand, Thailand, Malaysia, India, Vietnam and Indonesia.

Financial Targets

IAG is focused on delivering through the cycle targets of:

- Cash return on equity (ROE) 1.5x weighted average cost of capital (WACC);
- A dividend payout of 60-80% of cash earnings;
- Top quartile total shareholder return (TSR); and
- Approximately 10% compound earnings per share (EPS) growth.

Strategic Priorities

IAG has identified three key strategic priorities, supported by organisational capabilities, to deliver its strategy:

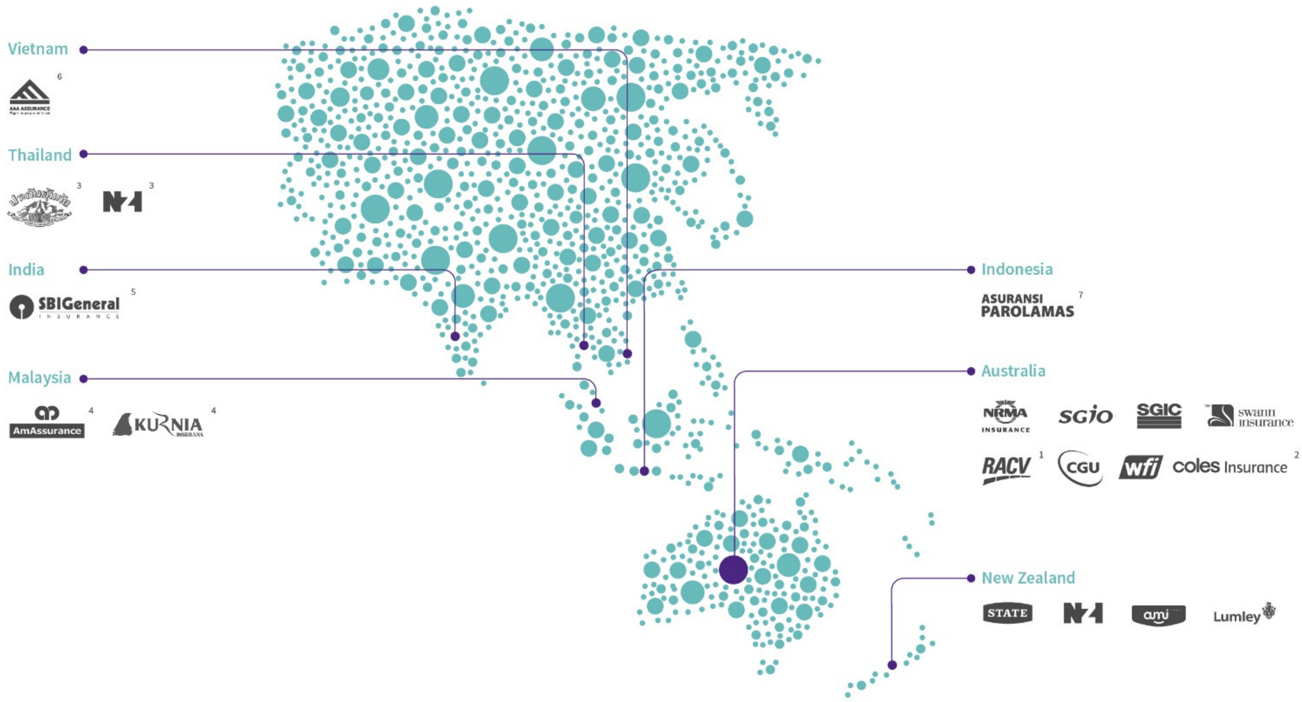
I. Customer – World-leading customer experiences

II. Simplification – Simplified, modular and lower cost operating model

III. Agility – An agile organisation distinguished by innovation, speed and execution skills

Business Operations and Brands

IAG is the name behind some of the most trusted and respected insurance brands in the countries in which it operates. The Group's businesses are aligned around customers, brands and markets.



1 *IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is 70% owned by IAG and 30% by RACV.*

2 *IAG owns 100% of WFI Insurance Limited (WFI), the underwriter of general insurance products under the Coles Insurance brand. These products are distributed by Coles under an authorised representative agreement with WFI.*

3 *IAG holds a 98.6% beneficial interest in Safety Insurance, based in Thailand, which trades under the Safety and NZI brands.*

4 *IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmGeneral Holdings Berhad (AmGeneral), which trades under the AmAssurance and Kurnia brands.*

5 *IAG owns 26% of SBI General Insurance Company, a joint venture with State Bank of India.*

6 *IAG owns 63.17% of AAA Assurance Corporation, based in Vietnam.*

7 *IAG owns 80% of PT Asuransi Parolamas, based in Indonesia.*

All ownership percentages as at 31 December 2017

Australian operations

Since July 2017, IAG has operated a single Australia Division. This structure simplifies IAG's operating model by centralising accountability for the customer, product, distribution and operations functions for IAG's Australian brands, which include NRMA Insurance, CGU, WFI, SGIO and SGIC.

The division is supported by Customer Labs which is responsible for the customer experience strategy and driving product innovation through data and insights; brand architecture across IAG; and new business incubations and venturing.

For the half year ended 31 December 2017, Australia Division generated marginally lower GWP of $4,453 million, with like-for-like growth of nearly 3% after allowance for impacts from discontinued business areas, Emergency

Services Levy (ESL) collection changes and the influence of NSW Compulsory Third Party (CTP) reform. Within this result:

- Consumer GWP of $3,052 million was flat, with like-for-like growth in excess of 3% after excluding ESL effects and the combined impact of rate reductions and premium refunds resulting from reform to the NSW CTP scheme. GWP growth of nearly 5% in short tail motor was largely rate-driven, as was underlying home growth (ex-ESL) of nearly 3%; and

- Business GWP declined slightly to $1,401 million. Removing the impact of discontinued Swann Insurance activities and ESL changes, like-for-like growth of 1.4% was recorded. This embraced rate increases in most classes, offset by lower new business volumes, slightly lower retention and some shedding of poorly performing business.

New Zealand operations

IAG is the leading general insurance provider in New Zealand across both the direct and intermediated channels. Insurance products are sold directly to customers predominantly under the State and AMI brands, and through intermediaries (insurance brokers and authorised representatives) predominantly under the NZI and Lumley Insurance brands. Personal lines and commercial products are also distributed under third party brands by IAG's corporate partners, including large financial institutions.

For the half year ended 31 December 2017, New Zealand recorded strong local currency GWP growth of 9.5%, reduced to reported growth of 5.5% (to $1,190 million) by an adverse foreign exchange movement. Double digit rate increases in commercial lines were partially offset by lower new business volumes, while ongoing growth in personal lines was derived from a mixture of volume and rate, led by motor.

Asian operations

In the six months to 31 December 2017, Asia consolidated GWP increased by 1.6%, to $185 million, reflecting a strong resumption of growth in the Thai motor market, partially offset by a deliberate reduction in commercial lines exposure. On a proportional basis, like-for-like GWP increased by over 5% with continued strong growth in India slightly offset by post-liberalisation weakness in Malaysia.

Business and Risk Management

Managing risk is central to the sustainability of IAG's business, its purpose and delivery of value to shareholders. IAG uses an enterprise approach to risk and its risk management framework is a core part of the governance structure and includes internal policies, key management processes and culture. The Risk Management Strategy is reviewed annually or as required by the Risk Committee before being recommended for approval by the Board. IAG's risk and governance function provides regular reports to the Risk Committee on the operation of IAG's risk management framework, the status of key risks, risk and compliance incidents and risk framework changes. IAG's Internal Audit function provides reports to the Audit Committee on significant audit findings and other audit related matters.

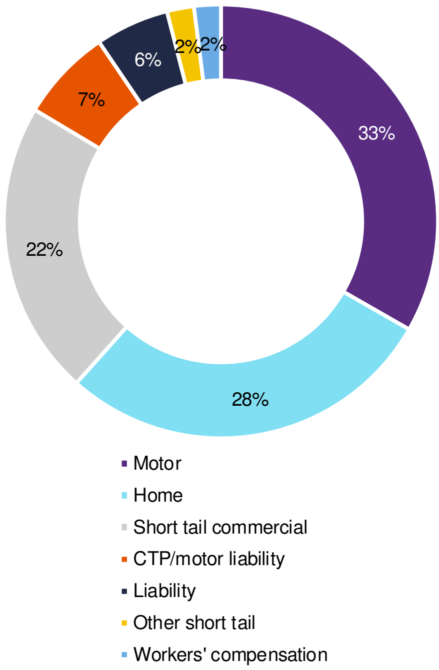
Further details of IAG's overall risk management framework, which is outlined in its Risk Management Strategy, are set out in the 2017 corporate governance report, which is available online at http://www.iag.com.au/about-us/corporate-governance, and in the Strategy & Risk Management section of the IAG annual report for the year ended 30 June 2017.

Business portfolio

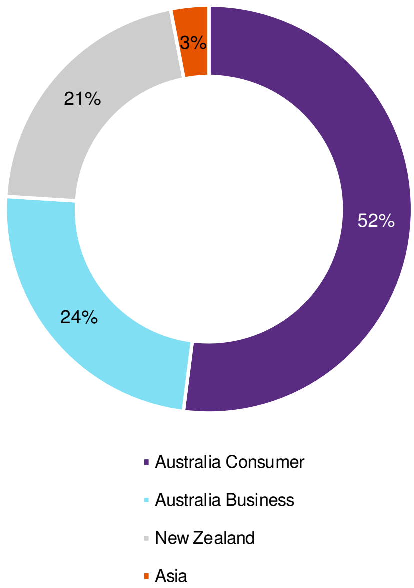
IAG's business portfolio comprises leading and established brands across its home markets of Australia and New Zealand and a presence in Asia. Exposure to concentrations of insurance risk is mitigated by a portfolio diversified into many classes of business across different regions and by the use of reinsurance.

As part of its overall Asian strategy, IAG has expressed a strong interest in growth via market consolidation and increased ownership. In February 2018, IAG announced that its current assessment is that such opportunities are limited, resulting in the decision to conduct a strategic review of the options available for its Asian businesses. IAG is actively exploring a range of current and potential options in connection with its Asian businesses and the strategic review. This review is expected to be concluded by the end of calendar 2018.

Portfolio mix by product
% of GWP by product for the half year ended 31 December 2017



Portfolio mix by business
% of GWP by business for the half year ended 31 December 2017



Investments

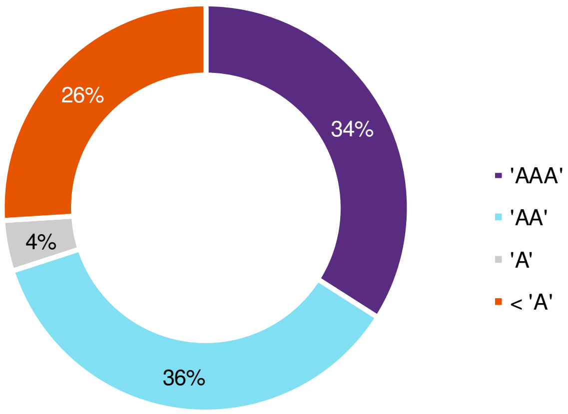
The Group's investments totalled $11.6 billion as at 31 December 2017, excluding investments held in joint ventures and associates, with 65% represented by the technical reserves portfolio ($7.5 billion) and the balance in shareholders' funds.

The decrease in total investments since 30 June 2017 ($12.1 billion) reflects the combined effect of:

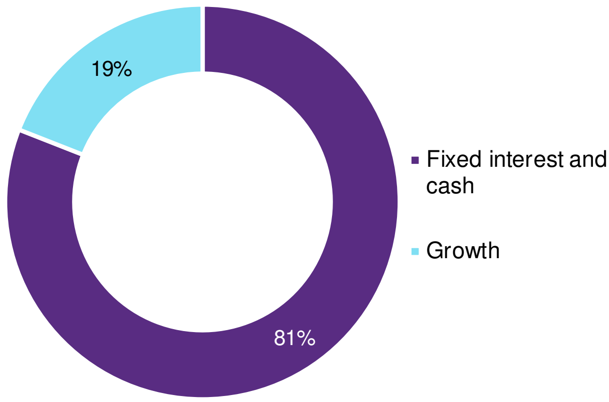
- A $0.6 billion reduction in technical reserves, in response to further quota share and prior period reserve release effects; and
- A $0.1 billion increase in shareholders' funds, where operating earnings during the period exceeded dividend payments.

The credit quality of the Group's investment book remains strong, with approximately 70% of the fixed interest and cash portfolio rated in the 'AA' category or higher.

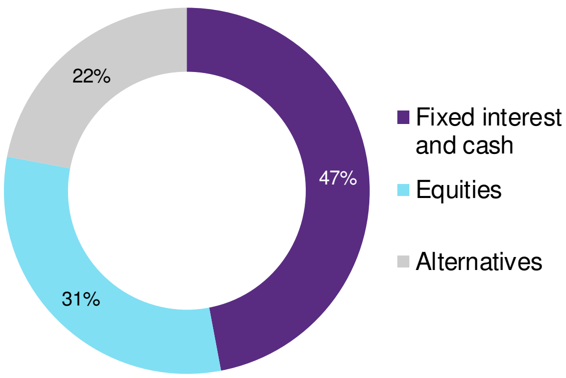
Credit quality



Group asset allocation



Shareholders' funds mix



Capital Management

As an entity regulated by the Australian Prudential Regulation Authority (APRA), IAG maintains a capital base in compliance with prudential standards for general insurers based on APRA's Life and General Insurance Capital (LAGIC) regulatory regime, which became operative on 1 January 2013. IAG's capital position is aligned with the Group's risk appetite and is maintained in accordance with APRA's Prescribed Capital Amount (PCA) and Prudential Capital Requirement (PCR) under LAGIC.

IAG remains strongly capitalised with regulatory capital of $4.7 billion at 31 December 2017. At that date, IAG's Common Equity Tier 1 (CET1) ratio was 1.19 times the Prescribed Capital Amount (PCA), compared to a targeted range of 0.9 to 1.1 times and a regulatory requirement of 0.6 times. This has increased from the 1.09 multiple reported at 30 June 2017, owing to the net effect of:

- Retained earnings in 1H18;
- Payment of the FY17 final dividend of 20 cents per share;
- An initial favourable effect of 4bps on 31 December 2017 from new combined 12.5% quota share agreements, as a lower regulatory risk charge reflects reduced forward insurance liabilities;
- A modest further favourable impact from the Berkshire Hathaway quota share arrangement;
- An increase in excess technical provisions over liabilities; and
- The adverse impact of a higher growth assets weighting in shareholders' funds.

Unutilised tax losses stemming from the Canterbury earthquakes in New Zealand in FY11 still exceed $400 million. A small reduction, and associated regulatory capital benefit, occurred in 1H18.

At 31 December 2017 IAG's PCA ratio was 1.81, compared to a targeted range of 1.4 to 1.6 times.

Whole-of-account quota share arrangements

With effect from 1 January 2018, IAG has increased its use of more efficient reinsurance capital via quota shares. From this date, 32.5% of IAG's consolidated business is subject to quota share on a whole-of-account basis. This comprises:

- The ten-year, 20% arrangement with Berkshire Hathaway commencing 1 July 2015, for losses occurring after that date; and
- Three agreements for a combined 12.5% from 1 January 2018, with Munich Re, Swiss Re and Hannover Re. The average initial term of these agreements is over five years.

The individual agreements deliver similar benefits and financial effects, on a pro rata basis. These include: reduced earnings volatility as insurance risk is effectively exchanged for a more stable fee income stream; a lower requirement for catastrophe reinsurance and reduced exposure to volatility in associated premium rates; and a reduction in IAG's regulatory capital needs.

The combined 12.5% agreements were announced in December 2017 and are expected to result in:

- A reduction in regulatory capital requirement of approximately $435 million, over a three-year period, over $100 million of which was realised on 31 December 2017; and
- Broadly neutral EPS and ROE effects, prior to consideration of potential capital management impacts.

The new agreements significantly diversify the maturity and counterparty profile of IAG's providers of quota share reinsurance capital.

Reinsurance

IAG uses reinsurance to limit exposure to large single claims as well as the accumulation of claims that arise from the same or similar events. Risks underwritten are also reinsured in order to stabilise earnings and protect capital resources.

IAG purchases catastrophe reinsurance cover primarily on a calendar year basis. The program renewed at 1 January 2018, was constructed in a similar manner to prior years and provides up to $8 billion gross reinsurance protection.

The program was placed to the extent of 67.5% (2017: 80%), to reflect IAG's cumulative quota share position.

IAG's integrated catastrophe reinsurance program for calendar 2018 comprises two main components:

- A main catastrophe cover for losses up to $8 billion, including one prepaid reinstatement. IAG retains the first $250 million of each loss ($169 million post-quota share), with three prepaid reinstatements secured for the lower layer of the main program ($169 million excess of $169 million post-quota share); and

- An aggregate sideways cover which provides protection of $475 million excess of $325 million ($321 million excess of $219 million post-quota share), with qualifying events capped at a maximum contribution of $225 million excess of $25 million per event ($152 million excess of $17 million post-quota share). This cover reduces the maximum cost of a second event to $125 million ($84 million post-quota share) and a subsequent event to $25 million ($17 million post-quota share).

Compared to calendar 2017, underlying aggregate exposure has increased modestly, with growth in short tail personal lines partially offset by reduced commercial portfolios, in both Australia and New Zealand.

The program covers all territories in which IAG operates, with the exception of its joint venture interest in India which has its own reinsurance arrangements.

The overall credit quality of the 2018 program is strong, with 91% placed with entities rated A+ or higher.

The combination of all catastrophe covers in place at 1 January 2018 results in post-quota share first event retentions of $169 million for Australia, NZ$169 million for New Zealand, $20 million for Malaysia, $17 million for Thailand and approximately $1 million for Vietnam and Indonesia.

IAG experienced modest upwards pressure on like-for-like reinsurance rates during the renewal process.

Outlook

IAG expects to report further improvement in its underlying performance in 2H18.

FY18 GWP guidance of ‘low single digit growth’ is unchanged. Further rate driven growth is anticipated in short tail personal and commercial lines over the balance of the year, countered by the impact of rate reductions in NSW CTP and the cessation of Swann Insurance’s participation in the motor cycle dealership channel. Negative ESL-related effects borne in 1H18 are expected to largely reverse in 2H18.

In December 2017, IAG increased its reported margin guidance for FY18, from 12.5-14.5% to 13.75-15.75%, to reflect six months’ impact of the combined 12.5% quota share agreements which commenced on 1 January 2018.

Following finalisation of its 1H18 results, IAG has further upgraded its FY18 reported margin guidance to 15.5-17.5%, to reflect:

- An increased prior period reserve release assumption of around 3% of net earned premium (previously ‘at least 2%’), recognising the persistence of particularly benign inflationary conditions; and

- Inclusion of the favourable credit spread impact of $47 million reported in 1H18, which represents a positive margin effect of around 60bps on a full year basis.

Board and management

Group Leadership Team

- **Peter Harmer,** Managing Director and Chief Executive Officer
- **Julie Batch,** Chief Customer Officer
- **Chris Bertuch,** Group General Counsel & Company Secretary
- **Ben Bessell,** Executive General Manager Distribution, Group Executive
- **Duncan Brain,** Chief Executive, Asia
- **Tim Clark,** Acting Chief Risk Officer
- **David Harrington,** Group Executive, Strategy and Corporate Development
- **Nick Hawkins,** Chief Financial Officer
- **Jacki Johnson,** Group Executive, People, Performance & Reputation
- **Mark Milliner,** CEO Australia
- **Neil Morgan,** Group Executive Technology
- **Craig Olsen,** Chief Executive, New Zealand

Board of Directors

- **Elizabeth Bryan AM,** Chairman and Non-executive Director
- **Duncan Boyle,** Non-executive Director
- **Hugh Fletcher,** Non-executive Director
- **Sheila McGregor,** Non-executive Director
- **Jon Nicholson,** Non-executive Director
- **Helen Nugent AO,** Non-executive Director
- **Tom Pockett,** Non-executive Director
- **Michelle Tredenick,** Non-executive Director
- **Philip Twyman AM,** Non-executive Director
- **Peter Harmer,** Managing Director and Chief Executive Officer

More Information

For more information on IAG or any of its brands, please use the details below:

Website	www.iag.com.au	**Mail**
Telephone	+61 (0)2 9292 9222	Level 26, 388 George Street
Fax	+61 (0)2 9292 8072	Sydney NSW 2000 Australia

ABOUT INSURANCE AUSTRALIA LIMITED

As at the Preparation Date, Insurance Australia Limited (IAL) has no current intention to issue Notes under the Programme, and accordingly no information about IAL is included.

Programme Summary

The following is a brief summary only and should be read in conjunction with the rest of this Information Memorandum and in conjunction with the terms and conditions of the STNs ("**STN Terms and Conditions**"), the Austraclear Regulations and Operating Manual applicable to EPNs and the terms and conditions of the MTNs ("**MTN Terms and Conditions**"), as applicable, together with the relevant Supplement.

Unless the context requires otherwise, words and expressions defined or used in the terms and conditions of the relevant Series of STNs, EPNs or MTNs or any Supplement in respect of that Series of STNs, EPNs or MTNs (as applicable) shall have the same meanings in this Information Memorandum.

Issuers:	Insurance Australia Limited (ABN 11 000 016 722) Insurance Australia Group Limited (ABN 60 090 739 923)
Programme:	A combined non-underwritten, uncommitted, revolving programme for the issuance of short term notes, electronic promissory notes and medium term notes.
Programme Documents:	Each of the STN Deed Poll and MTN Deed Poll, each STN and MTN, each STN Supplement or Pricing Supplement, the Dealer Common Terms Deed Poll, each Dealer Agreement, each Registry Services Agreement, each Agency Agreement and any other instrument specified as such in an STN Supplement or Pricing Supplement.
Programme Limit:	A$1,000,000,000 (or its approximate equivalent in other currencies). The Programme Limit may be increased by the Issuers from time to time.
Types of Notes:	Notes issued under the Programme may be in the form of short term notes in registered form ("**STNs**"), electronic promissory notes ("**EPNs**") or medium term notes in registered form ("**MTNs**"). A reference in this Information Memorandum to a "**Class of Notes**" is a reference to STNs, EPNs or MTNs.
Currency:	EPNs will be issued in Australian dollars. STNs and MTNs may be issued in Australian dollars or other currencies as may be agreed between the relevant Issuer and the relevant Dealer.
Programme Manager:	As at the date of this Information Memorandum, no Programme Manager was appointed to this Programme. A Programme Manager may be appointed by the Issuers in respect of the Programme generally, in respect of a Class of Notes (of one or both Issuers) or in respect of a Tranche or Series of Notes in accordance with the Dealer Common Terms Deed Poll dated 28 February 2014 executed by the Issuers, as amended from time to time ("**Dealer Common Terms Deed Poll**").
Dealers:	Dealers may be appointed from time to time in respect of the Programme generally (for a specified period of time) or in respect of a Series or Tranche of Notes.
Terms of appointment of Dealers and Programme Manager	The terms of appointment and the rights and obligations of Dealers are set out in Annexure A of the Dealer Common Terms Deed Poll, as supplemented or modified by an agreement with the relevant Dealer ("**Dealer Agreement**"). The terms of appointment and the rights and obligations of the Programme Manager, if appointed, are set out in Annexure A of the Dealer Common Terms Deed Poll.
Registrar:	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Agent:	Each person appointed from time to time by the relevant Issuer, with the consent of the Programme Manager, to perform agency functions (either within or outside Australia) in relation to an issue of Notes. Details of each such appointment will be contained in the relevant Supplement.
Status:	MTNs may be issued in the form of unsubordinated senior notes ("**Senior MTNs**") or subordinated notes ("**Subordinated MTNs**"). STNs and EPNs will only be issued in senior form. Senior MTNs, STNs and EPNs will be direct, unsubordinated and unsecured obligations of the relevant Issuer and will rank at

least equally with all other unsecured and unsubordinated obligations of the relevant Issuer except liabilities mandatorily preferred by law.

Subordinated MTNs will be direct, subordinated and unsecured obligations of the relevant Issuer and will rank equally among themselves and with the claims of holders of Equal Ranking Securities. Details of the subordination arrangements are contained in Condition 4 of the MTN Terms and Conditions and described in the section entitled "Medium Term Note Summary", below.

Notes issued by IAL:

The following applies to Notes issued by IAL.

Under section 116(3) of the Insurance Act, in a winding up of IAL, IAL's assets in Australia must not be applied in the discharge of its liabilities other than its ''liabilities in Australia'', unless it has no ''liabilities in Australia''. Under current law as declared on the basis of statutes and judicial decisions made at the date of this Information Memorandum, claims against IAL under the relevant Notes should be considered to be ''liabilities in Australia'' of IAL for the purposes of section 116(3) of the Insurance Act (but, in the case of Subordinated MTNs, are subordinated as provided in the MTN Terms and Conditions).

Accordingly, but subject in the case of Subordinated MTNs to the terms of the subordination in the MTN Terms and Conditions (for which see below, Medium Term Note Summary – Subordination (Subordinated MTNs)), any other subordinated creditors' rights and the assumptions below, claims against IAL should rank in a winding up as regards its assets in Australia at least equally with the claims of all its other creditors who are both unsecured and, other than in relation to Subordinated MTNs, unsubordinated and in the case of Subordinated MTNs, subordinated other than creditors mandatorily preferred by law (otherwise than by section 116(3) of the Insurance Act).

However, it should be noted that this analysis relies on certain assumptions and if the assumptions prove to be incorrect in respect of any particular Tranche of Notes, this may affect the conclusions reached above. In particular, the conclusions assume:

(a) IAL is resident and carries on business in Australia;

(b) the relevant Notes are held in the Austraclear System and payments by IAL and the relevant Agent in respect of them are made from a place in Australia where IAL carries on business to an account, or an address in Australia;

(c) the relevant STN Deed Poll or MTN Deed Poll, as applicable, is executed in Australia by IAL and is entered into at a place in which IAL carries on business and at all times all original counterparts of it are kept in Australia; and

(d) the Agent in respect of the relevant Notes is and remains resident in Australia.

It should also be noted that the conclusions expressed above are based on an interpretation of the current law as declared on the basis of statutes and judicial decisions made at the date of this Information Memorandum. A risk remains that a court could subsequently reach a different view as to the current law or reach a different conclusion on the facts.

Governing law: The Notes and all related documentation will be governed by the laws of New South Wales.

Use of proceeds: Unless otherwise specified in any Supplement, the net proceeds of any issue of Notes will be used by the relevant Issuer for general corporate purposes.

Programme Term: The term of the Programme continues until terminated by the Issuers.

Stamp duty: Any stamp duty incurred at the time of issue of the Notes will be for the account of the relevant Issuer. Any stamp duty incurred on a transfer of Notes will be for the

	account of the relevant investors. As at the date of this Information Memorandum, no Australian stamp duty is payable on the issue of the Notes, or any transfer of Notes, where the transfer occurs for full market value through the Austraclear System. Investors are advised to seek independent advice regarding any stamp duty or other taxes imposed by another jurisdiction upon the transfer of Notes, or interests in Notes, in any jurisdiction outside of Australia.
Taxes:	An overview of the Australian tax treatment of payments of interest on the Notes is set out in the section entitled "Australian Taxation" below. Investors should obtain their own taxation advice regarding the taxation status of investing in the Notes.
Clearing Systems:	Notes may be transacted either within or outside any Clearing System (as defined below). The relevant Issuer will apply to Austraclear Limited ("**Austraclear**") for approval of Notes to be traded on the settlement system operated by Austraclear ("**Austraclear System**"). Such approval of the Notes by Austraclear is not a recommendation or endorsement by Austraclear of the Notes. MTNs and STNs may also be transacted through other clearing systems specified in the relevant Supplement (together with the Austraclear System, each a "**Clearing System**").
TFNs and ABNs:	The Registrar, on behalf of the relevant Issuer, will deduct amounts from payments to be made under the Notes at the prescribed rate if an Australian resident investor or a non-resident investor holding the Notes in carrying on business at or through a permanent establishment in Australia has not supplied an appropriate Tax File Number, Australian Business Number or exemption details as may be necessary to enable the payment to be made without withholding or deduction.
Title:	Entry of the name of a person in the relevant Register (if applicable) in respect of any MTN or STN constitutes the obtaining or passing of title and is conclusive evidence that the person so entered is the registered owner of such MTN or STN. Title to an EPN is determined in accordance with the provisions of the operating manual and regulations of the Austraclear System ("**Austraclear System**"). Persons purchasing EPNs must be a member of the Austraclear System. Title to Notes held in another Clearing System will be determined in accordance with the rules and regulations of the relevant Clearing System.
Transfer procedure:	Notes may only be transferred in whole but not in part. Unless otherwise specified in the relevant Supplement, Notes may only be transferred if the consideration payable by the transferee is at least A$500,000 (or equivalent in an alternate currency) (disregarding amounts lent by the transferor or its associates to the transferee) or the transfer does not otherwise require disclosure to be made under Part 6D.2 of the Corporations Act and the transfer complies with only applicable law or directive of the jurisdiction where the transfer takes place. Transfers of Notes held within a Clearing System will be made in accordance with the rules and regulations of the Clearing System. In the case of Subordinated MTNs held in the Austraclear System, if a Non-Viability Trigger Event occurs and the Subordinated MTNs are to be Converted into fully paid ordinary shares in the capital of IAG ("**Ordinary Shares**"), such Ordinary Shares will be issued to the person who is a Participant (as defined in the Austraclear Regulations) in the Austraclear System (or, in certain circumstances, to another person nominated by the relevant Issuer). Ordinary Shares may not be traded in the Austraclear System. Subordinated MTNs must be Converted immediately on the occurrence of a Non-Viability Trigger Event and this may affect or disrupt trading or other transactions in connection with the Subordinated MTNs. Neither IAG nor IAL has any responsibility for any such effects or disruptions and the consequences of any Conversion or Write-Off for persons interested in the Subordinated MTNs in a Clearing System are matters for the rules, regulations and procedures of Austraclear or other Clearing System specified in the relevant Pricing Supplement and the terms of any dealings between persons interested in the Subordinated MTNs. In other cases, application for the transfer of Notes must be made by lodgement of a duly completed (if applicable) stamped Transfer and Acceptance Form with the Registrar. Transfer and Acceptance Forms are obtainable from the Registrar.

The transfer takes effect upon the transferee's name being entered on the Register.

Redemption and purchase: STNs and EPNs will be redeemed at par. The redemption price for MTNs will be set out in the relevant Supplement. In addition, MTNs may be redeemed prior to scheduled maturity in certain circumstances however, in the case of Subordinated MTNs, redemption before the fifth anniversary of the issue date of the relevant Subordinated MTNs may only occur as a result of certain taxation reasons or regulatory reasons. Redemption details are more fully set out in the applicable MTN Terms and Conditions and the relevant Supplement.

Holders of Subordinated MTNs ("**Subordinated MTN Holders**") have no option to require redemption of any Subordinated MTNs prior to their stated maturity.

Subordinated MTNs may be purchased in the open market or otherwise at any price by the relevant Issuer or any Related Entity of the relevant Issuer, and any Subordinated MTNs so purchased will be cancelled. Senior MTNs may be purchased in the open market or purchased by the relevant Issuer or any Related Body Corporate of the relevant Issuer at any time.

However, the relevant Issuer or any Related Entity thereof may not redeem any Subordinated MTNs or purchase any Subordinated MTNs without the prior written approval of APRA. The relevant Issuer or any Related Entity thereof will not be permitted to redeem or purchase any Subordinated MTN unless the Subordinated MTN is replaced concurrently or beforehand with Regulatory Capital of the same or better quality and the replacement of the Subordinated MTN is done under conditions that are sustainable for the relevant Issuer's income capacity or APRA is satisfied that, having regard to the capital position of the Level 2 Insurance Group, the relevant Issuer does not have to replace the Subordinated MTNs the subject of the redemption.

Notes entered in a Clearing System will be redeemed at maturity through that Clearing System in a manner consistent with the rules and regulations of that Clearing System. Where Subordinated MTNs are held in the Austraclear clearing system, for the purposes of determining the person entitled to be issued Ordinary Shares, the relevant Issuer will treat the relevant Austraclear Participant as the holder of the Subordinated MTNs. Any investor who is not an Austraclear Participant will have to maintain arrangements with an Austraclear Participant in order to hold an interest in Subordinated MTNs or to receive any Ordinary Shares issued on Conversion. The relevant Issuer has no responsibility for these arrangements or for the performance by any Austraclear Participant of its obligations.

Payments: Payments relating to STNs or MTNs will be made to the persons whose names are entered in the relevant register as at 5:00 pm (Sydney time) on the relevant Record Date. The Record Date for STNs or MTNs is the close of business on the 8th day before a payment date or such other time specified in any relevant Supplement. If that day is not a Business Day, the Record Date will be the preceding Business Day.

Payments to persons who hold EPNs through the Austraclear System, or who hold STNs or MTNs through the Austraclear System will be made by transfer to their relevant account in accordance with the Austraclear Regulations.

Where such Notes are held through a Clearing System other than the Austraclear System, such person is likely to be the operator of that system or a common depository or nominee for one or more Clearing System (such operator, common depository or nominee acting in such capacity as is specified in the rules and regulations of the relevant Clearing System or Clearing Systems).

If Notes are not held in a Clearing System, payments will be made to the account of the most recently notified registered owner of the Note.

Selling restrictions: The selling restrictions applicable to the offer, sale or delivery of Notes are specified in "Subscription and Sale" below.

Rating: A rating is not a recommendation to buy, sell or hold Notes and is subject to revision, suspension or withdrawal at any time by the relevant credit rating organisation. Further, each rating should be evaluated independently of any other rating. Subordinated MTNs may have a different rating to Senior MTNs.

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

Investment risks: Prospective investors or purchasers should consult their own financial and legal advisers about risks associated with an investment in a particular Tranche or Series of Notes and the suitability of investing in the Notes in light of their particular circumstances. Neither the following paragraphs nor the sections entitled "Short Term Note Summary", "Electronic Promissory Note Summary" or "Medium Term Note Summary" (as applicable) describe all the risks of an investment in the Notes. This Information Memorandum (and the limited descriptions of risks contained in it) has been prepared for distribution to institutional investors only, on the basis that those investors are, together with their professional advisors, likely to be familiar with common market and economic risks that affect investments in fixed income and structured products generally (and, in particular, regulatory capital instruments issued by Australian prudentially regulated entities), and capable of assessing the risks associated with an investment in the Notes.

In addition to the credit risks associated with the relevant Issuer, an investment in certain types of structured Notes, the premium and/or the interest on or principal of which is determined by reference to one or more values of currencies, commodities, interest rates or other indices or formulae, either directly or indirectly, may entail significant risks not associated with similar investments in a conventional debt security, including the risks that the resulting interest rate will be less than that payable on a conventional debt security purchased at the same time and/or that an investor could lose all or a substantial portion of the principal of those Notes.

Neither the current nor the historical value of the relevant currencies, commodities, interest rates or other indices or formulae should be taken as an indication of future performance of such currencies, commodities, interest rates or other indices or formulae during the term of any Notes.

Short Term Note Summary

Form of STNs:	STNs will be debt obligations of the Issuer which are constituted by, and owing under, an STN Deed Poll (each an "**STN Deed Poll**") made by the Issuer and for IAL dated 12 November 2002 (as amended and restated on or about 31 October 2007 and for IAG dated on or about 31 October 2007, and take the form of entries on a register ("**STN Register**") maintained by the Registrar. The STN Terms and Conditions are contained as a schedule to the STN Deed Poll, as modified and supplemented by any relevant STN Supplement for the relevant Tranche. No certificate or other evidence of title will be issued.
Currency:	Australian dollars or other Alternate Currencies as may be agreed between the Issuer and relevant Dealer.
Tenor:	STNs will be issued with a minimum tenor of one day and a maximum tenor of 365 days.
Purchase Price:	The purchase price for each STN will be the amount determined on a discount basis in accordance with the following formula (unless the Issuer, the Programme Manager and the relevant Dealers otherwise agree):

$$\text{Purchase Price} = \frac{FV \times 36500}{36500 + (Y \times T)}$$

where:

FV = the face value of the STN;

Y = the Bid Rate offered by the relevant Dealer or set by the Issuer;

T = the Tenor of the STN.

Issuance procedures:	At the discretion of the Issuer, STNs may be issued to Dealers by any of the following methods requesting the Dealers to bid by competitive tender, by tap issuance following an unsolicited bid by a Dealer or by requesting the Dealers to bid at a rate set by the Issuer.
Withholding tax:	All payments in respect of STNs are subject in all cases to applicable provisions of fiscal and other laws, regulation and directives ("**Relevant Laws**"). If the relevant Issuer or anyone making payment on its behalf is obliged by any Relevant Law to deduct or withhold any amounts from the payment otherwise due to an STN Holder, it will do so. The relevant Issuer has no obligation or liability to reimburse or compensate or make any payment to an STN Holder for or in respect of the deducted or withheld amount.
Denominations:	STNs will be issued in denominations of A$10,000 (or approximate equivalent in an Alternate Currency) unless otherwise agreed between the Issuer and the relevant Dealer. STNs may only be issued if the consideration payable by each offeree is a minimum of A$500,000 (or the equivalent in an Alternate Currency) (disregarding moneys lent by the Issuer or its associates) or if the offer or invitation otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act.
Settlement:	Unless otherwise specified in the relevant STN Supplement, purchases and sales must be settled through the Austraclear System in accordance with the Austraclear Regulations.
Interest:	STNs will be issued at a discount to the face value. No interest will be payable during the term of the STN or on the maturity date.
Listing:	The Issuers do not currently intend that the STNs will be listed on any stock exchange.

Electronic Promissory Note Summary

Form of EPNs:	EPNs will be debt obligations of the relevant Issuer created by contract, as evidenced through the Austraclear Regulations and take the form of electronic promissory notes in the Austraclear System. No physical promissory note will be issued except in accordance with the Austraclear Regulations.
Currency:	Australian dollars.
Tenor:	EPNs will be issued with a minimum tenor of one day and a maximum tenor of 365 days.
Purchase Price:	The purchase price for each EPN will be the amount determined on a discount basis in accordance with the following formula (unless the Issuer, the Programme Manager and the relevant Dealers otherwise agree):

$$\text{Purchase Price} = \frac{FV \times 36500}{36500 + (Y \times T)}$$

where:

FV = the face value of the EPN;

Y = the Bid Rate offered by the relevant Dealer or set by the Issuer;

T = the Tenor of the EPN

Issuance procedures:	At the discretion of the relevant Issuer, EPNs may be issued to Dealers by any of the following methods requesting the Dealers to bid by competitive tender, by tap issuance following an unsolicited bid by a Dealer or by requesting the Dealers to bid at a rate set by the relevant Issuer.
Withholding tax:	All payments in respect of EPNs are subject in all cases to applicable provisions of fiscal and other laws, regulation and directives ("Relevant Laws"). If the relevant Issuer or anyone making payment on its behalf is obliged by any Relevant Law to deduct or withhold any amounts from the payment otherwise due to an EPN Holder, it will do so. The Issuer has no obligation or liability to reimburse or compensate or make any payment to an EPN Holder for or in respect of the deducted or withheld amount.
Denominations:	EPNs will be issued in denominations of A$50,000 unless otherwise agreed between the relevant Issuer and the relevant Dealer. EPNs may only be issued if the aggregate consideration payable is a minimum of A$500,000 (disregarding moneys lent by the relevant Issuer or its associates) or if the offer or invitation otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act.
Settlement:	Purchases and sales must be settled through the Austraclear System in accordance with the Austraclear Regulations.
Interest:	EPNs will be issued at a discount to the face value. No interest will be payable during the term of the EPN or on the maturity date.
Listing:	The Issuer does not currently intend that the EPNs will be listed on any stock exchange.

Medium Term Note Summary

Types of MTNs:	The types of MTNs that may be issued under the Programme include fixed rate notes, floating rate notes, indexed notes, zero coupon notes, amortising notes, domestic, offshore, global (all as defined in the MTN Terms and Conditions and or the relevant Supplement ("**Pricing Supplement**")) and any other notes referred to in the Pricing Supplement.
Form of Pricing Supplement:	The form of the Pricing Supplement is as set out in this Information Memorandum.
Form:	MTNs will be debt obligations of the relevant Issuer which are constituted by, and owing under, an MTN Deed Poll (each an "**MTN Deed Poll**") for IAL dated 12 November 2002 (as amended and restated on 7 November 2007 and again on 28 February 2014) and for IAG dated 7 November 2007 (as amended and restated on 22 March 2018), and made by the relevant Issuer and take the form of entries in a register ("**Register**"). The MTN Terms and Conditions are contained as a schedule to the MTN Deed Poll, as modified and supplemented by a Pricing Supplement for the relevant Tranche. The MTNs of any Series may be described as "MTNs", "Notes", "Bonds" or by any other marketing name specified in the relevant Pricing Supplement. No certificate or other evidence of title will be issued to MTN Holders unless the relevant Issuer determines that certificates should be available or it is required to do so pursuant to any applicable law or regulation. MTNs which are held in the Austraclear System will be registered in the name of Austraclear Limited. MTNs which are held in any other clearing system will be registered in the name of the nominee or depository for that system.
Currencies:	Subject to any applicable legal or regulatory requirements, the MTNs will be denominated in such currencies as may be agreed between the relevant Issuer and the relevant Dealer, including, without limitation, Australian Dollars, US Dollars, Pounds Sterling, Euro, Yen (each such currency other than Australian Dollars being an "Alternate Currency"). Payments in respect of MTNs may be made in, or limited to, any currency or currencies other than the currency in which the MTNs are denominated, all as set out in the relevant Pricing Supplement.
Issuance in Series:	MTNs will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. Each MTNs of a particular Series will be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches of a Series and a Series may comprise MTNs in more than one denomination.
Denominations:	Unless otherwise specified in a Pricing Supplement, MTNs will be issued in denominations of A$10,000 (or an approximate equivalent in an Alternate Currency) as specified in the relevant Pricing Supplement, and may only be issued if the consideration payable by each offeree is a minimum of A$500,000 (or equivalent in an Alternate Currency) (disregarding moneys lent by the Issuer or its associates) or if the offer or invitation otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act.
Tenor:	Subordinated MTNs will be issued with a minimum tenor of not less than 5 years and Senior MTNs will be issued with a minimum tenor of not less than 365 days. There will be no maximum tenor.
Issue Price:	Subordinated MTNs may be issued at any price on a fully paid basis and Senior MTNs may be issued at any price on a fully or partly paid basis, as specified in the relevant Supplement.
Settlement Price:	As specified in the relevant Pricing Supplement, or as otherwise agreed between the parties.

Interest:	MTNs may be interest bearing or non-interest bearing. Interest (if any) may accrue at fixed or variable rate and may vary during the life of a Series.
Deferral of interest (Subordinated MTNs):	The relevant Issuer may defer payment of interest on Subordinated MTNs (except in certain circumstances including where, within a specific period, it has made a payment on certain Equal Ranking Securities or Junior Ranking Securities issued by it and, in the case of Subordinated MTNs issued by IAL, where IAG has made a payment on certain capital instruments issued by IAG). Deferred interest may be paid at any time and must be paid in certain circumstances (see Condition 5.8 of the relevant MTN Terms and Conditions), including where an interest payment is made on certain Junior Ranking Securities or Equal Ranking Securities issued by the Issuer and, in the case of Subordinated MTNs issued by IAL, where payment is made on certain capital instruments issued by IAG. Interest payments on instruments issued by any entity other than the Issuer (and other than, in the case of Subordinated MTNs issued by IAL, on certain capital instruments issued by IAG) will not trigger an obligation on the relevant Issuer to pay deferred interest. If an interest amount is deferred, then until it is paid interest will accrue on that deferred interest amount.
Interest payment dates:	Interest (if any) is payable on the date or dates and in the manner specified in the relevant Pricing Supplement.
Withholding tax:	Unless otherwise specified in the Pricing Supplement, MTNs will be issued in a manner which enables the Issuer to pay interest to MTN Holders free of Australian interest withholding tax. All payments by the relevant Issuer in respect of the MTN Holders will be made free and clear of, and without withholding or deduction on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Commonwealth of Australia or any political subdivision thereof or any authority therein or thereof, unless required by law in which case the Issuer will make additional payments so that the net amount received by a MTN Holder will equal the amount which would otherwise have been received had no such withholding or deduction been made, subject to certain customary exceptions as provided under Condition 9.6 of the MTN Terms and Conditions below, unless otherwise specified in the Pricing Supplement. See “Australian Taxation” below for a description of relevant Australian tax legislation.
Clearing System:	MTNs may be transacted through the Austraclear System or any other Clearing System specified in the relevant Pricing Supplement.
Listing:	Application may be made for one or more Tranches issued pursuant to the Programme to be listed on the Australian Securities Exchange operated by ASX Limited or any other stock exchange. MTNs which are listed on the Australian Securities Exchange will not be transferred through or registered on the Clearing House Electronic Sub-Register System (“**CHESS**”) and will not be “CHESS approved securities”.
Substitute Issuer:	Each Issuer may, without the consent of the MTN Holders, substitute any entity (including a special purpose company) in respect of all of the obligations of the relevant Issuer in connection with one or more Series of Senior MTNs. Condition 17 of the MTN Terms and Conditions specifies the matters that need to be complied with before such a substitution takes place. These matters include the obtaining of all necessary governmental authorities, and the continuance of a credit rating for rated MTNs which is investment grade and at least equal to the credit rating immediately prior to the substitution, and the provision of an unconditional and irrevocable guarantee of the new issuer’s obligations by the Issuer.
Calculation Agent:	A Calculation Agent may be named in the Pricing Supplement in respect of each Tranche of MTNs. The relevant Issuer may terminate the appointment of the Calculation Agent, appoint additional or other Calculation Agents or elect to have no Calculation Agent. Where no Calculation Agent is appointed the calculation of

interest and principal payments in respect of MTNs will be made by the relevant Issuer.

Subordination (Subordinated MTNs):

The rights and claims of the Subordinated MTN Holders against the relevant Issuer in respect of payments under the Subordinated MTNs are subordinated to the claims of the Senior Creditors of that Issuer.

The Subordinated MTNs are subject to more limited events of default than the Senior MTNs. The details of, and remedies for, the Subordinated MTN Events of Default are contained in Condition 8.3 and Condition 8.4 of the relevant MTN Terms and Conditions. Subordinated MTN Holders should note that the recovery of any unpaid amount is subject to the relevant Issuer being able to pay the principal, interest or other amount and remaining solvent.

In a winding up of the relevant Issuer, a Subordinated MTN Holder's entitlement to the principal, interest and other amounts due in respect of the Subordinated MTNs is subordinated to the claims of the Senior Creditors of the relevant Issuer in that all claims of Senior Creditors must be paid in full before the Subordinated MTN Holder's claims are paid and until the Senior Creditors have been paid in full, the Subordinated MTN Holders must not claim in the winding up in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive.

The ranking of the Subordinated MTNs in a winding up is intended to be equal to certain Equal Ranking Securities. In the case of Subordinated MTNs issued by IAL, Equal Ranking Securities may include certain securities issued by IAL in the future which may not be liabilities in Australia for the purposes of the Insurance Act 1973 (Cth). Under APRA's prudential standards, in order to qualify as Tier 2 Capital, Subordinated MTNs must rank in a winding up of IAL with the most junior ranking claims which rank ahead of Common Equity Capital and Additional Tier 1 Capital (as defined by APRA). As described above (in Programme Summary - Notes issued by IAL) under Section 116(3) of the Insurance Act, in a winding up of IAL, IAL's assets must not be applied in the discharge of its liabilities (other than its liabilities in Australia) unless it has no liabilities in Australia. How Section 116(3) operates where there are instruments subordinated on terms provided in the MTN Terms and Conditions is a difficult matter which has not been reported as having been considered by a Court. It is arguable that subordinated obligations of IAL may be liabilities outside Australia, whereas liabilities in respect of Subordinated MTNs are liabilities in Australia and so absent any further provisions, under Section 116(3) are required to be paid out of the assets in Australia ahead of claims in respect of securities which are not liabilities in Australia for the purposes of the Insurance Act 1973 (Cth). In order to achieve an effective equality of ranking with all Equal Ranking Securities on issue and which may be issued in future, to the extent that the claims of holders of Subordinated MTNs are paid in priority out of IAL's Australian assets and IAL has on issue Relevant Tier 2 Securities which are not liabilities in Australia for the purposes of the Insurance Act 1973 (Cth), holders must refund the liquidator amounts received so that their return in the winding up is proportional and equal with those of the Equal Ranking Securities.

In any event, the claim of Subordinated MTN Holders in a winding up will be adversely affected if a Non-Viability Trigger Event occurs. If, following a Non-Viability Trigger Event, Subordinated MTNs are Converted into Ordinary Shares, Subordinated MTN Holders will have a claim as an ordinary shareholder of IAG. If, following a Non-Viability Trigger Event, Subordinated MTNs are Written-Off, all rights in relation to those Subordinated MTNs will be terminated and Subordinated MTN Holders will not have their capital repaid.

The ranking of claims in relation to MTNs (as compared with certain other liabilities) in a winding up of the relevant issuer is illustrated diagrammatically as follows; first for IAG and then for IAL.

MTNs issued by IAG — ranking in a Winding-Up

The following is a simplified diagram representing the ranking of certain liabilities incurred and certain securities issued by IAG, or which could be issued or incurred by IAG in the future. The diagram does not include every type of current liability or security on issue, or every type of liability that could be incurred or security that could be issued in the future by IAG. IAG could incur further liabilities, raise more debt or guarantee additional amounts at any time.

		Type of obligation	Examples of obligations/securities
Higher ranking		Secured debt and liabilities preferred by law	Senior ranking secured obligations and liabilities mandatorily preferred by law (including employee entitlements)
	Senior MTNs issued by IAG	Unsubordinated unsecured debt	Senior MTNs issued by IAG, other bonds and notes, unsecured senior debt facilities, trade and general creditors.
		Subordinated unsecured debt	Tier 2 capital instruments issued or guaranteed by IAG before 1 January 2013
	Subordinated MTNs issued by IAG	Basel III compliant Tier 2 capital instruments	Subordinated MTNs issued by IAG*, other Tier 2 capital instruments issued or guaranteed by IAG on or after 1 January 2013, including the NZD350,000,000 unsecured subordinated convertible notes due 2043 issued by IAG on 15 June 2016
		Preference shares and other equally ranked instruments	Additional Tier 1 capital instruments (such as capital notes and convertible preference shares) and other obligations ranking senior only to ordinary shares, including the $404,100,000 perpetual capital notes issued by IAG on 22 December 2016
Lower ranking		Ordinary Shares	Ordinary Shares

*If a Subordinated MTN is Converted, the Ordinary Shares that the MTN Holder receives on Conversion will rank equally with other Ordinary Shares. If a Subordinated MTN is Written-Off, MTN Holders have no claim.

MTNs issued by IAL — ranking in a Winding-Up

The following is a simplified diagram representing the ranking of certain liabilities incurred and certain securities issued by IAL, or which could be issued or incurred by IAL in the future. The diagram does not include every type of current liability or security on issue, or every type of liability that could be incurred or security that could be issued in the future by IAL. IAL could incur further liabilities, raise more debt or guarantee additional amounts at any time.

		Type of obligation	Examples of obligations/securities
Higher ranking		Secured debt and liabilities preferred by law	Senior ranking secured obligations and liabilities mandatorily preferred by law (including certain policy liabilities and employee entitlements)
	Senior MTNs issued by IAL	Unsubordinated unsecured debt	Senior MTNs issued by IAL, other bonds and notes, unsecured senior debt facilities, trade and general creditors. Where the instrument is characterised as a liability in Australia, in a winding up amounts in Australia must not be applied to pay liabilities on bonds taken to be located outside Australia until the note has been paid in full.
		Subordinated unsecured debt	Tier 2 capital instruments issued or guaranteed by IAL before 1 January 2013^. Where the note is characterised as a liability in Australia, in a winding up amounts in Australia must not be applied to pay liabilities on bonds taken to be located outside Australia until the note has been paid in full.
	Subordinated MTNs issued by IAL[#]	Basel III compliant Tier 2 capital instruments[+]	Subordinated MTNs issued by IAL*, other Tier 2 capital instruments issued or guaranteed by IAL on or after 1 January 2013, including the $350,000,000 Subordinated MTNs due 2040 issued by IAL on 19 March 2014
		Preference shares and other equally ranked instruments	Additional Tier 1 capital instruments (such as capital notes and convertible preference shares) and other obligations ranking senior only to ordinary shares,
Lower ranking		Ordinary shares in IAL	Ordinary shares in IAL

[+]See the discussion of section 116(3) of the Insurance Act, above, for the relevance of characterisation of a liability inside or outside Australia.
^no such securities are currently on issue.
*If a Subordinated MTN is Converted, the Ordinary Shares in IAG that the MTN Holder receives on Conversion will rank equally with other Ordinary Shares in IAG. If a Subordinated MTN is Written-Off, MTN Holders have no claim.
[#] To the extent these Subordinated MTNs are liabilities in Australia and there are other Relevant Tier 2 Securities that are liabilities outside Australia, the holder must refund amounts received in the winding up so that their return is equal and proportionate with those Relevant Tier 2 Securities.

No Set-Off (Subordinated MTNs):

Neither the relevant Issuer nor a Subordinated MTN Holder has any contractual right to set off any sum at any time due and payable to a Subordinated MTN Holder or the relevant Issuer (as applicable) under or in relation to the Subordinated MTNs against amounts owing by the Subordinated MTN Holder to the relevant Issuer or by the relevant Issuer to the Subordinated MTN Holder (as applicable).

Non-Viability Trigger Event (Subordinated MTNs):

Certain risks arise in respect of Subordinated MTNs which are subject to mandatory Conversion into ordinary shares in IAG ("**Ordinary Shares**") or Write-Off, if a Non-Viability Trigger Event occurs. The applicable Pricing Supplement will specify whether the Subordinated MTNs are liable to Conversion (failing which, the

Subordinated MTNs will be liable to Write-Off) ("**Conversion Option**") or liable for immediate Write-Off ("**Write-Off Option**").

In respect of a Subordinated MTN issued by IAL, a Non-Viability Trigger Event can occur in respect of IAL (an "**IAL Non-Viability Trigger Event**") or IAG (an "**IAG Non-Viability Trigger Event**"). Accordingly, a Subordinated MTN may be Converted or Written-Off because of a Non-Viability Trigger Event applying to IAG even if IAL is not affected. In respect of a Subordinated MTN issued by IAG, a Non-Viability Trigger Event can only occur in respect of IAG.

Potential investors in Subordinated MTNs should consider Conditions 6A, 6B and 6C of the MTN Terms and Conditions applicable to the relevant Issuer where the Non-Viability Trigger Event and related provisions are set out. APRA has not provided guidance as to how it would determine non-viability. In the case of the Subordinated MTNs issued by IAL, non-viability could be expected to include serious impairment of either IAG's or IAL's financial position and insolvency. In the case of the Subordinated MTNs issued by IAG, non-viability could be expected to include serious impairment of either IAG's financial position and insolvency, and it is also possible that the serious impairment of the financial position of one or more of IAG's subsidiaries may impact on IAG's viability. However, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency or capital measures and APRA's position on these matters may change over time. Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of IAG or IAL (as applicable). For instance, systemic and non-systemic macroeconomic, environmental and operational factors, domestically or globally may affect the viability of IAG or IAL.

If a Non-Viability Trigger Event occurs and the relevant Non-Viability Determination is made on the grounds that, without a public sector injection of capital or equivalent support, IAL or IAG (as applicable) would become non-viable, all Subordinated MTNs must be Converted or Written-Off (as applicable) in full.

If a Non-Viability Trigger Event occurs and the relevant Non-Viability Determination:

(1) is made on grounds other than that a public sector injection of capital or equivalent support is required;

(2) does not otherwise require all Relevant Securities to be converted into Ordinary Shares or written-off,

then, on the date of such event, the relevant Issuer will:

- first convert into Ordinary Shares or write-off all Relevant Tier 1 Securities (as that term applies to the relevant Issuer); and

- secondly, if conversion into Ordinary Shares or write-off of all Relevant Tier 1 Securities (as that term applies to the relevant Issuer) is not sufficient to satisfy APRA that the relevant Issuer is viable without further conversion or write-off then:

  (a) if the Conversion Option applies to the Subordinated MTNs, the relevant Issuer will be required to Convert some or all of the principal amount of the relevant Subordinated MTNs into Ordinary Shares. If Conversion of the relevant Nominal Amount of those Subordinated MTNs that are subject to Conversion has not been effected within five Business Days after the relevant Trigger Event Date for any reason (including, without limitation, an Inability Event), the relevant Issuer will be required to Write-Off some or all of the principal amount of the Subordinated MTNs and immediately and irrevocably terminate the rights of the holders of such Subordinated MTNs; or

  (b) if the applicable Pricing Supplement specifies that the Write-Off Option applies to the Subordinated MTNs, the relevant Issuer will be required to

Write-Off some or all of the principal amount of the Subordinated MTNs and immediately and irrevocably terminate the rights of the holders of such Subordinated MTNs.

If less than all Subordinated MTNs are to be Converted or Written-Off, the Conversion or Write-Off of Subordinated MTNs will be on an approximately pro-rata basis with other Relevant Tier 2 Securities of IAL or IAG (as applicable). In the case of a Non-Viability Trigger Event with respect to IAG, Relevant Tier 2 Securities may include securities issued by IAL.

As at the date of this Information Memorandum (i) IAL has no Relevant Tier 1 Securities on issue and has Relevant Tier 2 Securities on issue, being the $350,000,000 Subordinated MTNs due 2040, issued by IAL on 19 March 2014, and (ii) IAG has Relevant Tier 1 Securities on issue, being the $404,100,000 perpetual capital notes issued by IAG on 22 December 2016, and has Relevant Tier 2 Securities on issue, being the NZD350,000,000 unsecured subordinated convertible notes due 2043 issued by IAG on 15 June 2016. The $350,000,000 Subordinated MTNs due 2040 issued by IAL on 19 March 2014 are also Relevant Tier 2 Securities of IAG. Neither IAL nor IAG has any obligation to issue or to keep on issue any Relevant Tier 1 Securities or Relevant Tier 2 Securities.

The following table is a simplified diagram of the order in which conversion or write-off of Relevant Capital Instruments is required to occur if a Non-Viability Determination is made in respect of either IAG or IAL and the determination does not require all Relevant Capital Instruments to be converted or written-off. The diagram does not include every type of security issued or that could be issued in the future by the Issuers. Note that Conversion is required to occur immediately, and shall not be prevented, impeded or delayed by the failure or delay in the conversion or write-off of other Relevant Securities. Certain capital instruments of the Issuers may not contain conversion features equivalent to those of the Subordinated MTNs and, in this respect, holders of Subordinated MTNs may be in a less favourable position than holders of other securities of the issuers if a Non-Viability Determination is made.

	Nature of security	**Non-Viability Determination given in respect of IAG**	**Non-Viability Determination given in respect of IAL**
First in line to absorb losses	Relevant Tier 1 Securities	Relevant Tier 1 Securities of the IAG Level 2 Insurance Group, including the $404,100,000 perpetual capital notes issued by IAG on 22 December 2016	Relevant Tier 1 Securities issued by IAL only^
Second in line to absorb losses	Relevant Tier 2 Securities	Subordinated MTNs and other Relevant Tier 2 Securities of the IAG Level 2 Insurance Group, including the $350,000,000 Subordinated MTNs due 2040 issued by IAL on 19 March 2014 and the NZD350,000,000 unsecured subordinated convertible notes due 2043 issued by IAG on 15 June 2016	Subordinated MTNs issued by IAL and other Relevant Tier 2 Securities issued by IAL, including the $350,000,000 Subordinated MTNs due 2040 issued by IAL on 19 March 2014

^no such securities are currently on issue

If a Non-Viability Trigger Event occurs in relation to IAG, Subordinated MTNs issued by both IAG and IAL will be required to be Converted. However, if a Non-Viability Trigger Event occurs in relation to IAL only (and does not occur in relation to IAG), Subordinated MTNs issued by IAG will not be required to be Converted. If this were to occur, holders of Subordinated MTNs issued by IAL may be in a worse position than holders of Subordinated MTNs issued by IAG. No assurance can be given as to the timing of the occurrence of a Non-Viability Trigger Event or whether such event will affect either one or both of the Issuers.

When Subordinated MTNs are Written-Off investors will lose some or all of the value of their investment and will not receive any compensation. Where

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

Conversion on account of a Non-Viability Trigger Event could occur at any time. There may be no market in Ordinary Shares received on Conversion and investors may not be able to sell the Ordinary Shares at a price equal to the value of their investment and as a result may suffer loss. The sale of Ordinary Shares may also be restricted by applicable Australian law and as a result investors may suffer loss. In certain circumstances, the Ordinary Shares that an investor would receive on Conversion will be issued to a nominee, who will sell the shares on behalf of that investor. The nominee will have no duty to obtain a fair market price in such sale.

There are provisions of Australian law that are relevant to the ability of any person to acquire interests in IAG beyond the limits prescribed by those laws. Subordinated MTN Holders should take care to ensure that by acquiring any Subordinated MTNs which provide for such Subordinated MTNs to be Converted to Ordinary Shares, they do not breach any applicable restrictions on the ownership of interests in IAG. If the acquisition or Conversion of such Subordinated MTNs by the Subordinated MTN Holder or a nominee would breach those restrictions then, in addition to other sanctions for these beaches under the applicable law, the relevant Issuer may be prevented from Converting such Subordinated MTNs and where Conversion is required such Subordinated MTNs may be required to be Written-Off.

The requirement for conversion or write-off on account of a Non-Viability Trigger Event does not apply to subordinated debt issued by the relevant Issuer prior to 1 January 2013, and accordingly the holders of Subordinated MTNs issued under this Information Memorandum are likely to be in a worse position in the event of the relevant Issuer becoming non-viable than holders of subordinated debt issued by the relevant Issuer without a mandatory conversion or write-off feature.

Depending upon its performance and financial position, there is a risk that the relevant Issuer may default on payment of some or all of the interest, principal or any premium on a Subordinated MTN. In this case, investors' rights are limited to certain specified remedies and, for example, investors do not have the right to require the relevant Issuer to redeem the Subordinated MTN early. Although the MTN Terms and Conditions may specify certain remedies (for example, seeking an order for the winding up of the relevant Issuer) the grant of those remedies may be in the discretion of the court, and as such may not be granted.

Holder Conversion Option

Where specified in the relevant Pricing Supplement, Subordinated MTNs may be issued on terms which allow the holder of a Subordinated MTN to require the relevant Issuer to Convert that Subordinated MTN into Ordinary Shares, provided certain conditions are met (see Condition 6D of the relevant MTN Terms and Conditions).

Terms and Conditions of STNs for Insurance Australia Limited

*The following are the Terms and Conditions of the STNs which, as supplemented, modified or replaced in relation to any STNs by any relevant Supplement ("**STN Supplement**"), will be applicable to each Series of STNs so issued.*

A Tranche may be the subject of an STN Supplement. References in these Terms and Conditions are references to any STN Supplement applicable to the relevant Tranche of STNs.

STNs are unsecured debt obligations of the Issuer owing under the STN Deed Poll and will take the form of entries in the STN Register.

Each STN Holder and any person claiming through or under an STN Holder is deemed to have notice of and is bound by these Terms and Conditions, the STN Deed Poll, any relevant STN Supplement and the Information Memorandum. Copies of each of these documents are available for inspection by any STN Holder at the offices of the Issuer and the Registrar at their respective addresses specified in the Information Memorandum.

1 Interpretation

1.1 Definitions

The following words have these meanings in these terms and conditions unless the contrary intention appears:

Alternate Currency means a currency (other than Australian Dollars) specified in any agreed issue documentation relating to those STNs.

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

Austraclear Regulations means the regulations known as the "Regulations and Operating Manual" established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System.

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

Business Day means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general banking business in Sydney and Melbourne.

Condition means the correspondingly numbered condition in these Terms and Conditions.

Corporations Act means the Corporations Act 2001 of Australia.

Information Memorandum means, in relation to STNs, at any time the then latest information memorandum (and any supplement to it) prepared on behalf of, and approved in writing by, the Issuer in connection with the issue of (amongst other things) STNs, all documents incorporated by reference in it and such other information approved in writing by the Issuer from time to time.

Issuer means Insurance Australia Limited (ABN 11 000 016 722).

Maturity Date means in relation to STNs, the day on which an issue of STNs is due and payable.

Programme Manager means Westpac Banking Corporation (ABN 33 007 457 141) in its capacity as administration manager of the Programme, or such other person appointed by the Issuer from time to time and who has consented to act as Programme Manager.

Registrar means in relation to STNs, Computershare Investor Services Pty Limited (ABN 48 078 279 277) or such other person appointed by the Issuer pursuant to the Registry Services Agreement to establish and maintain the STN Register for such STNs on the Issuer's behalf from time to time.

Registry Services Agreement means each agreement entered into between the Issuer and a Registrar and any replacement of it and includes, for the avoidance of doubt, the agreement entitled "Registry

Services Agreement" dated 24 August 2000 as amended by the "Accession and Amending Agreement" dated 12 November 2002 and the "Accession and Amending Agreement" dated on or about 31 October 2007 between the Issuer, Insurance Australia Group Limited and Computershare Investor Services Pty Limited and any replacement of it.

Related Body Corporate, in relation to a person, means a body corporate that is related to that person by virtue of section 50 of the Corporations Act.

Series means an issue of STNs made up of one or more Tranches all of which form a single Series and are issued on the same Conditions except that the issue date may be different in respect of different Tranches of a Series.

STN means a short term registered debt obligation of the Issuer constituted by, and owing under the STN Deed Poll to an STN Holder, the details of which are recorded in, and evidenced by, inscription in the STN Register.

STN Deed Poll means the deed poll in relation to STNs executed by the Issuer in New South Wales on 12 November 2002 (as amended and restated on or about 31 October 2007).

STN Holder means a person whose name is for the time being entered in the STN Register as the holder of an STN or, where an STN is held jointly by two or more persons, the persons whose names appear in the STN Register as the joint holders of that STN. For the avoidance of doubt, where an STN is entered into the Austraclear System, this includes Austraclear acting on behalf of a member of the Austraclear System.

STN Register means a register, including any branch register, of STN Holders established and maintained by or on behalf of the Issuer in which is entered the names and addresses of STN Holders, the amount of STNs held by each such STN Holder and the date of issue and transfer of those STNs, and any other particulars which the Issuer sees fit.

STN Supplement means any supplement to the Information Memorandum or to these terms and conditions prepared and issued in relation to an issue of STNs which has been confirmed by the Issuer.

1.2 Interpretation

In these terms and conditions unless the contrary intention appears:

(a) a reference to Australian Dollars, A$ or dollars is a reference to the lawful currency of the Commonwealth of Australia;

(b) 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;

(c) the singular includes the plural and vice versa;

(d) the word "person" includes a firm, body corporate, an unincorporated association or an authority;

(e) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

(f) a reference to any thing (including, without limitation, any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to all of them collectively and to each of them individually.

1.3 Headings

Headings are inserted for convenience and do not affect the interpretation of these terms and conditions.

2 Form, denomination and title

2.1 Constitution under STN Deed Poll

The STNs are registered debt obligations of the Issuer constituted by, and owing under, the STN Deed Poll and take the form of entries in the STN Register. Each entry in the STN Register constitutes a separate and individual acknowledgment to the relevant STN Holder of the indebtedness of the Issuer to the relevant STN Holder.

2.2 Independent obligations

The obligations of the Issuer in respect of each issue of STNs constitute separate and independent obligations which the STN Holder to whom those obligations are owed is entitled to enforce without having to join any other STN Holder or any predecessor in title of an STN Holder.

2.3 Denomination

STNs are issued in denominations of A$10,000. STNs may only be issued if the consideration payable is a minimum of A$500,000 (or the equivalent in an Alternate Currency) (disregarding any moneys lent by the Issuer or its associates) or the offer or invitation otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act.

2.4 STN Register conclusive

Entries in the STN Register in relation to an STN constitute conclusive evidence that the person so entered is the registered holder of the STN subject to rectification for fraud or error. No STN will be registered in the name of more than four persons. An STN registered in the name of more than one person is held by those persons as joint tenants. STNs will be registered by name only without reference to any trusteeship. The person registered in the STN Register as an STN Holder will be treated by the Issuer and the Registrar as absolute owner of that STN and neither the Issuer nor the Registrar is, except as ordered by a court or as required by statute, obliged to take notice of any other claim to an STN.

2.5 Holder absolutely entitled

Upon a person acquiring title to any STN by virtue of becoming an STN Holder in respect of that STN, all rights and entitlements arising by virtue of the STN Deed Poll in respect of that STN vest absolutely in the STN Holder, such that no person who has previously been the STN Holder in respect of that STN has or is entitled to assert against the Issuer or the Registrar or the STN Holder for the time being and from time to time any rights, benefits or entitlements in respect of the STN.

2.6 Location of STN Register

Each STN Register will be established and maintained in New South Wales unless otherwise agreed with the Registrar.

2.7 Certificates

No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to an STN unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

3 Transfers

3.1 Limit on transfer

STNs may only be transferred in whole.

STNs may only be transferred if:

(a) the consideration payable at the time of transfer is a minimum amount of A$500,000 (or the equivalent in an Alternate Currency) (disregarding any moneys lent by the transferor or its associates to the transferee) or the transfer does not otherwise require disclosure to be made to investors under Part 6D.2 of the Corporations Act; and

(b) the transfer complies with any applicable law or directive of the jurisdiction where the transfer takes place.

3.2 Transfer procedures

STNs entered in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.

3.3 Registration of transfer

The transferor of an STN is deemed to remain the holder of that STN until the name of the transferee is entered in the STN Register in respect of that STN. Transfers will not be registered later than four days prior to the relevant Maturity Date.

3.4 No charge on transfer

Transfers will be registered without charge provided taxes, duties or other governmental charges (if any) imposed in relation to the transfer have been paid.

3.5 Estates

A person becoming entitled to an STN as a consequence of the death or bankruptcy of an STN Holder or of a vesting order or a person administering the estate of an STN Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the STN or, if so entitled, become registered as the STN Holder in respect of that STN.

3.6 Unincorporated associations

A transfer to an unincorporated association is not permitted.

4 Status

Pursuant to section 116(3) of the Insurance Act 1973 of Australia, in a winding up of the Issuer, the Issuer's assets in Australia must not be applied in the discharge of its liabilities other than its "liabilities in Australia", unless it has no "liabilities in Australia". See applicable Information Memorandum for additional disclosure.

4.1 Status

STNs are direct, unsubordinated and unsecured obligations of the Issuer.

4.2 Ranking

STNs rank at least equally with all other unsecured and unsubordinated obligations of the Issuer except liabilities mandatorily preferred by law.

5 Redemption and purchase

5.1 Redemption on maturity

Unless previously redeemed, or purchased and cancelled, each STN shall be redeemed on its Maturity Date at its face value amount.

5.2 Purchase of STNs

The Issuer or any Related Body Corporate may at any time purchase STNs in the open market or otherwise and at any price. All unmatured STNs purchased in accordance with this condition may be held, resold or cancelled at the discretion of the Issuer, subject to compliance with all legal and regulatory requirements.

6 Payments

6.1 Payment of principal

Payments of principal will be made to each person registered at 10.00 am on the Maturity Date as an STN Holder.

6.2 Payments to accounts

Payments in respect of STNs will be made:

(a) if the STNs are held in the Austraclear System, by crediting on the Maturity Date, the amount due to:

(i) the account of Austraclear (as the STN Holder) in Australian Dollars; or

(ii) if requested by Austraclear, the accounts of the persons in whose Security Record (as defined in the Austraclear Regulations) an STN is recorded in Australian Dollars; and

(b) if the STNs are not held in the Austraclear System, by crediting on the Maturity Date, the amount then due under each STN to an account in the country of the currency in which the STN is denominated previously notified by the STN Holder to the Issuer and the Registrar.

6.3 Taxation

All payments in respect of STNs are subject in all cases to applicable provisions of fiscal and other laws, regulations and directives ("Relevant Laws"). If the Issuer or anyone making payment on its behalf is obliged by any Relevant Law to deduct or withhold any amounts from a payment otherwise due to an STN Holder, it will do so. Nothing in this condition imposes on the Issuer or anyone making payment on its behalf any obligation or liability whatsoever to reimburse or compensate or make any payment to the STN Holder for or in respect of the deducted or withheld amount.

6.4 Time limit for claims

A claim against the Issuer for a payment under an STN is void unless made within five years of the due date for that payment or the date, if later, on which that payment is fully provided for by the Issuer.

6.5 Business Days

All payments must be made on a Business Day but if a payment falls on a day that is not a Business Day, the payment is postponed to the first following day that is a Business Day.

6.6 Alternate Currencies

If an amount is required to be determined in Australian Dollars, the Australian Dollar equivalent of an STN denominated in an Alternate Currency is to be determined on the basis of the spot rate of exchange for the sale of Australian Dollars against the purchase of the relevant Alternate Currency in the Sydney foreign exchange market quoted by any leading bank selected by the Issuer on the relevant calculation date. The calculation date is, at the discretion of the Issuer, either the date of the relevant Supplement for such STNs or the preceding day on which commercial banks and foreign exchange markets are open for business in Sydney or such other date as may be agreed between the Issuer and the Programme Manager.

7 Notices

7.1 To the Issuer and the Registrar

A notice or other communication in connection with an issue of STNs to the Issuer or the Registrar must be in writing and may be given by prepaid post or delivery to the address of the addressee or by facsimile to the facsimile number of the addressee specified:

(a) in the Information Memorandum; or

(b) as otherwise agreed between those parties from time to time and notified to the STN Holders.

7.2 To STN Holders

A notice or other communication in connection with an issue of STNs to the STN Holders must be in writing and may be given by:

(a) an advertisement published in The Australian Financial Review or any other newspaper or newspapers circulating in Australia generally; or

(b) prepaid post or delivery or by facsimile to the address or facsimile address, as the case may be, of each relevant STN Holder as shown in the STN Register at the close of business three Business Days prior to the dispatch of the relevant notice or communication.

7.3 Effective on receipt

Unless a later time is specified in it a notice, approval, consent or other communication takes effect from the time it is received, except that if it is received after 5.00pm in the place of receipt or on a non-business day in that place, it is to be taken to be received at 9.00am on the next succeeding Business Day in that place.

7.4 Proof of receipt

Subject to Condition 7.3 (*Effective on receipt*), proof of posting of a letter or of dispatch of a facsimile or of publication of a notice is proof of receipt:

(a) in the case of a letter, on the third day after posting; and

(b) in the case of a facsimile, on receipt by the sender of a successful transmission report; and

(c) in the case of publication, on the date of such publication.

8 Amendments

The Terms and Conditions may be amended by the Issuer (after consultation with the Programme Manager) and the Registry Services Agreement may be amended by the parties thereto (after consultation with the Programme Manager), without the consent of any STN Holder:

(a) for the purposes of curing any ambiguity, or correcting or supplementing any defective or inconsistent provisions therein; or

(b) in the case of the Terms and Conditions, in any manner which the Issuer deems, or in the case of the Registry Services Agreement, in any manner which the Issuer and the Registrar deem, necessary or desirable and which does not adversely affect the interests of the STN Holders.

9 Registrar

9.1 Role of the Registrar

In acting under the Registry Services Agreement in connection with the STNs, the Registrar acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the STN Holders save insofar as that any funds received by the Registrar in accordance with the Registry Services Agreement shall, pending their application in accordance with the Registry Services Agreement, be held by it in a segregated account which shall be held on trust for the persons entitled thereto.

9.2 Change of Registrar

The Issuer reserves the right at any time to terminate the appointment of the Registrar in accordance with the relevant Registry Services Agreement and to appoint a successor or additional registrars, provided, however, that the Issuer must at all times maintain the appointment of a registrar with its specified office in Australia. Notice of any such termination of appointment will be given to the STN Holders in accordance with Condition 7 (*Notices*).

9.3 Appointment of replacement Registrar

If for any reason a then current Registrar ceases to be Registrar the Issuer must ensure that a replacement Registrar is appointed with effect from the relevant date.

10 Governing law and jurisdiction

10.1 Governing law

The STNs are governed by the law in force in the State of New South Wales.

10.2 Jurisdiction

The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts of appeal from them.

Terms and Conditions of STNs for Insurance Australia Group Limited

*The following are the Terms and Conditions of the STNs which, as supplemented, modified or replaced in relation to any STNs by any relevant Supplement (“**STN Supplement**”), will be applicable to each Series of STNs so issued.*

A Tranche may be the subject of an STN Supplement. References in these Terms and Conditions are references to any STN Supplement applicable to the relevant Tranche of STNs.

STNs are unsecured debt obligations of the Issuer owing under the STN Deed Poll and will take the form of entries in the STN Register.

Each STN Holder and any person claiming through or under an STN Holder is deemed to have notice of and is bound by these Terms and Conditions, the STN Deed Poll, any relevant STN Supplement and the Information Memorandum. Copies of each of these documents are available for inspection by any STN Holder at the offices of the Issuer and the Registrar at their respective addresses specified in the Information Memorandum.

1 Interpretation

1.1 Definitions

The following words have these meanings in these terms and conditions unless the contrary intention appears:

Alternate Currency means a currency (other than Australian Dollars) specified in any agreed issue documentation relating to those STNs.

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

Austraclear Regulations means the regulations known as the “Regulations and Operating Manual” established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System.

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

Business Day means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general banking business in Sydney and Melbourne.

Condition means the correspondingly numbered condition in these Terms and Conditions.

Corporations Act means the Corporations Act 2001 of Australia.

Information Memorandum means, in relation to STNs, at any time the then latest information memorandum (and any supplement to it) prepared on behalf of, and approved in writing by, the Issuer in connection with the issue of (amongst other things) STNs, all documents incorporated by reference in it and such other information approved in writing by the Issuer from time to time.

Issuer means Insurance Australia Group Limited (ABN 60 090 739 923).

Maturity Date means in relation to STNs, the day on which an issue of STNs is due and payable.

Programme Manager means Westpac Banking Corporation (ABN 33 007 457 141) in its capacity as administration manager of the Programme, or such other person appointed by the Issuer from time to time and who has consented to act as Programme Manager.

Registrar means in relation to STNs, Computershare Investor Services Pty Limited (ABN 48 078 279 277) or such other person appointed by the Issuer pursuant to the Registry Services Agreement to establish and maintain the STN Register for such STNs on the Issuer’s behalf from time to time.

Registry Services Agreement means each agreement entered into between the Issuer and a Registrar and any replacement of it and includes, for the avoidance of doubt, the agreement entitled “Registry

Services Agreement” dated 24 August 2000 as amended by the “Accession and Amending Agreement” dated 12 November 2002 and the “Accession and Amending Agreement” dated on or about 31 October 2007 between the Issuer, Insurance Australia Limited and Computershare Investor Services Pty Limited and any replacement of it.

Related Body Corporate, in relation to a person, means a body corporate that is related to that person by virtue of section 50 of the Corporations Act.

Series means an issue of STNs made up of one or more Tranches all of which form a single Series and are issued on the same Conditions except that the issue date may be different in respect of different Tranches of a Series.

STN means a short term registered debt obligation of the Issuer constituted by, and owing under the STN Deed Poll to an STN Holder, the details of which are recorded in, and evidenced by, inscription in the STN Register.

STN Deed Poll means the deed poll in relation to STNs executed by the Issuer in New South Wales on or about 31 October 2007.

STN Holder means a person whose name is for the time being entered in the STN Register as the holder of an STN or, where an STN is held jointly by two or more persons, the persons whose names appear in the STN Register as the joint holders of that STN. For the avoidance of doubt, where an STN is entered into the Austraclear System, this includes Austraclear acting on behalf of a member of the Austraclear System.

STN Register means a register, including any branch register, of STN Holders established and maintained by or on behalf of the Issuer in which is entered the names and addresses of STN Holders, the amount of STNs held by each such STN Holder and the date of issue and transfer of those STNs, and any other particulars which the Issuer sees fit.

STN Supplement means any supplement to the Information Memorandum or to these terms and conditions prepared and issued in relation to an issue of STNs which has been confirmed by the Issuer.

1.2 Interpretation

In these terms and conditions unless the contrary intention appears:

(a) a reference to Australian Dollars, A$ or dollars is a reference to the lawful currency of the Commonwealth of Australia;

(b) 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;

(c) the singular includes the plural and vice versa;

(d) the word “person” includes a firm, body corporate, an unincorporated association or an authority;

(e) a reference to a person includes a reference to the person’s executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

(f) a reference to any thing (including, without limitation, any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to all of them collectively and to each of them individually.

1.3 Headings

Headings are inserted for convenience and do not affect the interpretation of these terms and conditions.

2 Form, denomination and title

2.1 Constitution under STN Deed Poll

The STNs are registered debt obligations of the Issuer constituted by, and owing under, the STN Deed Poll and take the form of entries in the STN Register. Each entry in the STN Register constitutes a separate and individual acknowledgment to the relevant STN Holder of the indebtedness of the Issuer to the relevant STN Holder.

2.2 Independent obligations

The obligations of the Issuer in respect of each issue of STNs constitute separate and independent obligations which the STN Holder to whom those obligations are owed is entitled to enforce without having to join any other STN Holder or any predecessor in title of an STN Holder.

2.3 Denomination

STNs are issued in denominations of A$10,000. STNs may only be issued if the consideration payable is a minimum of A$500,000 (or the equivalent in an Alternate Currency) (disregarding any moneys lent by the Issuer or its associates) or the offer or invitation otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act.

2.4 STN Register conclusive

Entries in the STN Register in relation to an STN constitute conclusive evidence that the person so entered is the registered holder of the STN subject to rectification for fraud or error. No STN will be registered in the name of more than four persons. An STN registered in the name of more than one person is held by those persons as joint tenants. STNs will be registered by name only without reference to any trusteeship. The person registered in the STN Register as an STN Holder will be treated by the Issuer and the Registrar as absolute owner of that STN and neither the Issuer nor the Registrar is, except as ordered by a court or as required by statute, obliged to take notice of any other claim to an STN.

2.5 Holder absolutely entitled

Upon a person acquiring title to any STN by virtue of becoming an STN Holder in respect of that STN, all rights and entitlements arising by virtue of the STN Deed Poll in respect of that STN vest absolutely in the STN Holder, such that no person who has previously been the STN Holder in respect of that STN has or is entitled to assert against the Issuer or the Registrar or the STN Holder for the time being and from time to time any rights, benefits or entitlements in respect of the STN.

2.6 Location of STN Register

Each STN Register will be established and maintained in New South Wales unless otherwise agreed with the Registrar.

2.7 Certificates

No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to an STN unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

3 Transfers

3.1 Limit on transfer

STNs may only be transferred in whole.

STNs may only be transferred if:

(a) the consideration payable at the time of transfer is a minimum amount of A$500,000 (or the equivalent in an Alternate Currency) (disregarding any moneys lent by the transferor or its associates to the transferee) or the transfer does not otherwise require disclosure to be made to investors under Part 6D.2 of the Corporations Act; and

(b) the transfer complies with any applicable law or directive of the jurisdiction where the transfer takes place.

3.2 Transfer procedures

STNs entered in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.

3.3 Registration of transfer

The transferor of an STN is deemed to remain the holder of that STN until the name of the transferee is entered in the STN Register in respect of that STN. Transfers will not be registered later than four days prior to the relevant Maturity Date.

3.4 No charge on transfer

Transfers will be registered without charge provided taxes, duties or other governmental charges (if any) imposed in relation to the transfer have been paid.

3.5 Estates

A person becoming entitled to an STN as a consequence of the death or bankruptcy of an STN Holder or of a vesting order or a person administering the estate of an STN Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the STN or, if so entitled, become registered as the STN Holder in respect of that STN.

3.6 Unincorporated associations

A transfer to an unincorporated association is not permitted.

4 Status

4.1 Status

STNs are direct, unsubordinated and unsecured obligations of the Issuer.

4.2 Ranking

STNs rank at least equally with all other unsecured and unsubordinated obligations of the Issuer except liabilities mandatorily preferred by law.

5 Redemption and purchase

5.1 Redemption on maturity

Unless previously redeemed, or purchased and cancelled, each STN shall be redeemed on its Maturity Date at its face value amount.

5.2 Purchase of STNs

The Issuer or any Related Body Corporate may at any time purchase STNs in the open market or otherwise and at any price. All unmatured STNs purchased in accordance with this condition may be held, resold or cancelled at the discretion of the Issuer, subject to compliance with all legal and regulatory requirements.

6 Payments

6.1 Payment of principal

Payments of principal will be made to each person registered at 10.00 am on the Maturity Date as an STN Holder.

6.2 Payments to accounts

Payments in respect of STNs will be made:

(a) if the STNs are held in the Austraclear System, by crediting on the Maturity Date, the amount due to:

(i) the account of Austraclear (as the STN Holder) in Australian Dollars; or

(ii) if requested by Austraclear, the accounts of the persons in whose Security Record (as defined in the Austraclear Regulations) an STN is recorded in Australian Dollars; and

(b) if the STNs are not held in the Austraclear System, by crediting on the Maturity Date, the amount then due under each STN to an account in the country of the currency in which the STN is denominated previously notified by the STN Holder to the Issuer and the Registrar.

6.3 Taxation

All payments in respect of STNs are subject in all cases to applicable provisions of fiscal and other laws, regulations and directives ("Relevant Laws"). If the Issuer or anyone making payment on its behalf is obliged by any Relevant Law to deduct or withhold any amounts from a payment otherwise due to an STN Holder, it will do so. Nothing in this condition imposes on the Issuer or anyone making payment on its behalf any obligation or liability whatsoever to reimburse or compensate or make any payment to the STN Holder for or in respect of the deducted or withheld amount.

6.4 Time limit for claims

A claim against the Issuer for a payment under an STN is void unless made within five years of the due date for that payment or the date, if later, on which that payment is fully provided for by the Issuer.

6.5 Business Days

All payments must be made on a Business Day but if a payment falls on a day that is not a Business Day, the payment is postponed to the first following day that is a Business Day.

6.6 Alternate Currencies

If an amount is required to be determined in Australian Dollars, the Australian Dollar equivalent of an STN denominated in an Alternate Currency is to be determined on the basis of the spot rate of exchange for the sale of Australian Dollars against the purchase of the relevant Alternate Currency in the Sydney foreign exchange market quoted by any leading bank selected by the Issuer on the relevant calculation date. The calculation date is, at the discretion of the Issuer, either the date of the relevant Supplement for such STNs or the preceding day on which commercial banks and foreign exchange markets are open for business in Sydney or such other date as may be agreed between the Issuer and the Programme Manager.

7 Notices

7.1 To the Issuer and the Registrar

A notice or other communication in connection with an issue of STNs to the Issuer or the Registrar must be in writing and may be given by prepaid post or delivery to the address of the addressee or by facsimile to the facsimile number of the addressee specified:

(a) in the Information Memorandum; or

(b) as otherwise agreed between those parties from time to time and notified to the STN Holders.

7.2 To STN Holders

A notice or other communication in connection with an issue of STNs to the STN Holders must be in writing and may be given by:

(a) an advertisement published in The Australian Financial Review or any other newspaper or newspapers circulating in Australia generally; or

(b) prepaid post or delivery or by facsimile to the address or facsimile address, as the case may be, of each relevant STN Holder as shown in the STN Register at the close of business three Business Days prior to the dispatch of the relevant notice or communication.

7.3 Effective on receipt

Unless a later time is specified in it a notice, approval, consent or other communication takes effect from the time it is received, except that if it is received after 5.00pm in the place of receipt or on a non-business day in that place, it is to be taken to be received at 9.00am on the next succeeding Business Day in that place.

7.4 Proof of receipt

Subject to Condition 7.3 (*Effective on receipt*), proof of posting of a letter or of dispatch of a facsimile or of publication of a notice is proof of receipt:

(a) in the case of a letter, on the third day after posting; and

(b) in the case of a facsimile, on receipt by the sender of a successful transmission report; and

(c) in the case of publication, on the date of such publication.

8 Amendments

The Terms and Conditions may be amended by the Issuer (after consultation with the Programme Manager) and the Registry Services Agreement may be amended by the parties thereto (after consultation with the Programme Manager), without the consent of any STN Holder:

(a) for the purposes of curing any ambiguity, or correcting or supplementing any defective or inconsistent provisions therein; or

(b) in the case of the Terms and Conditions, in any manner which the Issuer deems, or in the case of the Registry Services Agreement, in any manner which the Issuer and the Registrar deem, necessary or desirable and which does not adversely affect the interests of the STN Holders.

9 Registrar

9.1 Role of the Registrar

In acting under the Registry Services Agreement in connection with the STNs, the Registrar acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the STN Holders save insofar as that any funds received by the Registrar in accordance with the Registry Services Agreement shall, pending their application in accordance with the Registry Services Agreement, be held by it in a segregated account which shall be held on trust for the persons entitled thereto.

9.2 Change of Registrar

The Issuer reserves the right at any time to terminate the appointment of the Registrar in accordance with the relevant Registry Services Agreement and to appoint a successor or additional registrars, provided, however, that the Issuer must at all times maintain the appointment of a registrar with its specified office in Australia. Notice of any such termination of appointment will be given to the STN Holders in accordance with Condition 7 (*Notices*).

9.3 Appointment of replacement Registrar

If for any reason a then current Registrar ceases to be Registrar the Issuer must ensure that a replacement Registrar is appointed with effect from the relevant date.

10 Governing law and jurisdiction

10.1 Governing law

The STNs are governed by the law in force in the State of New South Wales.

10.2 Jurisdiction

The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts of appeal from them.

Terms and Conditions of the MTNs for Insurance Australia Limited

*The following are the terms and conditions of the MTNs ("**Conditions**") which, as supplemented, modified or replaced in relation to any MTNs by the relevant Pricing Supplement, will be applicable to each Series of MTNs to be issued by the Issuer.*

Each Tranche will be the subject of a Pricing Supplement. References in the Conditions to a Pricing Supplement are references to the Pricing Supplement applicable to the relevant Tranche of MTNs.

Each MTN Holder and any person claiming through or under an MTN Holder is deemed to have notice of and is bound by these Conditions, the MTN Deed Poll, the Information Memorandum and the relevant Pricing Supplement. Copies of each of these documents (to the extent they relate to a Tranche of MTNs) are available for inspection by any MTN Holder of such Tranche at the offices of the Issuer and the Registrar at their respective addresses specified in the Information Memorandum.

1 Interpretation

1.1 Definitions

The following words have these meanings in these Conditions unless the contrary intention appears:

Additional Interest Amounts has the meaning given in Condition 5.9.

Agency Agreement means each agreement entered into between the Issuer and an Agent and any replacement of it and includes, for the avoidance of doubt, any agreement under which the Issuer appoints a person to perform administrative services and/or issue and paying agency functions, details of which are specified in the Information Memorandum or in any relevant Pricing Supplement.

Agent means each person appointed from time to time by the Issuer, with the consent of the Programme Manager, to perform agency functions under an Agency Agreement, details of which are specified in the relevant Pricing Supplement or in the Information Memorandum.

Alternate Currency means a currency (other than Australian Dollars) which is specified in the Pricing Supplement.

Amortisation Yield means the amortisation yield specified in the Pricing Supplement.

Amortised Face Amount means in relation to an MTN, an amount equal to the sum of:

(a) the Purchase Price specified in the Pricing Supplement; and

(b) the product of the Amortisation Yield specified in the Pricing Supplement (compounded annually) being applied to the Purchase Price (as specified in the Pricing Supplement) from (and including) the Issue Date specified in the Pricing Supplement to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the MTN becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction specified in the Pricing Supplement.

Applicable Business Day Convention means the Business Day Convention specified in the Pricing Supplement as applicable to any date in respect of the MTN or, if none is specified, the Applicable Business Day Convention for such purpose is the Following Business Day Convention. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates and any other date or dates in respect of any MTNs.

APRA means the Australian Prudential Regulation Authority as constituted under the Australian Prudential Regulation Authority Act 1998 (Cth) or any successor Government Agency responsible for prudential regulation.

Arrears of Interest has the meaning given in Condition 5.8.

Assets means, in the respect of the Issuer, its total non-consolidated gross assets as shown by its latest published audited financial statements in such manner and to such extent as its directors, its auditors or its liquidator may determine to be appropriate.

ASX Listing Rules means the listing rules of the Australian Securities Exchange as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

ASX Operating Rules means the market operating rules of the Australian Securities Exchange as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

Attorney has the meaning given in Condition 6F.2.

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

Austraclear Regulations means the regulations known as the "Regulations and Operating Manual" established by Austraclear as amended, varied or waived (whether in respect of the Issuer or generally) from time to time to govern the use of the Austraclear System.

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

Australian Dollars and A$ mean the lawful currency of Australia.

Business Day means:

(a) in the case of a Subordinated MTN, for the purposes of Conditions 6A to 6F (inclusive), a day which is a business day within the meaning of the ASX Listing Rules;

(b) for all other purposes, means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general banking business in the place specified in the Pricing Supplement, or, if no such place is specified, Sydney and Melbourne; and

(c) if an MTN is to be issued or paid on a Business Day other than in the case of a Subordinated MTN, a payment taken to be made as part of the Conversion of that Subordinated MTN:

 (i) a day on which commercial banks settle payments, in the case of Australian dollars, in Sydney and Melbourne, and, in the case any other currency, in the principal financial city in the country of that currency; and

 (ii) a day on which the relevant Clearing System for that MTN is operating.

Business Day Convention means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Pricing Supplement in relation to any date applicable to any MTN, have the following meanings:

(a) **Floating Rate Convention** means that the date is postponed to the next following day which is a Business Day unless that day falls in the next calendar month, in which event:

 (i) such date is brought forward to the first preceding day that is a Business Day; and

 (ii) each subsequent Interest Payment Date is the last Business Day in the calendar month which is the specified number of months (or other period specified as the Interest Period in the applicable Pricing Supplement) after the calendar month in which the preceding applicable Interest Payment Date occurred;

(b) **Following Business Day Convention** means that the date is postponed to the first following day that is a Business Day;

(c) **Modified Following Business Day Convention** or **Modified Business Day Convention** means that the date is **postponed** to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date is the first preceding day that is a Business Day; and

(d) **Preceding Business Day Convention** means that the date is brought forward to the first preceding day that is a Business Day.

Calculation Agent means, in respect of a Tranche, the person (if any) specified as such in the relevant Pricing Supplement. The Calculation Agent must be the same for all MTNs in a Series.

CHESS means the Clearing House Electronic Subregister System operated by the Australian Securities Exchange.

Clearing System means:

(a) the Austraclear System;

(b) Euroclear Bank S.A./N.V.;

(c) Clearstream Banking, société anonyme, Luxembourg; or

(d) any other clearing system specified in the relevant Pricing Supplement.

Condition means the correspondingly numbered condition in these Conditions.

Conditions means these terms and conditions of the MTNs.

Control has the meaning given in the Corporations Act.

Controlled Entity means, in respect of IAG, an entity IAG Controls.

Conversion means, in relation to a Subordinated MTN or a portion of a Subordinated MTN:

(a) the Subordinated MTN (or portion thereof) is immediately and irrevocably transferred by the Subordinated MTN Holder free from any Encumbrance to IAG for an amount equal to the Nominal Amount, which amount the Holder irrevocably directs be applied in payment of the Ordinary Share Issue Price for the Conversion Number of Ordinary Shares;

(b) IAG issues the Conversion Number of Ordinary Shares to the Subordinated MTN Holder (or, where these Conditions require, to a nominee);

(c) the Subordinated MTN is converted into a number of ordinary shares in the capital of the Issuer the aggregate value of which equals the Nominal Amount in respect of the Subordinated MTN (or portion thereof) transferred, and which are issued to IAG or any other Subsidiary of IAG which is a holding company (as defined in the Corporations Act) of the Issuer,

in accordance with and subject to Conditions 6A to 6F (inclusive) and Schedule A to these Conditions, and "**Convert**", "**Converting**" and "**Converted**" have corresponding meanings.

Conversion Number has the meaning given in Schedule A.

Corporations Act means the Corporations Act 2001 (Cth).

Costs include costs, charges and expenses, including those incurred in connection with advisers.

Day Count Fraction means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), the day count fraction specified in the Pricing Supplement and:

(a) if **Actual/365** or **Actual/Actual** is so specified, means the actual number of days in the Calculation Period divided by 365 or, if any portion of the Calculation Period falls in a leap year, the sum of:

   (i) the actual number of days in the portion of the Calculation Period falling in a leap year divided by 366; and

   (ii) the actual number of days in the portion of the Calculation Period falling in a non-leap year divided by 365;

(b) if **Actual/365 (fixed)** is so specified, the actual number of days in the Calculation Period divided by 365;

(c) if **Actual/360** is specified, means the actual number of days in the Calculation Period divided by 360;

(d) if **30E/360** or **Eurobond Basis** is specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(e) if **Australian Bond Basis** is specified, one divided by the number of Interest Payment Dates in a year.

Dealer means, in respect of an MTN, such person appointed by the Issuer as a dealer in respect of that MTN, in accordance with the Dealer Agreement.

Dealer Agreement means Annexure A to the Dealer Common Terms Deed Poll dated 28 February 2014 executed by each Issuer, as amended and supplemented from time to time.

Denomination means the notional face value of an MTN as specified in the relevant Pricing Supplement.

Early Redemption Amount (Call) means the amount specified as such in (or calculated in accordance with the provisions of) the relevant Pricing Supplement.

Early Redemption Amount (Put) means the amount specified as such in (or calculated in accordance with the provisions of) the relevant Pricing Supplement.

Early Redemption Amount (Regulatory) means the amount specified as such in (or calculated in accordance with the provisions of) the relevant Pricing Supplement.

Early Redemption Amount (Tax) means the amount specified as such in (or calculated in accordance with the provisions of) the relevant Pricing Supplement.

Early Termination Amount means in relation to an MTN, the Outstanding Principal Amount or, if the MTN is non-interest bearing, the Amortised Face Amount or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

Effective Date, for the purposes of Condition 17, has the meaning given in Condition 17.4.

Encumbrance means any:

(a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust or title retention arrangement and any "security interest" as defined in sections 12(1) or (2) of the Personal Property Securities Act 2009 (Cth); or

(b) third party right or interest, or any right arising as a consequence of the enforcement of a judgment,

or any agreement to create any of them or allow them to exist.

Equal Ranking Securities means, in relation to the Subordinated MTNs:

(a) any Relevant Tier 2 Securities;

(b) so long as they are on issue, the claims of the holders of the GBP 157 Million Notes;

Event of Default has the meaning given to it in Condition 8.

External Administrator means, in respect of a person:

(a) a liquidator, a 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,

or in either case any similar official.

Extraordinary Resolution has the same meaning as in the Meetings Provisions.

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-U.S. laws enacted with respect to those provisions).

Final Broken Amount has the meaning given to it in the Pricing Supplement.

Financial Year means any year beginning on 1 July and ending on 30 June.

Foreign Holder has the meaning given to it Condition 6B.3.

GBP 157 Million Notes means the notes issued by the Issuer constituted under a deed poll dated 25 October 2012.

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

Group means IAG and its Subsidiaries.

Holder Conversion means, in the case of a Subordinated MTN, a Subordinated MTN to which Condition 6D applies, as specified in the relevant Pricing Supplement.

Holder Conversion Date means, for a Subordinated MTN, where Holder Conversion applies, the date specified in the relevant Pricing Supplement on which Holder Conversion may occur.

Holder Conversion Notice has the meaning given in Condition 6D.1.

Holder Details Notice means a notice in the form available from the Registrar.

IAG means Insurance Australia Group Limited (ABN 60 090 739 923).

IAG Capital Instruments means:

(a) Tier 1 Capital Securities of the IAG Level 2 Insurance Group issued by IAG; and

(b) instruments issued on terms that are eligible for inclusion as Tier 2 Capital of the IAG Level 2 Insurance Group (whether or not constituting Tier 2 Capital at any other time) the terms of which enable IAG to defer, pass on or eliminate the payment of distributions.

IAG CPS means the convertible preference shares issued by IAG on or about 1 May 2012.

IAG Level 2 Insurance Group means the Level 2 insurance group (as defined by APRA from time to time) of which IAG is the parent entity.

IAG Non-Viability Trigger Event means the earlier of:

(a) the issuance to IAG of a written determination from APRA that conversion or write-off of Relevant Securities of IAG is necessary because, without it, APRA considers that IAG would become non-viable; or

(b) a determination by APRA, notified to IAG in writing, that without a public sector injection of capital, or equivalent support, IAG would become non-viable.

IAL Non-Viability Trigger Event means the earlier of:

(a) the issuance to the Issuer of a written determination from APRA that conversion or write-off of Relevant Securities of the Issuer is necessary because, without it, APRA considers that the Issuer would become non-viable; or

(b) a determination by APRA, notified to the Issuer in writing, that without a public sector injection of capital, or equivalent support, the Issuer would become non-viable.

Inability Event shall mean IAG, the Issuer or any Related Body Corporate of either of them is prevented by applicable law or order of any court or action of any government authority or External Administrator (including regarding the insolvency, winding up or other external administration of IAG, the Issuer or such Related Body Corporate) or any other reason from performing any obligations required of it in connection with the Conversion of the Subordinated MTNs.

Information Memorandum means, in relation to MTNs, the then latest information memorandum (and any supplement to it) prepared on behalf of, and approved in writing by, the Issuer in connection with the issue of (amongst other things) MTNs, all documents incorporated by reference in it and such other information (including the relevant Pricing Supplement) approved in writing by the Issuer from time to time.

Initial Broken Amount has the meaning given to it in the Pricing Supplement.

Insolvency Event means the happening of any of these events:

(a) an application is made to a court for an order (and is not stayed, withdrawn or dismissed within 14 days) or an order is made that a body corporate be wound up; or

(b) an application is made to a court for an order appointing a liquidator or provisional liquidator in respect of a body corporate (and is not stayed, withdrawn or dismissed within 14 days), or one of them is appointed, whether or not under an order; or

(c) except to reconstruct or amalgamate while solvent a body corporate enters into, or resolves to enter into, a scheme of arrangement, deed of company arrangement or composition with, or assignment for the benefit of, all or any class of its creditors, or it proposes a reorganisation, moratorium or other administration involving any of them; or

(d) a body corporate resolves to wind itself up, or otherwise dissolve itself, or gives notice of intention to do so, except to reconstruct or amalgamate while solvent or is otherwise wound up or dissolved; or

(e) a body corporate is or states that it is insolvent; or

(f) a body corporate takes any step to obtain protection or is granted protection from its creditors, under any applicable legislation or an administrator is appointed to a body corporate; or

(g) anything analogous or having a substantially similar effect to any of the events specified above happens under the law of any applicable jurisdiction.

Interest Commencement Date means the Issue Date or such other date as may be specified as such in the Pricing Supplement.

Interest Determination Date has the meaning specified as such in the Pricing Supplement.

Interest Payment Date means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and adjusted, if necessary, in accordance with the Applicable Business Day Convention.

Interest Period means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided that the first Interest Period commences on and includes the Interest Commencement Date and the final Interest Period ends on but excludes the Maturity Date.

Interest Rate means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the MTNs specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement and in the case of floating rate MTNs, the rate determined in accordance with Condition 5.3.

Issue Date means the day on which any MTN is or is to be issued as specified in or determined in accordance with the provisions of the Pricing Supplement.

Issue Date VWAP means, in respect of Subordinated MTNs of a Series, the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which any Subordinated MTNs of that Series were issued, as adjusted in accordance with paragraphs 4 to 7 (inclusive) of Schedule A.

Issuer means Insurance Australia Limited (ABN 11 000 016 722) and a Substitute Issuer if appointed in accordance with Condition 17.

Junior Ranking Creditors means, in respect of Subordinated MTNs, creditors of the Issuer whose claims against the Issuer:

(a) arise under Junior Ranking Securities; or

(b) are in respect of a shareholding including the claims described in section 563AA and in section 563A of the Corporations Act.

Junior Ranking Securities means, in respect of Subordinated MTNs:

(a) any class of the Issuer's share capital; and

(b) any other securities of the Issuer which are issued on terms that are eligible for inclusion as Tier 1 Capital of the Issuer (whether or not constituting Tier 1 Capital at any other time).

Liabilities means, in respect of the Issuer, its total non-consolidated gross liabilities as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its directors, its auditors or its liquidator may determine to be appropriate.

Margin means the margin specified in, or determined in accordance with the provisions of, the Pricing Supplement.

Maturity Date means the date for redemption of an MTN or, in the case of an amortising MTN, the date on which the last instalment of principal is payable, in each case, as specified in the Pricing Supplement.

Maturity Redemption Amount means in relation to an MTN, the Outstanding Principal Amount, together with, in the case of Subordinated MTNs, any unpaid Arrears of Interest and any unpaid Additional Interest Amount, or such other redemption amount as may be specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

Maximum Interest Rate means the Maximum Interest Rate specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

Meetings Provisions means the provisions for the convening of meetings of, and passing of resolutions by, MTN Holders set out in Schedule 2 of the MTN Deed Poll.

Minimum Interest Rate means the Minimum Interest Rate specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

MTN means a medium term debt obligation of the Issuer constituted by, and owing under, the MTN Deed Poll to an MTN Holder, the details of which are recorded in, and evidenced by, inscription in an MTN Register.

MTN Deed Poll means the deed poll in relation to MTNs executed by the Issuer in New South Wales on or about 31 October 2007 and as amended and restated with IAG as a party in respect of Subordinated MTNs on 28 February 2014.

MTN Holder means:

(a) in respect of Subordinated MTNs only, for the purposes of determining the person entitled to be issued Ordinary Shares (or, where Condition 6B.3 applies, the net proceeds of sale of such shares) and the amount of their entitlements:

(i) for so long as such Subordinated MTNs are held in the Austraclear System, a person who is an Austraclear Participant (as defined in the Austraclear Regulations); and

(ii) for so long as such Subordinated MTNs are held in any other Clearing System specified in the relevant Pricing Supplement and Ordinary Shares are not able to be held in that Clearing System, a participant of that Clearing System.

(b) for all other purposes, a person whose name is for the time being entered in an MTN Register as the holder of an MTN or, where an MTN is held jointly by two or more persons, the persons whose names appear in the MTN Register as the joint holders of that MTN and (for the avoidance of doubt) when an MTN is entered into a Clearing System, includes the operator of that system or a nominee for a common depository for any one or more Clearing Systems (such operator or nominee for a common depository acting in such capacity as is specified in the rules and regulations of the relevant Clearing System or Clearing Systems).

MTN Register means a register, including any branch register, of MTN Holders established and maintained by or on behalf of the Issuer in which is entered the names and addresses of MTN Holders, the amount of MTNs held by each MTN Holder and the Tranche, Series and date of issue and transfer of those MTNs, and any other particulars which the Issuer sees fit.

Nominal Amount has the meaning given in Schedule A.

Non-Viability Determination means a determination made pursuant to paragraph (a) or paragraph (b) of the definition of IAL Non-Viability Trigger Event or pursuant to paragraph (a) or paragraph (b) of the definition of IAG Non-Viability Trigger Event (as applicable).

Non-Viability Trigger Event has the meaning given in Condition 6A.2.

Optional Interest Payment Date means, in respect of a Subordinated MTN, an Interest Payment Date where:

(a) on or before that date:

(i) APRA requests the Issuer, IAG, the Group or a Regulated Subsidiary to restore or improve any applicable minimum or notional margin of solvency or capital adequacy levels; and

(ii) no interest payments have been made on Junior Ranking Securities and no dividends have been paid to shareholders since the date of that request; or

(b) no interest payments have been made on Equal Ranking Securities (other than an Equal Ranking Security in the 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 Securities) or Junior Ranking Securities or on the IAG Capital Instruments, in each case during the Financial Year in which such Interest Payment Date falls, and no other dividends or other distributions have been paid to shareholders of the Issuer or IAG during the Financial Year in which such Interest Payment Date falls.

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

Ordinary Share Issue Price is, for a Conversion, the amount per Ordinary Share determined as the Nominal Amount divided by the Conversion Number.

Outstanding means on any day all MTNs issued, less those MTNs:

(a) which have been redeemed or satisfied or Converted or Written-Off in full by the Issuer; or

(b) in respect of which an MTN Holder is unable to make a claim as a result of the operation of Condition 11.

Outstanding Principal Amount means, in respect of any MTN which is Outstanding at any time, the Denomination of the MTN less the aggregate of any part of the principal amount of that MTN that has been paid or otherwise satisfied by the Issuer and for such purposes:

(a) the premium of an MTN to be redeemed at a premium is to be taken to be added to the principal amount;

(b) the principal amount of an MTN issued at a discount is to be taken as at any time to equal its Denomination or, if provided for in its terms and conditions, its Amortised Face Amount at that time;

(c) the principal amount of a partly paid MTN is to be taken to equal its outstanding principal amount;

(d) if an MTN is repayable in instalments, the Outstanding Principal Amount at any time is to be taken to be Denomination of the MTN less the aggregate of each instalment repaid as at that time, to the extent that the instalment relates to a payment of principal; and

(e) if an amount is required to be determined in Australian Dollars, the Australian Dollar equivalent of an MTN denominated in an Alternate Currency is to be determined on the basis of the spot rate of exchange for the sale of Australian Dollars against the purchase of the relevant Alternate Currency in the Sydney foreign exchange market quoted by any leading bank selected by the Issuer on the relevant calculation date. The calculation date is, at the discretion of the Issuer, either the date of the relevant Pricing Supplement for such MTNs or the preceding day on which commercial banks and foreign exchange markets are open for business in Sydney or such other date as may be agreed between the Issuer and the Programme Manager or Dealer; and

(f) in respect of any Subordinated MTNs at any time, the Denomination of the Subordinated MTN less the aggregate of any part of the principal amount of that Subordinated MTN that has been paid or reduced due to Conversion or Write-Off in accordance with Condition 6A.4.

Payment Date means, in respect of an MTN, an Interest Payment Date, the Maturity Date or other relevant payment date (including an early payment date).

Payment Default means, either:

(a) (**failure to pay principal**) the Issuer does not pay any principal or Early Termination Amount due in respect of the Subordinated MTNs within 7 days of its due date; or

(b) (**failure to pay interest or other amounts**) the Issuer does not pay any interest or other amount due in respect of the Subordinated MTNs within 30 days of its due date.

Pricing Supplement means the Pricing Supplement prepared and issued in relation to each Tranche of MTNs which has been confirmed in writing by the Issuer and which is in or substantially in the form of Schedule 6 of the Dealer Agreement.

Programme means the Issuer’s uncommitted revolving debt issuance programme for the issuance of debt instruments as described in the Information Memorandum.

Programme Documents means each of the MTN Deed Poll, each MTN, each Pricing Supplement, each Registry Services Agreement, each Agency Agreement and any other instrument specified as such in a Pricing Supplement.

Programme Manager means the person appointed by the Issuer from time to time as an administration manager of the Programme (if any) and who has consented to act as Programme Manager. Any reference in these Conditions to a Programme Manager only applies while a Programme Manager is appointed to the Programme or in respect of the MTNs. For the avoidance of doubt, when a Programme Manager is not appointed, any requirement of an agreement or consent of, provision of a notice or other document to, or consultation with the Programme Manager shall not apply.

Purchase Price means, in respect of an MTN, the purchase price so specified in the relevant Pricing Supplement.

Record Date means, in the case of payments of interest or principal, the eighth calendar day before the relevant date for payment or such date that may be specified in the relevant Pricing Supplement.

Reference Banks means the institutions specified as such in the Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the inter-bank market that is most closely connected with the Reference Rate.

Reference Rate means, in relation to an MTN, the rate so specified in the relevant Pricing Supplement.

Register means each of the register of Subordinated MTN Holders and the register of members of IAG maintained by or on behalf of the Issuer or IAG as the case may be.

Registrar means in relation to MTNs, Computershare Investor Services Pty Limited (ABN 48 078 279 277) or such other person appointed by the Issuer pursuant to the Registry Services Agreement to establish and maintain the MTN Register for such MTNs on the Issuer's behalf from time to time.

Registry Services Agreement means each agreement entered into between the Issuer and a Registrar and any replacement of it and includes, for the avoidance of doubt, the agreement entitled "Registrar and Paying Agency Services Agreement" dated 28 February 2014, between the Issuer, IAG and Computershare Investor Services Pty Limited and any replacement of it.

Regulated Subsidiary means any entity engaged in the insurance business and regulated as such by APRA, in which the Issuer or IAG directly or indirectly holds 20% or more of the voting rights or share capital.

Regulatory Capital means a Tier 1 Capital Security of the Issuer or a Tier 2 Capital Security of the Issuer.

Regulatory Event means the Issuer determines, having received:

(a) an opinion from a reputable legal counsel that as a result of any amendment to, clarification of or change (including any announcement of a prospective change) in, any law or regulation of the Commonwealth of Australia, or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification or change is effective, or pronouncement, action or decision is announced, after the Issue Date; or

(b) a statement in writing from APRA after the Issue Date,

that, in each case, the Issuer is not or will not be entitled to treat all Subordinated MTNs of a Series as Tier 2 Capital of the Issuer, provided that, in each case, on the Issue Date, the Issuer did not expect that matters giving rise to the Regulatory Event would occur.

Regulatory Intervention means:

(a) with respect to the Issuer, IAG, the Group or a Regulated Subsidiary, a request is received from APRA to restore or improve any applicable minimum or notional margin of solvency or capital adequacy levels;

(b) if:

(i) prior to any date on which a payment in respect of interest on the Subordinated MTNs is due; or

(ii) on any date on which a payment in respect of interest on the Subordinated MTNs is due,

the Issuer, IAG, the Group or a Regulated Subsidiary has failed (or in the case of paragraph (b)(ii) above is reasonably likely to fail immediately after such payment) to meet its applicable minimum or notional margin of solvency or capital adequacy levels as at the later of:

(A) the date of the most recent audited accounts of the Issuer, IAG, the Group or, as the case may be, a Regulated Subsidiary; or

(B) the date such capital adequacy levels were most recently tested for regulatory purposes; or

(C) any date selected by the board of directors (or other management body) of the Issuer, IAG, the Group or, as the case may be, a Regulated Subsidiary, falling on or prior to the date on which a payment in respect of interest on the Subordinated MTNs is, or would otherwise be due.

(c) A Regulatory Intervention is deemed to be continuing until such date as, in the case of paragraph (a) above, the relevant margins of solvency or capital adequacy levels have been restored or improved to the satisfaction of APRA or the request is otherwise withdrawn or addressed to the satisfaction of APRA, and, in the case of paragraph (b) above, the first date on which the Issuer, IAG, the Group or a Regulated Subsidiary (as applicable), meets its applicable minimum or notional margin of solvency or, as the case may be, its capital adequacy levels, in all cases as determined and certified to this effect by two directors of the Issuer.

Related Body Corporate of a person means a body corporate that is related to that person by virtue of section 50 of the Corporations Act.

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

Relevant Date means the date on which a payment in respect of the MTNs first becomes due, except that if the full amount payable has not been received by the Registrar on or before the due date, it means the date on which, the full amount having been so received, notice to that effect is given to the MTN Holders in accordance with Condition 12.

Relevant Financial Centre means the city specified as such in the Pricing Supplement or, if none, the city most closely connected with the Reference Rate in the determination of the Calculation Agent.

Relevant Fraction means:

(a) with respect to Conversion required after the occurrence of a Non-Viability Trigger Event, 0.2; and

(b) with respect to a Holder Conversion, a fraction specified in the applicable Pricing Supplement.

Relevant Screen Page has the meaning specified as such in the Pricing Supplement.

Relevant Securities means each of the:

(a) Relevant Tier 1 Securities of the Issuer or IAG (as applicable); and

(b) Relevant Tier 2 Securities of the Issuer or IAG (as applicable);

Relevant Senior MTN has the meaning given in Condition 17.1.

Relevant Tier 1 Security means:

(a) in the case of the Issuer and an IAL Non-Viability Trigger Event, a Tier 1 Capital Security of the Issuer that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off upon the occurrence of that event; and

(b) in the case of IAG and an IAG Non-Viability Trigger Event, a Tier 1 Capital Security of the IAG Level 2 Insurance Group that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off upon the occurrence of that event and includes the IAG CPS.

Relevant Tier 2 Security means:

(a) in the case of the Issuer and an IAL Non-Viability Trigger Event, a Tier 2 Capital Security that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off upon the occurrence of that event; and

(b) in the case of IAG and an IAG Non-Viability Event, a Tier 2 Capital Security that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off upon the occurrence of that event.

Senior Creditor has the meaning given in Condition 4.8.

Senior MTN means an MTN which is not a Subordinated MTN.

Senior MTN Holder means an MTN Holder holding a Senior MTN.

Series means a Tranche or Tranches of MTNs which have identical terms, except that:

(a) the Issue Date and the amount of the first payment of interest may be different in respect of different Tranches of a Series; and

(b) a Series may comprise MTNs in more than one denomination.

The Issuer is taken to be "**Solvent**" if:

(a) it is able to pay its debts as they fall due; and

(b) its Assets exceed its Liabilities.

Subordinated MTN means an MTN which is specified in a Pricing Supplement as being a Subordinated MTN.

Subordinated MTN Holder means an MTN Holder holding a Subordinated MTN.

Subsidiary of an entity means:

(a) another entity which is a subsidiary of the first within the meaning of Part 1.2 Division 6 of the Corporations Act; or

(b) another entity which is a subsidiary of or otherwise controlled by the first within the meaning of any applicable approved accounting standard.

Substitute Issuer has the meaning given in Condition 17.1.

Tax Act means:

(a) the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as the case may be and a reference to any section of the Income Tax Assessment Act 1936 (Cth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1997 (Cth); and

(b) any other Act setting the rate of income tax payable and any regulation promulgated under it.

Tax Event has the meaning given in Condition 6.3.

Taxes means taxes, levies, imposts, deductions, charges or withholdings and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties and expenses in connection with them.

Tier 1 Capital means:

(a) in the case of the Issuer, Tier 1 capital (as defined by APRA from time to time) of the Issuer; and

(b) in the case of IAG, Tier 1 capital (as defined by APRA from time to time) of the IAG Level 2 Insurance Group.

Tier 1 Capital Security means:

(a) in the case of the Issuer, a share, note or other security or instrument constituting Tier 1 Capital of the Issuer; and

(b) in the case of IAG, a share, note or other security or instrument constituting Tier 1 Capital of the IAG Level 2 Insurance Group.

Tier 2 Capital means:

(a) in the case of the Issuer, Tier 2 capital (as defined by APRA from time to time) of the Issuer; and

(b) in the case of IAG, Tier 2 capital (as defined by APRA from time to time) of the IAG Level 2 Insurance Group.

Tier 2 Capital Security means:

(a) in the case of the Issuer, a share, note or other security or instrument constituting Tier 2 Capital of the Issuer; and

(b) in the case of IAG, a share, note or other security or instrument constituting Tier 2 Capital of the IAG Level 2 Insurance Group.

Tranche means MTNs which are issued on the same Issue Date and the terms of which are identical in all respects (except that a Tranche may comprise MTNs in more than one Denomination).

Trigger Event Date shall mean the date on which APRA notifies the Issuer of a Non-Viability Trigger Event as contemplated in Condition 6A.2.

Trigger Event Notice has the meaning given to it in Condition 6A.3.

VWAP means, subject to any adjustments under Schedule A, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on the Australian Securities Exchange during the VWAP Period or on the relevant days and where the currency of the Nominal Amount in respect of the Subordinated MTN is not Australian Dollars, with each such daily price converted into the Alternate Currency on the basis of the spot rate of exchange for the sale of Australian Dollars against the purchase of the relevant Alternate Currency in the Sydney foreign exchange market quoted by any leading bank selected by the Issuer on the relevant calculation date 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 Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means the number of days specified in the applicable Pricing Supplement on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Date or the Holder Conversion Date (as applicable).

Winding Up has the meaning given to that term in Condition 4.8.

Winding Up Default means a Winding Up occurs other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by the shareholders of the Issuer or by a court of competent jurisdiction) under which the continuing or resulting corporation effectively assumes the entire obligations of the Issuer under the Subordinated MTNs.

Written-Off:

(a) for the purposes of Condition 6B, has the meaning given to it in Condition 6B.5; and

(b) for the purposes of Conditions 6C, has the meaning given to it in Condition 6C.2.

Zero Coupon MTN means an MTN that does not bear interest. A Subordinated MTN cannot be a Zero Coupon MTN.

1.2 Interpretation

In these Conditions unless the contrary intention appears:

(a) a reference to these Conditions is a reference to these Conditions as varied, supplemented or replaced by the Pricing Supplement;

(b) 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;

(c) the singular includes the plural and vice versa;

(d) the word "person" includes a firm, body corporate, an unincorporated association or an authority;

(e) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

(f) a reference to any thing (including, without limitation, any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to all of them collectively and to each of them individually;

(g) a reference to an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act or, if not in connection with those standards, in accounting principles and practices generally accepted in Australia;

(h) any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer only if the Issuer is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time;

(i) any provisions which require APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time;

(j) any provisions in these Conditions requiring the prior approval of APRA for a particular course of action to be taken by the Issuer do not imply that APRA has given its consent or approval to the particular action as of the Issue Date of the applicable MTN;

(k) a reference to any term defined by APRA (including, without limitation, "Additional Tier 1 Capital", "Level 1", "Level 2", "Related Entity", "Tier 1 Capital" and "Tier 2 Capital") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term;

(l) for the avoidance of doubt, if Conversion under Condition 6B or Write-Off under Condition 6C of Subordinated MTNs is to occur on a Trigger Event Date, then that Conversion or Write-Off must occur on that date notwithstanding that it may not be a Business Day;

(m) a reference to a term defined by the ASX Listing Rules, the ASX Settlement Operating Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term; and

(n) in respect of Ordinary Shares, if the principal securities exchange on which the Ordinary Shares are listed becomes other than the Australian Securities Exchange, unless the context otherwise requires, a reference to the Australian Securities Exchange shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, the ASX Settlement

Operating Rules, the ASX 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).

1.3 Headings

Headings are inserted for convenience and do not affect the interpretation of these Conditions.

2 Form, denomination and title

2.1 Constitution under MTN Deed Poll

The MTNs are registered debt obligations of the Issuer constituted by, and owing under, the MTN Deed Poll and take the form of entries in the MTN Register. Each entry in the MTN Register constitutes a separate and individual acknowledgment to the relevant MTN Holder of the indebtedness of the Issuer to the relevant MTN Holder.

2.2 Independent obligations

The obligations of the Issuer in respect of each MTN constitute separate and independent obligations which the MTN Holder to whom those obligations are owed is entitled to enforce without having to join any other MTN Holder or any predecessor in title of an MTN Holder.

2.3 Currency and denomination

MTNs may be denominated in Australian Dollars or an Alternate Currency specified in the Pricing Supplement.

2.4 Issue restrictions

Unless otherwise specified in the Pricing Supplement, MTNs may only be issued:

(a) in the denomination of A$10,000 (or an approximate equivalent in an Alternate Currency); and

(b) if the consideration payable is a minimum of A$500,000 (or the equivalent in an Alternate Currency) (disregarding any moneys lent by the Issuer or its associates) or the offer or invitation does not otherwise require disclosure to investors under Part 6D.2 of the Corporations Act.

2.5 MTN Register conclusive

Entries in the MTN Register in relation to an MTN constitute conclusive evidence that the person so entered is the registered holder of the MTN subject to rectification for fraud or error. No MTN will be registered in the name of more than four persons. An MTN registered in the name of more than one person is held by those persons as joint tenants. MTNs will be registered by name only without reference to any trusteeship. The person registered in the MTN Register as an MTN Holder will be treated by the Issuer and the Registrar as absolute owner of that MTN and neither the Issuer nor the Registrar is, except as ordered by a court or as required by statute, obliged to take notice of any other claim to an MTN.

2.6 Holder absolutely entitled

Upon a person acquiring title to any MTN by virtue of becoming an MTN Holder in respect of that MTN, all rights and entitlements arising by virtue of the MTN Deed Poll in respect of that MTN vest absolutely in the MTN Holder, such that no person who has previously been the MTN Holder in respect of that MTN has or is entitled to assert against the Issuer or the Registrar or the MTN Holder for the time being and from time to time any rights, benefits or entitlements in respect of the MTN.

2.7 Location of MTN Register

Each MTN Register will be established and maintained in New South Wales unless otherwise agreed with the Registrar.

2.8 Certificates

No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to an MTN unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

2.9 Acknowledgement

Where a Clearing System (or a common depository for more than one Clearing System) (each a "**relevant person**") is recorded in an MTN Register as the MTN Holder, each person in whose account that MTN is recorded is deemed to acknowledge in favour of the Registrar and each relevant person that:

(a) the Registrar's decision to act as the Registrar of the MTN does not constitute a recommendation or endorsement by the Registrar or the relevant person in relation to the MTN but only indicates that such MTN is considered by the Registrar to be compatible with the performance by it of its obligations as Registrar under its agreement with the Issuer to act as Registrar of the MTN; and

(b) the MTN Holder does not rely on any fact, matter or circumstance contrary to Condition 2.9(a).

3 Transfers

3.1 Limit on transfer

MTNs may only be transferred in whole. Unless otherwise specified in the Pricing Supplement, MTNs may only be transferred:

(a) if the consideration payable at the time of transfer is a minimum amount of A$500,000 (or the equivalent in an Alternate Currency) (disregarding any moneys lent by the transferor or its associates) or if the offer or invitation does not otherwise require disclosure to investors under Part 6D.2 of the Corporations Act; and

(b) the transfer complies with any applicable law or directive of the jurisdiction where the transfer takes place.

3.2 Transfer procedures

Unless MTNs are lodged in a Clearing System, application for the transfer of MTNs must be made by the lodgement of a transfer form with the Registrar. Transfer forms are available from the Registrar. Each form must be accompanied by such evidence (if any) as the Registrar may require to prove the title of the transferor or the transferor's right to transfer the MTN and be signed by both the transferor and the transferee.

MTNs entered in a Clearing System will be transferable only in accordance with the rules and regulations of that Clearing System.

3.3 Registration of transfer

The transferor of an MTN is deemed to remain the holder of that MTN until the name of the transferee is entered in the MTN Register in respect of that MTN.

3.4 No charge on transfer

Transfers will be registered without charge provided taxes, duties or other governmental charges (if any) imposed in relation to the transfer have been paid.

3.5 Estates

A person becoming entitled to an MTN as a consequence of the death or bankruptcy of an MTN Holder or of a vesting order or a person administering the estate of an MTN Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the MTN or, if so entitled, become registered as the MTN Holder in respect of that MTN.

3.6 Unincorporated associations

A transfer to an unincorporated association is not permitted.

3.7 Transfer of unidentified MTNs

Where the transferor executes a transfer of less than all MTNs of the relevant Tranche or Series registered in its name, and the specific MTNs to be transferred are not identified, the Registrar may (subject to the limit on minimum holdings) register the transfer in respect of such of the MTNs of the relevant Tranche or Series registered in the name of the transferor as the Registrar thinks fit, provided the aggregate principal amount of the MTNs registered as having been transferred equals the aggregate principal amount of the MTNs expressed to be transferred in the transfer.

3.8 Australian Securities Exchange Listing

MTNs which are listed on the Australian Securities Exchange will not be transferred through or registered on CHESS and will not be "CHESS approved securities". In the event that an interface between the MTN Register maintained by the Registrar and CHESS is established the Programme Documents may be amended to facilitate settlement on CHESS and so that the MTNs will become "CHESS approved securities".

4 Status

Pursuant to section 116(3) of the Insurance Act 1973 of Australia, in a winding up of the Issuer, the Issuer's assets in Australia must not be applied in the discharge of its liabilities other than its "liabilities in Australia", unless it has no "liabilities in Australia". See applicable Information Memorandum for additional disclosure.

4.1 Status - Senior MTNs

Senior MTNs are direct, unsubordinated and unsecured obligations of the Issuer and rank at least equally with all other unsecured and unsubordinated obligations of the Issuer except liabilities mandatorily preferred by law.

4.2 Status - Subordinated MTNs

Subordinated MTNs constitute direct, subordinated and unsecured obligations of the Issuer and rank:

(a) ahead of the claims of holders of Junior Ranking Creditors;

(b) equally among themselves and with the claims of holders of Equal Ranking Securities;

(c) behind all claims of Senior Creditors and all liabilities mandatorily preferred by law.

The Issuer makes no representation as to whether the Subordinated MTNs are a liability in Australia for the purposes of the Insurance Act 1973 (Cth).

4.3 Winding Up

In a winding up of the Issuer, a Subordinated MTN Holder's claim for an amount owing by the Issuer in connection with a Subordinated MTN is subordinated to the claims of Senior Creditors of the Issuer, in that:

(a) all claims of Senior Creditors must be paid in full before the Subordinated MTN Holder's claim is paid;

(b) until the Senior Creditors have been paid in full, the Subordinated MTN Holder must not claim in the winding up in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive; and

(c) to the extent that the Subordinated MTNs are a liability in Australia and by virtue of the operation of section 116 of the Insurance Act 1973 (Cth), the Subordinated MTN Holder would receive more out of the assets of the Issuer in Australia than would a person having a claim for an equal amount in respect of an Equal Ranking Security which is held not to constitute a liability in Australia, the Subordinated MTN Holder will repay to the Issuer from any amount received an amount such that its return (including any distribution, dividend or payment it receives) in the winding up is proportionate and *pari passu* with the claims of a holder of an Equal Ranking Security.

4.4 No set-off

A Subordinated MTN Holder does not have any right to set-off any amounts owing to it by the Issuer in respect of Subordinated MTNs against any amount owing by it to the Issuer in connection with the Subordinated MTNs or otherwise.

The Issuer does not have any right to set-off any amounts owing to it by a Subordinated MTN Holder in respect of Subordinated MTNs against any amount owing by it to the Subordinated MTN Holder in connection with the Subordinated MTNs or otherwise.

4.5 Restriction on variation of Conditions

The Issuer must not vary the Conditions of any Subordinated MTNs other than in accordance with Condition 14 and provided that the Issuer has obtained the prior written approval of APRA if the variation in any way affects the eligibility of the Subordinated MTN as Tier 2 Capital of the Issuer.

4.6 Consequences of an Event of Default

If an Event of Default occurs in relation to the Subordinated MTNs of any Series as set out in Condition 8.3, then Condition 8.4 will apply.

4.7 Acknowledgements by Subordinated MTN Holder

Each Subordinated MTN Holder irrevocably acknowledges and agrees that:

(a) Condition 4 is a debt subordination for the purposes of section 563C of the Corporations Act;

(b) it must not exercise its voting rights as an unsecured creditor in the Winding Up or administration of the Issuer to defeat the subordination in Condition 4;

(c) the debt subordination effected by Condition 4 is not affected by any act or omission of the Issuer or a Senior Creditor which might otherwise affect it at law or in equity;

(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 connection with a Subordinated MTN in excess of its entitlement under Condition 4.3;

(e) there is no limit on the amount of debt or other obligations which rank equally with or ahead of the Subordinated MTNs that may be incurred or assumed by the Issuer; and

(f) nothing in Condition 14.2 shall be taken to require the consent of any Senior Creditor to any amendment of Condition 4.

4.8 Definitions

(a) "**Senior Creditor**" means: in respect of the Issuer, all its present and future creditors, including policy holders, other than creditors in respect of Equal Ranking Securities or Junior Ranking Creditors.

(b) "**Winding Up**" means:

(i) a final court order is made for the winding up, dissolution or liquidation of the Issuer; or

(ii) a final and effective resolution is passed by shareholders or member for the winding up, dissolution or liquidation of the Issuer.

4.9 No Guarantee

A MTN is not a policy liability of the Issuer for the purposes of the Insurance Act 1973 (Cth), is not a protected policy for the purposes of the Financial Claims Scheme established under Part V of the Insurance Act 1973 (Cth) and is not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other person. Without limitation, IAG does not guarantee the performance of obligations in respect of this MTN and has no obligation in respect of any MTN except as expressly set out in these Conditions.

5 Interest

5.1 General

MTNs may be either interest-bearing or non interest-bearing, as specified in the relevant Pricing Supplement. Interest-bearing MTNs may bear interest at either a fixed rate or a floating rate. In relation to any Tranche of MTNs, the relevant Pricing Supplement may specify actual amounts of interest payable ("**Interest Amounts**") rather than, or in addition to, a rate or rates at which interest accrues.

The Pricing Supplement in relation to each Tranche of interest-bearing MTNs will specify which of Conditions 5.2, 5.3 and 5.4 will be applicable to the MTNs. Condition 5.5 will be applicable to each Tranche of interest-bearing MTNs save to the extent of any inconsistency with the relevant Pricing Supplement.

5.2 Interest - fixed rate

Each MTN in relation to which this Condition 5.2 is specified in the relevant Pricing Supplement as being applicable ("**Fixed Rate MTNs**") will bear interest on its Outstanding Principal Amount at the fixed coupon rate or the fixed rate or rates per annum specified in the relevant Pricing Supplement from the Issue Date of the MTNs. Interest will be payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement.

Interest which is required to be calculated for a period of other than a full year will be calculated on such basis as is specified as the Day Count Fraction in the relevant Pricing Supplement.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount (as defined in the Pricing Supplement).

If the Maturity Date is not an Interest Payment Date, interest (including interest on any Arrears of Interest) from (and including) the preceding Interest Payment Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount (as specified in the Pricing Supplement).

5.3 Interest - floating rate

(a) Accrual of interest

MTNs in relation to which this Condition 5.3 is specified in the relevant Pricing Supplement as being applicable ("**Floating Rate MTNs**") will bear interest in respect of each Interest Period at the rate or rates per annum determined in accordance with this Condition 5.3.

Each Floating Rate MTN will bear interest on its Outstanding Principal Amount at the Interest Rate (as defined below) from the Interest Commencement Date. Interest will be payable in arrears on each Interest Payment Date. If any Interest Payment Date in respect of a Floating

Rate MTN would otherwise fall on a day which is not a Business Day, such Interest Payment Date shall be determined in accordance with the Business Day Convention specified in the Pricing Supplement.

(b) Interest Rate

The Interest Rate payable in respect of Floating Rate MTNs shall be determined by the Calculation Agent on the basis of sub-paragraph (i) or (ii) below, as specified in the relevant Pricing Supplement.

(i) ISDA Determination for Floating Rate MTNs

Where “ISDA Determination” is specified in the applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period is the relevant ISDA Rate (as defined below) plus or minus (as indicated in the applicable Pricing Supplement) the Margin.

For the purposes of this sub-paragraph (i), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent for the MTNs under an interest rate swap transaction if the Calculation Agent for the MTNs were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions (as defined below) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is as specified in the applicable Pricing Supplement; and

(D) each Period End Date is an Interest Payment Date, the Spread is the Margin and the Floating Rate Day Count Fraction is the Day Count Fraction.

For the purposes of this sub-paragraph (i), “**Floating Rate**”, “**Calculation Agent**” (except references to “**Calculation Agent for the MTNs**”), “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**”, “**Period End Date**”, “**Spread**” and “**Floating Rate Day Count Fraction**” have the meanings given to those terms in the 2000 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the MTNs, published by the International Swaps and Derivatives Association, Inc. (“**ISDA Definitions**”).

(ii) Screen Rate Determination for Floating Rate MTNs

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

(A) the offered quotation; or

(B) the arithmetic mean (rounded in accordance with Condition 5.3(b)(v)) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Sydney time) or such other time as is specified in the Pricing Supplement (“**Relevant Time**”) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purposes of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(aa) If sub-paragraph (A) applies and no offered quotation appears on the Relevant Screen Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (B) applies and fewer than two offered quotations appear on the Relevant Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Interest Rate is the arithmetic mean of the Reference Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent;

(ab) If sub-paragraph (aa) above applies and the Calculation Agent determines that fewer than two Reference Banks are making offered quotations for the Reference Rate in respect of the relevant currency, subject as provided below, the Interest Rate is the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Reference Rate) in respect of an amount of approximately A$100,000 (or equivalent) that at least two out of five leading banks selected by the Calculation Agent in the Relevant Financial Centre are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the first day of the Interest Period to which the relevant Interest Determination Date relates for a period equivalent to the relevant Interest Period to leading banks carrying on business in the Relevant Financial Centre.

(iii) Minimum Interest Rate and/or Maximum Interest Rate

If the applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period then, in the event that the Interest Rate in respect of such Interest Period determined in accordance with the other provisions of this Condition 5.3(b) is less than such Minimum Interest Rate, the Interest Rate for such Interest Period shall be such Minimum Interest Rate.

If the applicable Pricing Supplement specifies a Maximum Interest Rate for any Interest Period then, in the event that the Interest Rate in respect of such Interest Period determined in accordance with the other provisions of this Condition 5.3(b) is greater than such Maximum Interest Rate, the Interest Rate for such Interest Period shall be such Maximum Interest Rate.

(iv) Fallback Interest Rate

Unless otherwise specified in the relevant Pricing Supplement, if, during the Interest Period, the Calculation Agent is unable to determine a rate (or, as the case may be, the arithmetic mean of rates) in accordance with the above provisions, the Interest Rate applicable to the MTNs during that Interest Period will be the Interest Rate applicable to the MTNs during the immediately preceding Interest Period (with adjustment for any change in the Margin, Maximum Interest Rate or Minimum Interest Rate).

(v) Rounding

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

(A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);

(B) all figures shall be rounded to five significant figures (with halves being rounded up); and

(C) all amounts that fall due and payable shall be rounded to the nearest cent (with halves being rounded up).

(c) Calculation of interest amount payable

The Calculation Agent will, as soon as practicable on or after determining the Interest Rate in relation to each Interest Period, calculate the amount of interest payable for the relevant Interest Period in respect of the Outstanding Principal Amount of each MTN. The amount of interest payable will be calculated by multiplying the product of the Interest Rate for such Interest Period and the Outstanding Principal Amount by the applicable Day Count Fraction and rounding the resultant figure to the nearest cent (with halves being rounded upwards).

5.4 Interest - other rates

MTNs in relation to which this Condition 5.4 is specified in the relevant Pricing Supplement as being applicable will bear interest at the rate or rates calculated on the basis specified in, and be payable in the amounts and in the manner determined in accordance with, the relevant Pricing Supplement.

5.5 Interest - supplemental provisions

(a) Interest Payment Dates

Interest on each MTN will be payable in arrear at such intervals and on such Interest Payment Dates as are specified in the relevant Pricing Supplement and on the Maturity Date.

(b) Notification of Interest Rate, interest payable and other items

The Calculation Agent will cause each Interest Rate, the amount of interest payable and each other amount, item or date, as the case may be, determined or calculated by it to be notified to the Issuer, the Registrar and any relevant Agent and to be notified to MTN Holders in accordance with Condition 12 as soon as practicable after such determination or calculation but in any event not later than the fourth day (other than a Saturday or Sunday) on which commercial banks are open for business in the Relevant Financial Centre thereafter. The Calculation Agent will be entitled to amend any such amount, item or date (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the previous sentence.

(c) Determination final

The determination by the Calculation Agent of all amounts, rates and dates falling to be determined by it pursuant to these Conditions (including, without limitation, the Interest Rate for any Interest Period and the amount of interest payable for any Interest Period in respect of any MTN) is, in the absence of manifest error, final and binding on the Issuer, each MTN Holder, the Registrar, any Agent and the Calculation Agent.

(d) Accrual of interest

Interest accrues on the Outstanding Principal Amount of each MTN or as otherwise indicated in the relevant Pricing Supplement. Interest ceases to accrue as from the due date for redemption of an MTN unless the relevant payment is not made in which case interest will continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the Outstanding Principal Amount of the MTN or such other default rate (if any) as may be specified in the relevant Pricing Supplement until the date on which the relevant payment is made or, if earlier, the seventh day after the date on which any Agent receives the funds required to make such payment (provided that notice of such circumstance is given to the MTN Holders in accordance with Condition 12) except to the extent that there is failure in the subsequent payment thereof to the relevant MTN Holder.

5.6 Zero Coupon MTNs

If the amount due and payable in respect of a Zero Coupon MTN on the redemption date is not paid when due, the Interest Rate for any such overdue principal is a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified in the relevant Pricing Supplement.

5.7 Optional deferral of interest (Subordinated MTNs only)

(a) Deferral of interest

In the case of Subordinated MTNs, if this Condition 5.7 is specified in the relevant Pricing Supplement as being applicable then, the Issuer may, on any Optional Interest Payment Date, in the Issuer's absolute discretion defer the payment of interest on the Subordinated MTNs which would otherwise be payable on such date.

The Issuer shall notify the Holders (in accordance with Condition 12) as soon as practicable (and in any event within ten Business Days after any Optional Interest Payment Date in respect of which payment is deferred) of (subject as provided below) any Optional Interest Payment Date on which, pursuant to the provisions of this Condition 5.7 the Issuer elects to defer the payment of interest. Notwithstanding the requirements to give notice pursuant to this Condition 5.7, failure to give such notice shall not prejudice the right of the Issuer not to pay interest pursuant to this Condition 5.7.

(b) Not default

Notwithstanding any other provision in these Conditions, any payment which for the time being is not made on the Subordinated MTNs by virtue of Condition 5.7(a) does not constitute a default for any purpose (including, but without limitation, Condition 8) on the part of the Issuer and does not give any Holder the right to accelerate repayment of the Subordinated MTNs.

5.8 Arrears of Interest - optional and compulsory payments (Subordinated MTNs only)

Any interest in respect of Subordinated MTNs not paid on an Interest Payment Date by virtue of Condition 5.7(a), together with any other interest in respect of the Subordinated MTNs not paid on any other Interest Payment Date, so long as the same remains unpaid, constitutes "**Arrears of Interest**".

Any Arrears of 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 in accordance with Condition 12. All Arrears of Interest (together with all corresponding Additional Interest Amounts) will 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 Securities or Equal Ranking Securities (excluding any such payment on an Equal Ranking Security 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 Securities) 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 on which any dividend or other distribution is made on any IAG Capital Instrument;

(c) the date on which no Regulatory Intervention that has occurred is or will be continuing, unless the Issuer is otherwise entitled to defer at such time under these Conditions;

(d) the date on which the Issuer commences and does not abandon a public offer to redeem, purchase or acquire any Junior Ranking Securities or Equal Ranking Securities or IAG makes an offer to buy-back any IAG Capital Instrument, except in connection with:

  (i) any employment contract, employee share scheme, performance rights plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of the Issuer, IAG or any of their Controlled Entities; or

  (ii) a dividend reinvestment plan, bonus option plan, bonus share plan, shareholder share purchase plan or top-up facility, shareholder sale facility or nominee sale facility;

(e) the date on which a Winding Up Default occurs; or

(f) the date fixed for any redemption of Subordinated MTNs or the date fixed for any purchase of Subordinated MTNs by or on behalf of the Issuer pursuant to Condition 6 or Condition 8.4(c).

5.9 Additional Interest Amounts (Subordinated MTNs only)

Interest will accrue on each amount of Arrears of Interest at the Interest Rate from time to time applicable to the Subordinated MTNs, and such amount of interest (the "**Additional Interest Amount**") will become due and payable pursuant to Condition 5.8 above and, unless otherwise specified in the relevant Pricing Supplement, shall be calculated by the Issuer by applying the Interest Rate applicable to the relevant Subordinated MTNs to the amount of Arrears of Interest.

All Additional Interest Amounts accrue and are payable on the same basis as interest on a Subordinated MTN, subject to deferral on the same basis as interest under Condition 5.7(a).

All Additional Interest Amounts accrued up to any Interest Payment Date and not paid on such Interest Payment Date shall be added, for the purpose only of calculating the Additional Interest Amounts accruing thereafter, to the amount of Arrears of Interest remaining unpaid on such Interest Payment Date.

6 Redemption and purchase

6.1 Redemption on maturity

Unless previously redeemed, or purchased and cancelled or unless such MTN is stated in the Pricing Supplement as having no fixed maturity date, each MTN shall be redeemed on maturity at its Maturity Redemption Amount. A Subordinated MTN may only be redeemed or purchased prior to its stated maturity if:

(a) such redemption or purchase is on or after the fifth anniversary of the Issue Date of that Subordinated MTN;

(b) the Issuer has obtained the prior written approval of APRA; and

(c) the conditions in Condition 6.7 are satisfied.

6.2 Purchase of MTNs

MTNs may at any time be purchased in the open market or otherwise and at any price:

(a) in the case of a Subordinated MTN, by the Issuer or any Related Entity of the Issuer provided the prior written approval of APRA has been obtained and the conditions in Condition 6.7 are satisfied; and

(b) in the case of Senior MTNs, by the Issuer or any Related Body Corporate of the Issuer at any time.

All unmatured Senior MTNs purchased in accordance with this Condition 6.2 may be held, resold or cancelled at the discretion of the Issuer. All unmatured Subordinated MTNs purchased in accordance with this Condition 6.2 must be cancelled by the Issuer.

Any holding, resale or cancellation is subject to compliance with all legal and regulatory requirements.

For the purposes of the Meetings Provisions, in determining whether the provisions relating to quorum, meeting and voting procedures are complied with, any MTNs held in the name of the Issuer or any Related Body Corporate will be disregarded.

6.3 Redemption for taxation reasons and regulatory reasons

(a) Redemption for taxation reasons

If, in respect of the MTNs of any Series:

(i) in the case of any Senior MTN only, the Issuer, on the occasion of the next payment due in respect of the Senior MTN, would be required to make payment of any Additional Amount (as defined in Condition 9.6);

(ii) in the case of any Subordinated MTNs only, the Issuer or the consolidated tax group of which it is a member would be exposed to more than a *de minimis* amount of other Taxes, assessments or other governmental charges in connection with any Subordinated MTN; or

(iii) in the case of any Subordinated MTN only, the Issuer determines that any interest payable on any Subordinated MTN is not, or may not be, allowed as a deduction for the purposes of Australian income tax,

(each a "**Tax Event**") then the Issuer may, notwithstanding Condition 6.1(a), at any time, on giving not more than 30 nor less than 15 days' notice to the relevant Registrar, the relevant Agent and the MTN Holders in accordance with Condition 12, and upon expiry of such notice shall redeem all (but not some only) of the MTNs at their early redemption amount applicable for tax redemptions ("**Early Redemption Amount (Tax)**") (which is their Outstanding Principal Amount or such other Early Redemption Amount (Tax) as is specified in the Pricing Supplement) together with (unless otherwise specified in the Pricing Supplement) accrued interest (if any) thereon (including, in the case of Subordinated MTNs, any Arrears of Interest and Additional Interest Amounts) provided that, in the case of a Subordinated MTN, on the Issue Date of that Subordinated MTN, the Issuer did not expect that matters giving rise to the Tax Event would occur, the prior written approval of APRA has been obtained and the conditions in Condition 6.7 are satisfied.

Prior to publication of any such notice of redemption, the Issuer shall deliver to the Registrar a certificate signed by an authorised person of the Issuer stating that the conditions precedent to the right of the Issuer so to redeem have occurred and attaching an opinion of legal or tax advisers of recognised standing to the Issuer in its jurisdiction of incorporation to the effect that one or more of the circumstances described in paragraphs (i), (ii) and (iii) of this Condition 6.3(a) exist.

(b) Redemption for regulatory reasons (Subordinated MTNs only)

Unless otherwise specified in the relevant Pricing Supplement, if a Regulatory Event occurs, the Issuer may, notwithstanding Condition 6.1(a), at any time (subject to having obtained the prior written consent of APRA and having given notice not more than 30 nor less than 15 days' notice to the relevant Registrar, the relevant Agent and the MTN Holders in accordance with Condition 12 and upon expiry of such notice shall redeem all (but not some only) of the Subordinated MTNs for the amount ("**Early Redemption Amount (Regulatory)**") (which is, unless otherwise specified in the relevant Pricing Supplement, the Outstanding Principal Amount together with accrued interest (if any) thereon (including any Arrears of Interest and Additional Interest Amounts)) provided the prior written approval of APRA has been obtained and the conditions in Condition 6.7 are satisfied.

Prior to publication of any such notice of redemption, the Issuer shall deliver to the Registrar a certificate signed by an authorised person of the Issuer showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

6.4 Early redemption at the option of the Issuer

If this Condition 6.4 is specified in the relevant Pricing Supplement as being applicable then the Issuer, having given at least the minimum period (if any) (but not more than the maximum period (if any)) of notice specified in the relevant Pricing Supplement to MTN Holders in accordance with Condition 12 (which notice must comply with the following paragraph and shall be irrevocable) and subject to satisfaction of any relevant conditions specified in the relevant Pricing Supplement, may redeem all (but not, unless and to the extent that the relevant Pricing Supplement specifies otherwise, some only) of the MTNs on:

(a) in the case of a Subordinated MTN, any Business Day or within any period (each as specified in the Pricing Supplement provided that no day may be specified for redemption which falls earlier than the fifth anniversary of the Issue Date of that Subordinated MTN) and before any date (if applicable) as specified in the Pricing Supplement and provided further that the prior written consent of APRA has been obtained and the conditions in Condition 6.7 are satisfied; and

(b) in the case of Senior MTNs, on any Business Day, (being, in the case of interest bearing MTNs (unless otherwise specified in the relevant Pricing Supplement), an Interest Payment Date) at their early redemption amount applicable for calls by the Issuer ("**Early Redemption Amount (Call)**") (which is their Outstanding Principal Amount or such other Early Redemption Amount (Call) as is specified in, or determined in accordance with, the relevant Pricing Supplement) together with (unless otherwise specified in the Pricing Supplement) accrued interest (if any) thereon (including any Arrears of Interest and Additional Interest Amounts).

The notice referred to in the preceding paragraph shall specify:

(a) the Series of MTNs subject to redemption;

(b) subject to the Pricing Supplement specifying that a partial redemption is permissible, whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the MTNs of the relevant Series which are to be redeemed;

(c) the due date for redemption;

(d) the Early Redemption Amount (Call) at which such MTNs are to be redeemed; and

(e) whether or not accrued interest is to be paid upon redemption and, if so, the amount thereof or the basis or method of calculation thereof, all as provided in the relevant Pricing Supplement.

In the case of a partial redemption of MTNs, the MTNs to be redeemed will be selected by the Registrar, and notice of the MTNs selected for redemption will be given in accordance with Condition 12 not less than 15 days prior to the date fixed for redemption.

Any notice given under this Condition 6.4 is irrevocable and obliges the Issuer to redeem the MTNs at the time and in the manner specified in the notice.

6.5 Redemption at the option of MTN Holders

If this Condition 6.5 is specified in the relevant Pricing Supplement as being applicable then, at the option of the MTN Holder and provided that any conditions to the exercise of such option as are specified in the relevant Pricing Supplement have been satisfied, the Issuer will redeem the Senior MTN on any day (being, in the case of an interest bearing Senior MTN (unless otherwise specified in the relevant Pricing Supplement) an Interest Payment Date) at its early redemption amount applicable for puts ("**Early Redemption Amount (Put)**") (which is its Outstanding Principal Amount or such other Early Redemption Amount (Put) as is specified in, or determined in accordance with, the relevant Pricing Supplement) together with (unless otherwise specified in the Pricing Supplement) accrued interest (if any) thereon (including any Arrears of Interest and Additional Interest Amounts).

To exercise such option, the MTN Holder must complete, sign and deliver to the specified office of the Registrar not less than 45 days before the redemption date (or such other period as may be specified in the relevant Pricing Supplement), a redemption notice (in the form obtainable from the Registrar) together with such evidence as the Registrar may require to establish the rights of that MTN Holder to the relevant Senior MTNs.

MTN Holders have no right to require early redemption of Subordinated MTNs.

6.6 Zero Coupon MTNs

In the case of a Zero Coupon MTN (unless otherwise specified in the Pricing Supplement), the Early Termination Amount is the Amortised Face Amount or such other amount specified in the Pricing Supplement.

6.7 Redemption condition for Subordinated MTNs

A redemption of Subordinated MTNs in accordance with Condition 6.3 or Condition 6.4 must not occur unless either:

(a) the Subordinated MTNs are replaced, concurrently with the redemption or beforehand, with Regulatory Capital of the same or better quality and the replacement of the Subordinated MTNs is done under conditions that are sustainable for the income capacity of the Issuer; or

(b) APRA is satisfied that the capital position of the Issuer will be well above its minimum capital requirements after the Issuer elects to redeem the Subordinated MTN.

Subordinated MTN Holders should not expect that APRA's approval will be given for any redemption or purchase of the Subordinated MTNs.

6A Conversion or Write-Off of Subordinated MTNs on Non-Viability Trigger Event

6A.1 Application to Subordinated MTNs only

Conditions 6A to 6F (inclusive) apply only to Subordinated MTNs. Schedule A to these Conditions (including the defined terms therein) shall be deemed to form part of, and be incorporated in, Conditions 6B and 6D.

6A.2 Non-Viability Trigger Event

A "**Non-Viability Trigger Event**" means the earlier of an IAL Non-Viability Trigger Event or an IAG Non-Viability Trigger Event.

6A.3 Conversion or Write-Off of Subordinated MTNs on Trigger Event Date

If a Non-Viability Trigger Event occurs:

(a) on the Trigger Event Date, subject only to Condition 6B.4, such Nominal Amount of the Subordinated MTNs will immediately Convert or be Written-Off (whichever is applicable as specified in the Pricing Supplement) as is required by the Non-Viability Determination provided that where such Non-Viability Determination does not require all Relevant Securities to be converted into Ordinary Shares or written-off, such Nominal Amount of the Subordinated MTNs shall Convert or be Written-Off (as applicable) as is sufficient (determined by the Issuer), in accordance with Condition 6A.3(b)) to satisfy APRA that the Issuer or IAG (as applicable) is viable without further conversion or write-off;

(b) the Issuer will determine the Nominal Amount of Subordinated MTNs which must be Converted or Written-Off (as applicable) in accordance with Condition 6A.3(a), on the following basis:

(i) in the case of an IAL Non-Viability Trigger Event, the Issuer will:

(A) first, convert into Ordinary Shares or write-off all Relevant Tier 1 Securities of the Issuer; and

(B) secondly, if conversion into Ordinary Shares or write-off of all Relevant Tier 1 Securities of the Issuer is not sufficient to satisfy the requirements of Condition 6A.3(a), (and provided that as a result of the conversion or write-off of Relevant Tier 1 Securities of the Issuer, APRA has not withdrawn the Non-Viability Determination) Convert or Write-Off (as applicable) a Nominal Amount of Subordinated MTNs and convert into Ordinary Shares or write-off a number or principal amount of other Relevant Tier 2 Securities of the Issuer on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of the Issuer, fair and reasonable;

(ii) in the case of an IAG Non-Viability Trigger Event, IAG will:

(A) first, convert into Ordinary Shares or write-off all Relevant Tier 1 Securities of IAG; and

(B) secondly, if conversion into Ordinary Shares or write-off of all Relevant Tier 1 Securities of IAG is not sufficient to satisfy the requirements of Condition 6A.3(a), (and provided that as a result of the conversion or write-off of Relevant Tier 1 Securities of IAG, APRA has not withdrawn the Non-Viability Determination) Convert or Write-Off (as applicable) a Nominal Amount of Subordinated MTNs and convert into Ordinary Shares or write-off a number or principal amount of other Relevant Tier 2 Securities of IAG on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of IAG, fair and reasonable;

and in each case in determining what is fair and reasonable:

(x) the Issuer or IAG (as the case may be) may make such adjustment to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and the authorised denominations of the Nominal Amount of any Subordinated MTN or the number or principal amount of other Relevant Tier 2 Securities of the Issuer or of IAG (as the case may be) remaining on issue, and the need to effect the conversion immediately); and

(y) for the purposes of Condition 6A.3(b)(i)(B) and Condition 6A.3(b)(ii)(B) (as applicable), where the specified currency of the principal amount of Relevant Tier 2 Securities of the Issuer or of IAG (as the case may be) is not the same for all Relevant Tier 2 Securities of the Issuer or of IAG (as the case may be), the Issuer or IAG (as the case may be) may treat them as if converted into a single currency of the Issuer's or of IAG's (as the case may be) choice at such rate of exchange as the Issuer or IAG (as the case may be) in good faith considers reasonable;

and provided always that the determination of the Nominal Amount of Subordinated MTNs to be Converted or Written-Off (as applicable) does not impede or delay the immediate Conversion or Write-Off (as applicable) of the relevant Nominal Amount of Subordinated MTNs);

(c) on the Trigger Event Date, the Issuer shall determine the Subordinated MTNs or portions thereof as to which the Conversion or Write-Off (as applicable) is to take effect and in making that determination may make any decisions with respect to the identity of the Subordinated MTN Holders at that time as may be necessary or desirable to ensure Conversion or Write-Off (as applicable) occurs in an orderly manner, including disregarding any transfers of Subordinated MTNs that have not been settled or registered at that time provided that such determination does not impede or delay the immediate Conversion or Write-Off (as applicable) of the relevant Nominal Amount of Subordinated MTNs;

(d) the Issuer must give notice of its determination pursuant to Condition 6A.3(c) (a "**Trigger Event Notice**") as soon as practicable to the Subordinated MTN Holders, which must specify:

(i) the Trigger Event Date;

(ii) the Nominal Amount of the Subordinated MTNs Converted or Written-Off (as applicable); and

(iii) the relevant number or principal amount of other Relevant Securities converted or written-off;

(e) none of the following events shall prevent, impede or delay the Conversion or Write-Off (as applicable) of Subordinated MTNs as required by Condition 6A.3(a):

(i) any failure or delay in the conversion or write-off of other Relevant Securities;

(ii) any failure or delay in giving a Trigger Event Notice;

(iii) any requirement to select or adjust the number or Nominal Amount of Subordinated MTNs to be Converted or Written-Off (as applicable) in accordance with Condition 6A.3(b)(ii); and

(iv) in the case of Conversion only, any failure or delay in quotation of Ordinary Shares to be issued on Conversion.

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

6A.4 Conversion or Write-Off of a portion of a Subordinated MTN

In respect of any Subordinated MTN which is to be Converted or Written-Off only in part:

(a) for the purposes of the transfer of that portion of the Subordinated MTN to IAG in accordance with paragraph (a) of the definition of Conversion, the Nominal Amount to be Converted and the Nominal Amount not to be Converted shall each be deemed to be a separate Subordinated MTN with a Denomination equal to the relevant Nominal Amount;

(b) the Issuer shall notify the Registrar of the Nominal Amount of such Subordinated MTN that has been Converted or Written-Off and instruct the Registrar to reflect this Conversion or Write-Off (as applicable) in the MTN Register so that the Nominal Amount of such Subordinated MTN is reduced to an amount equal to the non-Converted or non-Written-Off (as applicable) portion of the Nominal Amount of such Subordinated MTN; and

(c) if a certificate of title has been issued to the relevant Subordinated MTN Holder in respect of such Subordinated MTN, then, if the Issuer so requires, such Subordinated MTN Holder shall surrender such certificate of title to the Issuer (or, if the Issuer so directs, to the Registrar) and the Issuer shall deliver to the Subordinated MTN Holder, a new certificate of title for a Subordinated MTN with a Nominal Amount equal to the non-Converted or non-Written-Off (as applicable) portion of the Nominal Amount of such Subordinated MTN; and

(d) the amount of interest payable in respect of that Subordinated MTN on each Interest Payment Date falling immediately after that Trigger Event Date will be reduced and calculated on the Outstanding Principal Amount of that Subordinated MTN as reduced on the day of the Conversion or Write-Off.

6B Conversion of Subordinated MTNs

6B.1 Conversion of Subordinated MTNs on Trigger Event Date

Unless "Write-Off – Applicable" is specified in the relevant Pricing Supplement, Condition 6B shall apply to the Subordinated MTNs and, notwithstanding any other provision in these Conditions, on the Trigger Event Date the relevant Nominal Amount (as determined under Condition 6A.3) of the Subordinated MTNs will Convert immediately and irrevocably.

From the Trigger Event Date, IAG shall treat any Subordinated MTN Holder of any Subordinated MTN or portion thereof which is required to be Converted as the holder of the relevant number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion and the issuance of such Ordinary Shares.

6B.2 Failure to Convert

Subject to Condition 6B.3 and Condition 6E, if, in respect of a Conversion of Subordinated MTNs, IAG fails to issue on the Trigger Event Date the Conversion Number of Ordinary Shares in respect of the relevant Nominal Amount (or portion thereof) of such Subordinated MTNs to, or in accordance with the instructions of, the relevant Subordinated MTN Holder on the Trigger Event Date or any other nominee where Condition 6B.3 applies, the Nominal Amount (or portion thereof) of such Subordinated MTNs which would otherwise be subject to Conversion shall remain on issue and outstanding until:

(a) the Ordinary Shares are issued to, or in accordance with the instructions of, the Subordinated MTN Holder of such Subordinated MTNs; or

(b) such Subordinated MTNs are Written-Off in accordance with these Conditions;

provided, however, that the sole right of the Subordinated MTN Holder in respect of Subordinated MTNs or portion thereof that are subject to Conversion is its right to be issued Ordinary Shares upon Conversion in accordance with Schedule A (subject to its compliance with this Condition 6B.2 or to receive the proceeds from their sale pursuant to Condition 6B.3, as applicable) and the remedy of such Subordinated MTN Holder in respect of IAG's failure to issue the Ordinary Shares in accordance with Schedule A is limited to seeking an order for specific performance of IAG's obligations to issue the Ordinary Shares to the Subordinated MTN Holder in accordance with Schedule A or where Condition 6B.3 applies to the nominee and to receive such proceeds of sale, in each case, in accordance with the terms of the Subordinated MTNs. This Condition 6B.2 does not affect the obligation of IAG to issue the Ordinary Shares when required in accordance with these Conditions.

6B.3 Issue to nominee

If, in respect of a Subordinated MTN and a Subordinated MTN Holder of that Subordinated MTN, the Subordinated MTN or portion thereof is required to be Converted and:

(a) in the case of a Conversion due to a Non-Viability Trigger Event, the Subordinated MTN 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 Trigger Event Date;

(b) the Subordinated MTNs are held by a Subordinated MTN Holder whose address in the register is a place outside Australia or who the Issuer otherwise believes may not be a resident of Australia (a "**Foreign Holder**"); or

(c) for any reason (whether or not due to the fault of the Subordinated MTN Holder) IAG has not received the information required by Condition 6F.1 prior to the Trigger Event Date and the lack of such information would prevent IAG from issuing the Ordinary Shares to the Subordinated MTN Holder on the Trigger Event Date,

then, on the Trigger Event Date:

(d) where Condition 6B.3(a) or 6B.3(b) applies, IAG shall issue the Ordinary Shares to the Subordinated MTN Holder only to the extent (if at all) that:

  (i) where Condition 6B.3(a) applies, the Subordinated MTN Holder has notified the Issuer that it wishes to receive them;

  (ii) where Condition 6B.3(b) applies, the Issuer is satisfied that the laws of both the Commonwealth of Australia and the Foreign Holder's country of residence permit the issue of 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 IAG is not obliged to issue Ordinary Shares to the Subordinated MTN Holder, IAG will issue the balance of the Ordinary Shares to the nominee in accordance with Condition 6B.3(e); and

(e) otherwise, subject to applicable law, IAG will issue the balance of Ordinary Shares in respect of the Subordinated MTN Holder to a competent nominee (which may not be a Related Entity of the Issuer or IAG) and will promptly notify such Subordinated MTN Holder of the name of and contact information for the nominee and the number of Ordinary Shares issued to the nominee on its behalf and, subject to applicable law and:

  (i) subject to Condition 6B.3(e)(ii), the nominee will as soon as reasonably possible after issue of the Ordinary Shares 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 Subordinated MTN Holder; and

  (ii) where Condition 6B.3(c) applies, the nominee will hold such Ordinary Shares and will transfer Ordinary Shares to such Subordinated MTN Holder promptly after such Subordinated MTN Holder provides the nominee with the information required to be provided by such Subordinated MTN Holder under Condition 6F.1 (as if a reference in Condition 6F.1(C) to IAG is a reference to the nominee and a reference to the issue of Ordinary Shares is a reference to the transfer of Ordinary Shares) but only where such information is provided to the nominee within 30 days of the date on which Ordinary Shares are issued to the nominee upon Conversion of such Subordinated MTN and failing which the nominee will sell the Ordinary Shares and pay the proceeds to such Subordinated MTN Holder in accordance with Condition 6B.3(e)(i);

(f) nothing in this Condition 6B.3 shall affect the Conversion of the Subordinated MTNs of a Subordinated MTN Holder who is not a person to which any of Condition 6B.3(a) to 6B.3(c) (inclusive) applies; and

(g) for the purposes of this Condition 6B.3, none of the Issuer, IAG or the nominee owes any obligations or duties to the Subordinated MTN Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Subordinated MTN Holder as a result of the sale of Ordinary Shares.

6B.4 Write-Off of Subordinated MTNs due to Inability Event

Notwithstanding any other provision of Condition 6B and provided that "Write-Off – Applicable" is not specified in the relevant Pricing Supplement, where Subordinated MTNs are required to be Converted on the Trigger Event Date the rights and obligations of IAG and IAL in connection with the Conversion are subject to the condition precedent that no Inability Event exists and if an Inability Event exists, and Conversion of the relevant Nominal Amount of the Subordinated MTNs that are subject to Conversion has not been completed within five Business Days after the relevant Trigger Event Date:

(a) to the extent such event prevents the Issuer from Converting the relevant Nominal Amount (or portion thereof) of Subordinated MTNs which, but for this Condition 6B.4, would be Converted, the relevant Nominal Amount (or portion thereof) of those Subordinated MTNs will not be Converted and instead will be Written-Off on the sixth Business Day after the Trigger Event Date; and

(b) the Issuer and IAG shall notify the Subordinated MTN Holders as promptly as practically possible that Conversion of the relevant Nominal Amount (or portion thereof) of the Subordinated MTNs has not occurred due to an Inability Event and that such Nominal Amount of the Subordinated MTNs has been Written-Off.

6B.5 Meaning of "Written-Off"

For the purposes of Condition 6B, "**Written-Off**" shall mean that, in respect of a Subordinated MTN or portion thereof that is otherwise subject to Conversion and a Trigger Event Date:

(a) the Subordinated MTN or portion thereof that is otherwise subject to Conversion will not be Converted on that date and will not be Converted or redeemed under these Conditions on any subsequent date; and

(b) on and from the sixth Business Day after the relevant Trigger Event Date, the rights of the relevant Subordinated MTN Holder of the Subordinated MTN or portion thereof (including to any right to receive any payment thereunder) in relation to such Subordinated MTN or portion thereof are immediately and irrevocably terminated and written-off; and

"**Write-Off**" has a corresponding meaning.

6B.6 Failure to transfer

If IAG has issued the Ordinary Shares to a Subordinated MTN Holder in Conversion of a Subordinated MTN (or portion thereof) but for any reason that Subordinated MTN (or portion hereof) has not been transferred to IAG free from Encumbrance, then the rights of that Subordinated MTN Holder in respect of that Subordinated MTN (or portion hereof) are immediately and irrevocably terminated and written-off as provided in Condition 6B.5(b) and such Ordinary Shares (and any shares issued by IAL to IAG in connection with the Conversion of that Subordinated MTN (or portion thereof)) shall be taken to be fully paid in consideration of that right of Write-Off.

6C Write-Off of Subordinated MTNs

6C.1 Write-Off of Subordinated MTNs on Trigger Event Date

If "Write-Off – Applicable" is specified in the relevant Pricing Supplement, Condition 6C shall apply to the Subordinated MTNs and on the Trigger Event Date the rights of the Subordinated MTN Holder of the relevant Subordinated MTNs (including to payment of any principal or interest) in relation to the relevant Nominal Amount (as determined under Condition 6A.3) of the Subordinated MTNs are Written-Off (as that term is defined for the purposes of Condition 6C).

Each Subordinated MTN Holder irrevocably acknowledges and agrees that this Condition 6C is a fundamental term of the Subordinated MTNs to which Condition 6C is applicable and that no conditions or events will affect the operation of this Condition 6C and such Subordinated MTN Holder will not have any rights to vote in respect of any Write-Off under this Condition 6C.1.

6C.2 Meaning of "Written-Off"

For the purposes of Condition 6C, "**Written-Off**" shall mean that, in respect of a Subordinated MTN or portion thereof and a Trigger Event Date, the rights of the relevant Subordinated MTN Holder (including to any right to receive any payment thereunder) in relation to such Subordinated MTN or portion thereof are immediately and irrevocably terminated and written-off, and "**Write-Off**" has a corresponding meaning.

6D Subordinated MTN Holder Conversion

6D.1 When a Subordinated MTN Holder Conversion will occur

If this Condition 6D.1 is specified in the relevant Pricing Supplement as being applicable, a Subordinated MTN Holder may at its option give a written notice (a "**Holder Conversion Notice**") in respect of some or all of its Subordinated MTNs and a Holder Conversion Date in accordance with and subject to Condition 6D.2, in which case the Subordinated MTNs the subject of the Holder Conversion Notice will be Converted into Ordinary Shares on the Holder Conversion Date in accordance with the mechanics set out in Schedule A.

6D.2 Holder Conversion Notice

(a) In order to elect to Convert its Subordinated MTNs, a Subordinated MTN Holder must give a Holder Conversion Notice to the Issuer (with a copy to IAG) within the minimum notice period (if any) but not more than the maximum notice period (if any) specified in the relevant Pricing Supplement in accordance with Condition 12. A Holder Conversion Notice must specify:

   (i) the Holder Conversion Date;

   (ii) the Series of Subordinated MTNs subject to Conversion; and

   (iii) if the Pricing Supplement specifies that a partial Conversion is applicable, whether such Series is to be Converted in whole or in part and, if in part only, the Nominal Amount of Subordinated MTNs of the relevant Series to be Converted (which amount must be a minimum amount and an integral multiple of an amount above the minimum amount equal to the Denomination of a Subordinated MTN or as otherwise specified in the Pricing Supplement. If the Conversion is not of all of the Subordinated MTN Holder's Subordinated MTNs, the Subordinated MTN Holder must have a minimum aggregate Nominal Amount of Subordinated MTNs remaining after the Conversion as specified in the Pricing Supplement);

   (iv) the information required by Condition 6F; and

   (v) be accompanied by a duly executed (and if required by IAG) stamped transfer form in respect of the Subordinated MTNs to be transferred.

(b) A Holder Conversion Notice once given is irrevocable.

6D.3 Settlement of Holder Conversion

On the Conversion Date, IAG, the Issuer and the Subordinated MTN Holder shall perform their respective obligations in respect of the Conversion and the Subordinated MTN shall be Converted accordingly.

6D.4 Impediments to completion of Holder Conversion

If, for any reason, IAG issues the Conversion Number (which must not be greater than the Maximum Conversion Number) of Ordinary Shares to the relevant Subordinated MTN Holder on the Holder Conversion Date in accordance with the requirements of this Condition 6D.4 but the Subordinated MTN is not transferred to IAG free from Encumbrance and on and from that issue and despite any other provision of these Conditions:

(a) all amounts payable in respect of those Subordinated MTNs are payable to IAG as and when they fall due in accordance with these Conditions;

(b) IAG is absolutely beneficially entitled to such moneys; and

(c) the Subordinated MTNs shall be taken to have been Converted accordingly.

6D.5 Failure to Convert

If on a Holder Conversion Date the Conversion Number of Ordinary Shares is not issued or delivered in respect of a Subordinated MTN, that Subordinated MTN remains on issue and any interest (including any Arrears of Interest and Additional Interest Amounts) will continue to accrue until the Ordinary Shares are issued to the Subordinated MTN Holder (which date shall be the Holder Conversion Date in respect of that Subordinated MTN) or the Subordinated MTN is redeemed or purchase in accordance with Condition 6, Converted as required by Condition 6B or Written-Off.

The remedy of a Subordinated MTN Holder in respect of IAG's failure to issue or deliver the Ordinary Shares in accordance with Appendix A is limited to seeking an order for specific performance of IAG's obligations to issue or deliver the Ordinary Shares to the Subordinated MTN Holder in accordance with the terms of the Subordinated MTNs.

This Condition 6D.5 does not affect the obligation of IAG to issue or deliver Ordinary Shares when required in accordance with these Conditions.

6E Subordinated MTN Holder acknowledgements

For the purposes of Conversion under Conditions 6B and 6D, each Subordinated MTN Holder irrevocably consents to becoming a member of IAG upon the Conversion of the relevant Nominal Amount of Subordinated MTNs and agrees to be bound by the constitution of IAG, in each case in respect of the Ordinary Shares issued to such Subordinated MTN Holder on Conversion.

For the purposes of Conversion as required by Condition 6B, each Subordinated MTN Holder irrevocably acknowledges and agrees as a fundamental term of the Subordinated MTNs:

(a) that it is obliged to accept Ordinary Shares upon a Conversion of the Nominal Amount of Subordinated MTNs it holds notwithstanding anything that might otherwise affect a Conversion of such Nominal Amount of Subordinated MTNs including:

- (i) any change in the financial position of IAG, the Issuer or the Group since the issue of such Subordinated MTNs;
- (ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or
- (iii) any breach by the Issuer or IAG of any obligation in connection with such Subordinated MTNs;

(b) that where Condition 6A.3 applies:

- (i) there are no other conditions to a Non-Viability Trigger Event occurring as and when provided in Condition 6A.2;
- (ii) Conversion must occur immediately on the occurrence of a Non-Viability Trigger Event and that may result in disruption or failures in trading or dealings in the Subordinated MTNs;
- (iii) it will not have any rights to vote in respect of any Conversion; and
- (iv) the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all;

(c) that where Condition 6B.4 applies, no conditions or events will affect the operation of that Condition and such Subordinated MTN Holder will not have any rights to vote in respect of any

Write-Off under that Condition and has no claim against the Issuer or IAG arising in connection with the application of that Condition;

(d) unless "Conversion – Applicable" is specified in the relevant Pricing Supplement, that such Subordinated MTN Holder has no right to request a Conversion of any Nominal Amount of any Subordinated MTNs or to determine whether (or in what circumstances) the Nominal Amount of Subordinated MTNs it holds is Converted;

(e) that none of the following shall prevent, impede or delay the Conversion or (where relevant) Write-Off of the Nominal Amount of Subordinated MTNs:

(i) any failure to or delay in the conversion or write-off of other Relevant Securities;

(ii) any failure or delay in giving a Trigger Event Notice or other notice required by Conditions 6A to 6C (inclusive);

(iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion or in the taking of such action as is needed to make them freely tradeable;

(iv) any failure or delay in Converting any Subordinated MTN in part pursuant to the provisions of Condition 6A.4; and

(v) any requirement to select or adjust the number or Nominal Amount of Subordinated MTNs to be Converted in accordance with Condition 6A.3(b); and

(f) that where Subordinated MTNs are Converted it has no right to receive payment of any Nominal Amount payable in respect of the transfer of its Subordinated MTNs contemplated by paragraph (c) of the definition of Conversion.

6F Provision of Information

6F.1 Information

Where:

(a) a Subordinated MTN Holder has elected a Conversion under Condition 6D, the Subordinated MTN Holder must, no later than the Holder Conversion Date, have provided to IAG; or

(b) a Subordinated MTN (or portion thereof) is required to be Converted under Condition 6B,

a Subordinated MTN Holder wishing to receive Ordinary Shares must:

(i) in the case of a Conversion on account of a Non-Viability Trigger Event, in a Holder Details Notice to be given no later than the Trigger Event Date (or, in the case where Condition 6B.3(e) applies, within 30 days of the date on which Ordinary Shares are issued upon such Conversion); and

(ii) in the case of a Holder Conversion, in the Holder Conversion Notice (or in the case of information requested in paragraph (c), in a Holder Details Notice to be given no later than 2 Business Days following the request from IAG),

have provided to IAG:

(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 security account details in a Clearing System or such other account to which the Ordinary Shares may be credited; and

(C) such other information as is reasonably requested by IAG for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to such Subordinated MTN Holder,

IAG has no duty to seek or obtain such information.

6F.2 Power of Attorney

Each Subordinated MTN Holder appoints each of IAG or the Issuer, any of its respective officers and any External Administrator of the Issuer or IAG (each an "**Attorney**") severally to be the attorney of the Subordinated MTN Holder with power in the name and on behalf of the Subordinated MTN 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 Subordinated MTN Holder to observe or perform the Subordinated MTN Holder's obligations under these Conditions including, but not limited to, effecting any transfers of Subordinated MTNs or portion thereof or for the purposes of Conversion, making any entry in the Register or exercising any voting power in relation to any consent or approval required for Conversion.

The power of attorney given in this Condition 6F.2 is given for valuable consideration and to secure the performance by the Subordinated MTN Holder of the Subordinated MTN Holder's obligations under these Conditions is irrevocable.

7 Negative pledge

7.1 Negative pledge

So long as any Senior MTN remains Outstanding, the Issuer is not permitted to create or permit to subsist any Security upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Senior MTNs:

(a) are secured equally and rateable therewith; or

(b) have the benefit of such other security, guarantee, indemnity or other arrangement that is not materially less beneficial to the Senior MTN Holders or which is approved by an Extraordinary Resolution of Senior MTN Holders.

7.2 In the Condition above

"**Relevant Debt**" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

"**Security**" means a mortgage, charge, pledge, lien or other form of encumbrance or security interest.

8 Events of Default

8.1 Events of Default - Senior MTNs

An Event of Default occurs in relation to a Series of Senior MTNs if:

(a) (**payment default**) the Issuer fails to pay any amount in respect of the Senior MTNs of the relevant Series or any of them within five Business Days of the due date for payment; or

(b) (**other default**) the Issuer defaults in the performance or observance of any of its other material obligations under an MTN and (except where such default is incapable of remedy) such default continues for a period of 15 days next following the service of a notice by a Senior MTN Holder requiring the same to be remedied; or

(c) (**cross default**) any present or future monetary obligation of the Issuer or any of its Subsidiaries:

(i) in connection with money borrowed or raised by any of them, or any hiring arrangement, redeemable preference share, letter of credit, financial markets transaction (including, without limitation, a swap, option or futures contract) to which either of them is a party:

(A) is not satisfied on time, or at the end of its period of grace; or

(B) becomes prematurely payable as a result of an event of default; or

(ii) to guarantee or indemnify against loss in connection with money borrowed or raised is not discharged at maturity or when called,

provided that the aggregate amount of the indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred equals or exceeds A$50,000,000 (or its equivalent in any other currency or currencies); or

(d) (**enforcement action**) a judgement, order or encumbrance is enforced, or becomes enforceable against any property of the:

(i) Issuer and where such distress, judgement, order or encumbrance is for an amount exceeding A$50,000,000; or

(ii) any Subsidiary of the Issuer where such enforcement would materially affect the ability of the Issuer to perform its obligations under the Senior MTNs,

provided that such judgment, order or encumbrance is not set aside or satisfied within 60 days or the Issuer or Subsidiary is diligently pursuing in good faith an appeal from the judgment or award; or

(e) (**insolvency**) an Insolvency Event occurs in respect of the Issuer; or

(f) (**administration) a controller** (as defined in the Corporations Act) is appointed in respect of the whole or any part of the property of the Issuer or any of its Subsidiaries and such appointment would materially affect the ability of the Issuer to perform its obligations under the MTNs; or

(g) (**obligations unenforceable**) any of the Senior MTNs become wholly or partly void, voidable or unenforceable or is claimed to be so by the Issuer.

Notwithstanding any other provision of this Condition 8.1 no Event of Default in respect of any Senior MTN shall occur solely on account of any failure by the Issuer to perform or observe its obligations in relation to, or the taking of any process or proceeding in respect of any share, note or other security or instrument constituting Tier 1 Capital of the Issuer or IAG or Tier 2 Capital of the Issuer or IAG.

8.2 Consequences of an Event of Default - Senior MTNs

Subject to Condition 8.6, if any Event of Default occurs in relation to the Senior MTNs of any Series, then a Senior MTN Holder in that Series may by written notice to the Issuer (with a copy to the Registrar and the Programme Manager) declare the Early Termination Amount (together with all accrued interest (if any)) applicable to each Senior MTN held by the Senior MTN Holder to be due and payable immediately or on such other date specified in the notice.

8.3 Events of Default - Subordinated MTNs

An Event of Default occurs in relation to a Series of Subordinated MTNs if:

(a) (**Payment Default**) a Payment Default occurs in respect of the Issuer; or

(b) (**Winding Up Default**) a Winding Up Default occurs in respect of the Issuer.

8.4 Consequences of an Event of Default - Subordinated MTNs

(a) (**Payment Default**) Subject to Condition 8.6, if a Payment Default occurs in relation to the Subordinated MTNs of any Series, then a Subordinated MTN Holder in that Series may, subject to Condition 8.4(b), institute proceedings:

(i) in a court of competent jurisdiction against the Issuer to recover any principal, interest, or other amount in respect of the Subordinated MTNs not paid by the Issuer as specified in Condition 8.3(a), subject to the Issuer being able to pay that principal, interest or other amount and remaining Solvent after making that payment;

(ii) in a court of competent jurisdiction against the Issuer to obtain an order for specific performance of any other obligation in respect of the Subordinated MTNs; and/or

for a Winding Up of the Issuer.

(b) (**No acceleration**) Upon the occurrence of a Payment Default, Subordinated MTN Holders will have no right to accelerate the Issuer's payment obligations under the Subordinated MTNs or to take any other action which has the same economic effect as an acceleration.

(c) (**Winding Up Default**) If a Winding Up Default occurs in relation to the Issuer, a Subordinated MTN Holder may, in addition to taking any of the actions specified in Condition 8.4(a) above, by notice to the Issuer and the Registrar declare that such Subordinated MTNs are immediately due and payable at their Outstanding Principal Amount together with accrued interest and any other amounts accrued under the Subordinated MTNs and, subject to Condition 4.3 may prove in the Winding Up for an amount equal to such amount.

8.5 Amounts Unpaid Remain Debts

Any amount not paid due to Condition 8.4(a)(i) accumulates and remains a debt owing to the Subordinated MTN Holder by the Issuer until it is paid.

8.6 Rectification

A Senior MTN Holder's right to declare Senior MTNs due terminates if the situation giving cause to it has been cured before such right is exercised. A Subordinated MTN Holder's right to take any of the actions contemplated in Condition 8.4(a) terminates if the situation giving cause to it has been cured before such right is exercised.

8.7 Notification

If an Event of Default occurs, the Issuer must promptly after becoming aware of it notify the Registrar and the Programme Manager of the occurrence of the Event of Default (specifying details of it) and procure that the Registrar promptly notifies the relevant MTN Holders of the occurrence of the Event of Default by registered post to the address of the MTN Holder recorded in the MTN Register.

9 Payments

9.1 Record Date

Payments to MTN Holders will be made according to the particulars recorded in the MTN Register at 5.00pm (Sydney time) on the relevant Record Date.

9.2 Joint holders

When an MTN is held jointly, payment will be made to the holders in their joint names unless requested otherwise.

9.3 Method of payments

Payments in respect of each MTN will be made:

(a) if the MTNs are in the Austraclear System, by crediting on the relevant Payment Date the amount then due to the account of the MTN Holder in accordance with the Austraclear Regulations; or

(b) if the MTNs are not in the Austraclear System, by crediting on the Payment Date the amount then due to an account previously notified by the MTN Holder in respect of that MTN to the Issuer and the Registrar. If the MTN Holder has not notified the Issuer and the Registrar of such an account by close of business on the relevant Record Date or upon application by the MTN Holder to the Issuer and the Registrar no later than close of business on the relevant Record Date, payments in respect of the relevant MTN will be made by cheque, mailed on the Business Day immediately preceding the relevant Interest Payment Date in the case of payments of interest or on the due date for redemption or repayment, in the case of payments of principal, at the MTN Holder's risk to the MTN Holder (or to the first named of joint registered holder) of such MTN at the address appearing in the MTN Register as at the Record Date. Cheques to be despatched to the nominated address of an MTN Holder will in such cases be deemed to have been received by the MTN Holder on the relevant Payment Date and no further amount will be payable by the Issuer in respect of the relevant MTN as a result of payment not being received by the MTN Holder on the due date.

9.4 Business Days

All payments must be made in accordance with the Applicable Business Day Convention. Nothing in this clause applies to any payment referred to in paragraph 1(b)(i) of Schedule A which occurs on the Trigger Event Date as provided in paragraph 1(b)(i) of Schedule A.

9.5 Payment subject to fiscal laws

Payments (whether in respect of principal, redemption amounts, interest or otherwise) in respect of the MTNs are subject in all cases to applicable provisions of fiscal and other laws, regulations and directives.

9.6 Taxation: Additional Amounts

Unless this Condition 9.6 is specified in the Pricing Supplement as not being applicable, all payments (whether in respect of principal redemption amount, interest or otherwise) in respect of the MTNs will be made without set-off or counterclaim and free and clear of, and without deduction of or withholding on account of any taxes, levies, duties, charges, deductions or withholding of any nature (together, "**Taxes**") now or hereafter imposed, levied, collected, withheld or assessed the Commonwealth of Australia or any political subdivision therein or thereof unless such withholding or deduction is required by law. In that event the Issuer will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amount received by the MTN Holders after such withholding or deduction equals the respective amounts which would otherwise have been receivable in respect of the MTNs in the absence of such withholding or deduction, except that no Additional Amounts are payable in relation to any payments in respect of any MTN:

(a) to, or to a third party on behalf of, an MTN Holder who is liable to such Taxes in respect of such MTN by reason of his having some connection with the Commonwealth of Australia or any political subdivision therein or thereof other than the mere holding of such MTN or receipt of payment (whether in respect of principal, redemption amount, interest or otherwise) in respect thereof;

(b) to, or to a third party on behalf of, an MTN Holder who could lawfully avoid (but has not so avoided) such deduction or withholding 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 cause for exemption to any tax authority in the place where payment under the MTN is made;

(c) presented for payment more than 30 days after the Relevant Date except to the extent that an MTN Holder would have been entitled to Additional Amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Business Day;

(d) to, or to a third party on behalf of, an MTN Holder who is liable to the Taxes in respect of the MTN by reason of the MTN Holder being an associate of the Issuer within the meaning of section 128F(9) of the Tax Act;

(e) to, or to a third party on behalf of an Australian resident MTN Holder, if that person has not supplied an appropriate tax file number an Australian Business Number or exemption details; or

(f) in such other circumstances as may be specified in the Pricing Supplement.

9.7 Currency indemnity

The Issuer waives any right it has in any jurisdiction to pay an amount other than in the currency in which it is due. However, if an MTN Holder receives an amount in a currency other than that in which it is due:

(a) it may convert the amount received into the due currency (even though it may be necessary to convert through a third currency to do so) on the day and at such rates (including spot rate, same day value rate or value tomorrow rate) as it reasonably considers appropriate taking into account any costs of conversion; and

(b) the Issuer satisfies its obligation to pay in the due currency only to the extent of the amount of the due currency obtained from the conversion.

9.8 FATCA

The Issuer may withhold or make deductions from payments or from the issue of Ordinary Shares to a MTN Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the MTN Holder or a beneficial owner of the MTNs 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 MTN Holder or a beneficial owner of the MTNs for or in respect of any such withholding or deduction. A dealing with such payment and any Ordinary Shares in accordance with FATCA satisfies the Issuer's obligations to that MTN Holder to the extent of the amount of that payment or issue of Ordinary Shares.

10 Further issues

The Issuer may from time to time, without the consent of any MTN Holder, issue further MTNs having the same terms and conditions as the MTNs of any Series in all respects (or in all respects except for the first payment of interest, if any, on them and/or their denomination) so as to form a single Series with the MTNs of that Series.

11 Time limit for claims

A claim against the Issuer for a payment under an MTN is void unless such claim is made within 10 years (in the case of principal and redemption amount) and 5 years (in the case of interest and other amounts) from the Relevant Date of payment.

12 Notices

12.1 To the Issuer, the Programme Manager, the Registrar and the Agent

A notice or other communication in connection with an MTN to the Issuer, the Programme Manager, a Registrar or an Agent must be in writing and may be given by prepaid post or delivery to the address of the addressee or by facsimile to the facsimile number of the addressee specified:

(a) in the Information Memorandum; or

(b) as otherwise agreed between those parties from time to time and notified to the MTN Holders.

12.2 To MTN Holders

A notice or other communication in connection with an MTN to the MTN Holders must be in writing and may be given by:

(a) an advertisement published in The Australian Financial Review or any other newspaper or newspapers circulating in Australia generally; or

(b) if an additional or alternate newspaper is specified in the Pricing Supplement, that newspaper; or

(c) prepaid post (airmail if posted to or from a place outside Australia) or delivery or by facsimile to the address of facsimile address, as the case may be, of each MTN Holder or any relevant MTN Holder as shown in the MTN Register at the close of business three Business Days prior to the dispatch of the relevant notice or communication.

12.3 Effective on receipt

Unless a later time is specified in it a notice, approval, consent or other communication takes effect from the time it is received, except that if it is received after 5.00pm in the place of receipt or on a non-business day in that place, it is to be taken to be received at 9.00am on the next succeeding Business Day in that place.

12.4 Proof of receipt

Subject to Condition 12.3, proof of posting of a letter or of dispatch of a facsimile or of publication of a notice is proof of receipt:

(a) in the case of a letter, on the third (seventh, if outside Australia) day after posting; and

(b) in the case of a facsimile, on receipt by the sender of a successful transmission report; and

(c) in the case of publication, on the date of such publication.

13 Meetings of MTN Holders

Meetings of MTN Holders may be convened in accordance with the Meetings Provisions. Any such meeting may consider any matters affecting the interests of MTN Holders, including, without limitation, the variation of the terms of the MTNs by the Issuer and the granting of approvals, consents and waivers, and the declaration of an Event of Default.

14 Amendments

14.1 To cure ambiguities

Subject to Condition 4.5, these Conditions, the MTN Deed Poll, Pricing Supplement may be varied by the Issuer, without the consent of any MTN Holder if, in the reasonable opinion of the Issuer, the variation:

(a) is necessary or advisable to comply with any law;

(b) is necessary to correct an obvious error, or otherwise of a formal, technical or administrative nature only;

(c) is made to cure any ambiguity or correct or supplement any defective or inconsistent provision;

(d) is not materially prejudicial to the interests of the MTN Holders as a whole; or

(e) only applies to MTNs issued by the Issuer after the date of the amendment.

14.2 Approval by MTN Holders

Subject to Condition 4.5, these Conditions, MTN Deed Poll, Pricing Supplement may otherwise be varied by the Issuer with the approval of the MTN Holders by Extraordinary Resolution. No other variation to these Conditions has effect in relation to the MTN Holders who hold MTNs at the date of any variation deed, unless they otherwise agree in writing. A variation will take effect in relation to all subsequent MTN Holders. A variation which affects only a particular Series or Tranche of MTNs may be approved solely by the MTN Holders of such Series or Tranche.

14.3 Other documents

The issuer may vary or terminate any Registry Services Agreement and any Agency Agreement or other deed or agreement entered into in connection with any MTN without the consent of MTN Holders provided that so long as any MTNs are Outstanding there is a Registrar appointed in respect of such MTNs.

14.4 Meaning of "vary"

In this Condition 14, "vary" includes amend, novate, assign, modify, add to, cancel or alter and "variation" has a corresponding meaning.

15 Registrar

15.1 Role of the Registrar

In acting under the Registry Services Agreement in connection with the MTNs, the Registrar acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the MTN Holders save insofar as any funds received by the Registrar are required in accordance with the Registry Services Agreement, pending their application in accordance with the Registry Services Agreement, to be held by it in a segregated account on trust for the persons entitled thereto.

15.2 Change of Registrar

The Issuer reserves the right at any time to terminate the appointment of the Registrar in accordance with the relevant Registry Services Agreement and to appoint a successor or additional registrars, provided, however, that the Issuer must at all times maintain the appointment of a registrar with its specified office in Australia. Notice of any such termination of appointment will be given to the MTN Holders in accordance with Condition 12.

15.3 Appointment of replacement Registrar

If a then current Registrar ceases to be Registrar (whether as a result of termination under Condition 15.2, resignation as a result of the MTNs ceasing to be lodged in the Clearing System or otherwise), the Issuer must ensure that a replacement Registrar is appointed with effect from the relevant date.

16 Calculation Agent

The Calculation Agent and its initial specified officers are as set out in the relevant Pricing Supplement for the MTNs issued by the Issuer. The Issuer reserves the right at any time to terminate the appointment of the Calculation Agent or to appoint additional or other Calculation Agents, provided that it will ensure that at all times for so long as any MTNs are outstanding the Calculation Agent acts in respect of MTNs for which these Conditions require a Calculation Agent to make calculations.

17 Substitution of the Issuer

17.1 Senior MTNs - Substitution with guarantee

The Issuer may, on 30 days' notice to but without the consent of MTN Holders, if no payment of principal, redemption amount or interest in connection with any of the Senior MTNs is in default, at any time substitute for the Issuer any entity (including, without limitation, a special purpose company) ("**Substitute Issuer**") in respect of all obligations arising from or in connection with one or more Series of Senior MTNs ("**Relevant Senior MTNs**"). The Issuer may only do this if:

(a) the Substitute Issuer assumes all obligations of the Issuer under the Relevant Senior MTNs;

(b) the Issuer unconditionally and irrevocably guarantees the obligations so to be assumed by the Substitute Issuer;

(c) the Substitute Issuer has obtained all necessary authorisations from the authorities in the country where the Substitute Issuer is located, and can transfer to the Registrar or an Agent (as the case may be), all amounts necessary for the fulfilment of the payment obligations on or in connection with the Relevant Senior MTNs in such freely negotiable and convertible legal currency of Australia without withholding or deduction for or on account of any taxes, charges or duties of whatsoever nature;

(d) there have been delivered to the Registrar and the Programme Manager opinions of lawyers of recognised standing in Australia and of lawyers of recognised standing in the country of incorporation of the Substitute Issuer to the effect that the matters referred to in paragraphs (a), (b) and (c) above have been satisfied; and

(e) unless the Senior MTNs are unrated, the Senior MTNs continue to have a credit rating from an internationally recognised rating agency which is investment grade and at least equal to the credit rating of the Senior MTNs immediately prior to the substitution.

17.2 Notice

Notice of any such substitution shall be given to the MTN Holders in accordance with Condition 12.

17.3 Effective Date

A substitution under this Condition 17 takes effect on and from the date ("**Effective Date**") specified under Condition 17.1, which must be a date not earlier than the date on which the notice is given.

17.4 Effect of substitution

On and with effect from the Effective Date:

(a) the Substitute Issuer assumes all of the obligations of the Issuer with respect to the Relevant Senior MTNs (whether accrued before or after the Effective Date); and

(b) the Issuer is released from its obligations in respect of the MTNs (other than in the case of the Senior MTNs for which a substitution is made under Condition 17.1, to the extent of the guarantee in Condition 17.1(b));

(c) any reference in the Conditions of the Relevant Senior MTNs to:

  (i) the Issuer shall from then on be deemed to refer to the Substitute Issuer; and

  (ii) the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for tax purposes of the Substitute Issuer.

17.5 No limitation

Nothing in this Condition 17 limits the rights of the Issuer, IAG or the power of APRA or any court under the Insurance Act 1973 (Cth) or otherwise under the MTNs or the MTN Deed Poll.

18 Governing law and jurisdiction

18.1 Governing law

The MTNs are governed by the law in force in the State of New South Wales.

18.2 Jurisdiction

The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts of appeal from them.

SCHEDULE A TO THE CONDITIONS

1 Conversion

If the Issuer must Convert a Nominal Amount of a Subordinated MTN in accordance with the Conditions or if a Subordinated MTN Holder elects to Convert, then, subject to this Schedule A, the following provisions apply:

(a) IAG will allot and issue on the Trigger Event Date or a Holder Conversion Date (as the case may be) a number of Ordinary Shares in respect of the Nominal Amount of that Subordinated MTN equal to the Conversion Number, where the Conversion Number (but subject to the Conversion Number being no more than the Maximum Conversion Number) is a number calculated according to the following formula:

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

where:

"**Nominal Amount**" means:

(i) in the case of Conversion required after the occurrence of a Non-Viability Trigger Event, the nominal amount of the Subordinated MTN required to be Converted in accordance with Condition 6B; and

(ii) in the case of a Subordinated MTN Holder Conversion, the nominal amount of the Subordinated MTN elected by a Subordinated MTN Holder for Conversion together with accrued interest (if any) (including any Arrears of Interest and Additional Interest Amounts in respect if that Subordinated MTN).

"**VWAP**" (expressed in dollars and cents) means the VWAP during the VWAP Period and where the "**Maximum Conversion Numbe**r" means a number calculated according to the following formula:

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

(b) on the Trigger Event Date or a Holder Conversion Date (as the case may be):

(i) the rights of each Subordinated MTN Holder (including to payment of interest) in relation to the Nominal Amount of each Subordinated MTN or portion thereof that is being Converted will be immediately and irrevocably transferred for an amount payable by IAG equal to the Nominal Amount of that Subordinated MTN (or portion thereof) that is being Converted and IAG will apply that Nominal Amount (or portion thereof) by way of payment for subscription for the Ordinary Shares to be allotted and issued under paragraph 1(a) of this Schedule A. Each Subordinated MTN Holder is taken to have irrevocably directed that any amount payable under paragraph 1(b)(i) of this Schedule A is to be applied as provided for in paragraph 1(b)(i) of this Schedule A and no Subordinated MTN Holder has any right to payment in any other way;

(ii) in the case of a Trigger Event Date, all rights to the payment of interest in respect of the Subordinated MTN or the relevant portion thereof (including any Arrears of Interest and any Additional Interest) are immediately and irrevocably terminated; and

(iii) in the case of a Holder Conversion Date, interested scheduled to be paid on this date together with any Arrears of Interest and Additional Interest shall be paid.

(c) any calculation under paragraph 1(a) of this Schedule A shall be, unless the context requires otherwise, be rounded to four decimal places provided that if the total number of additional Ordinary Shares to be allotted to a Subordinated MTN Holder in respect of the aggregate Nominal Amount of the Subordinated MTNs it holds which is being Converted includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and

(d) the rights attaching to Ordinary Shares issued as a result of Conversion do not take effect until 6.00pm (Sydney, Australia time) on the Trigger Event Date or a Holder Conversion Date (as the case may be) (unless another time is required for Conversion on that date in the case of a Conversion required by Condition 6B). At that time all other rights conferred or restrictions imposed on that Subordinated MTN under the Conditions will no longer have effect to the extent of the Nominal Amount of that Subordinated MTN being Converted (except for the right to receive the Ordinary Shares as set forth in paragraph 1 of this Schedule A and Conditions 6B and 6D and except for rights relating to interest which is payable but has not been paid on or before the Trigger Event Date which will continue).

2 Adjustments to VWAP

For the purposes of calculating VWAP in the Conditions:

(a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on the Australian Securities Exchange as cum dividend or cum any other distribution or entitlement and the relevant Nominal Amount of Subordinated MTNs will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount ("**Cum Value**") equal to:

(i) (in 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 paragraph 2(a)(i) of this Schedule A which is traded on the Australian Securities Exchange on any of those Business Days), the volume weighted average sale price of all such entitlements sold on the Australian Securities Exchange during the VWAP Period on the Business Days on which those entitlements were traded; or

(iii) (in the case of any other entitlement which is not traded on the Australian Securities Exchange during the VWAP Period), the value of the entitlement as reasonably determined by the directors of the Issuer; and

(b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on the Australian Securities Exchange as ex dividend or ex any other distribution or entitlement, and the relevant Nominal Amount of Subordinated MTNs will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

3 Adjustments to VWAP for divisions and similar transactions

(a) Where during the relevant VWAP Period there is a change in the number of the Ordinary Shares on issue as a result of a division, consolidation or reclassification of IAG's share capital (not involving any cash payment or other distribution to or by holders of Ordinary Shares) (a "**Reorganisation**"), in calculating the VWAP for that VWAP Period the daily VWAP applicable on each 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 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 IAG in accordance with paragraph 3(a) of this Schedule A will, absent manifest error, be effective and binding on the Subordinated MTN Holders under these terms and these terms will be construed accordingly. Any such adjustment must be promptly notified to all Subordinated MTN Holders.

4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, corresponding adjustments to VWAP will be made in accordance with paragraphs 2 and 3 of this Schedule A during the 20 Business Day period over which VWAP is calculated for the purposes of determining the Issue Date VWAP. On and from the Issue Date adjustments to the Issue Date VWAP:

(a) may be made in accordance with paragraphs 5 to 7 of this Schedule A (inclusive); and

(b) if so made, will cause an adjustment to the Maximum Conversion Number.

5 Adjustments to Issue Date VWAP for bonus issues

(a) Subject to paragraph 5(b) of this Schedule A below, if at any time after the Issue Date IAG 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:

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

where:

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

Vo means the Issue Date VWAP applying immediately prior to the application of this formula;

RN means the number of Ordinary Shares issued pursuant to the bonus issue; and

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue.

(b) Paragraph 5(a) of this Schedule 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 paragraph 5(a) of this Schedule A, an issue will be regarded as a pro rata issue notwithstanding that IAG does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing IAG is not in contravention of the ASX Listing Rules.

(d) No adjustments to the Issue Date VWAP will be made under this paragraph 5 of this Schedule A for any offer of Ordinary Shares not covered by paragraph 5(a) of this Schedule A, including a rights issue or other essentially pro rata issue.

6 Adjustment to Issue Date VWAP for divisions and similar transactions

(a) If at any time after the Issue Date, a Reorganisation occurs, the Issuer shall adjust the Issue Date VWAP by multiplying the Issue Date VWAP applicable on the Business 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 immediately before the Reorganisation; and

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

(b) Any adjustment made by IAG in accordance with paragraph 6(a) of this Schedule will, absent manifest error, be effective and binding on Subordinated MTN Holders under these terms and these terms will be construed accordingly.

(c) Each Subordinated MTN Holder acknowledges that IAG 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 requiring any consent or concurrence of any Subordinated MTN Holders.

7 No adjustment to Issue Date VWAP in certain circumstances

(a) Despite the provisions of paragraphs 5 and 6 of this Schedule A, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

(b) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by paragraphs 5(a) and 6(a) of this Schedule A shall not in any way restrict IAG from issuing Ordinary Shares at any time on such terms as it sees fit nor require any consent or concurrence of any Subordinated MTN Holders.

8 Announcement of adjustment to Issue Date VWAP

IAG will notify Subordinated MTN Holders (an "**Adjustment Notice**") of any adjustment to the Issue Date VWAP under this Schedule A within 10 Business Days of IAG determining the adjustment and the adjustment set out in the announcement will be final and binding.

9 Ordinary Shares

Each Ordinary Share issued or arising upon Conversion of a Subordinated MTN (or portion thereof):

(a) is issued fully paid in consideration of the application of the relevant Nominal Amount (or portion thereof) in accordance with paragraph 1(b)(i) of Schedule A and, where clause 6B.6 or clause 6D.4 applies, in consideration of the operation of the relevant clause in respect of the Subordinated MTN (or portion thereof); and

(b) ranks *pari passu* with all other fully paid Ordinary Shares.

10 Listing Ordinary Shares issued on Conversion

(a) IAG, at its cost:

(i) must use reasonable endeavours to list the Ordinary Shares issued upon Conversion of the Subordinated MTNs on the Australian Securities Exchange; and

(ii) in the case of Conversion on account of a Non-Viability Trigger Event must use reasonable endeavours to, and in the case of a Holder Conversion must, procure that the Ordinary Shares issued upon Conversion are able to be freely traded after their issue date on the Australian Securities Exchange 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 Subordinated MTN 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 Foreign Holder and is not otherwise within the control of either the Issuer or IAG).

(b) The Subordinated MTN 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 IAG 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.

Terms and Conditions of the MTNs for Insurance Australia Group Limited

*The following are the terms and conditions of the MTNs ("**Conditions**") which, as supplemented, modified or replaced in relation to any MTNs by the relevant Pricing Supplement, will be applicable to each Series of MTNs to be issued by the Issuer.*

Each Tranche will be the subject of a Pricing Supplement. References in the Conditions to a Pricing Supplement are references to the Pricing Supplement applicable to the relevant Tranche of MTNs.

Each MTN Holder and any person claiming through or under an MTN Holder is deemed to have notice of and is bound by these Conditions, the MTN Deed Poll, the Information Memorandum and the relevant Pricing Supplement. Copies of each of these documents (to the extent they relate to a Tranche of MTNs) are available for inspection by any MTN Holder of such Tranche at the offices of the Issuer and the Registrar at their respective addresses specified in the Information Memorandum.

1 Interpretation

1.1 Definitions

The following words have these meanings in these Conditions unless the contrary intention appears:

Additional Interest Amounts has the meaning given in Condition 5.9.

Agency Agreement means each agreement entered into between the Issuer and an Agent and any replacement of it and includes, for the avoidance of doubt, any agreement under which the Issuer appoints a person to perform administrative services and/or issue and paying agency functions, details of which are specified in the Information Memorandum or in any relevant Pricing Supplement.

Agent means each person appointed from time to time by the Issuer, with the consent of the Programme Manager, to perform agency functions under an Agency Agreement, details of which are specified in the relevant Pricing Supplement or in the Information Memorandum.

Alternate Currency means a currency (other than Australian Dollars) which is specified in the Pricing Supplement.

Amortisation Yield means the amortisation yield specified in the Pricing Supplement.

Amortised Face Amount means in relation to an MTN, an amount equal to the sum of:

(a) the Purchase Price specified in the Pricing Supplement; and

(b) the product of the Amortisation Yield specified in the Pricing Supplement (compounded annually) being applied to the Purchase Price (as specified in the Pricing Supplement) from (and including) the Issue Date specified in the Pricing Supplement to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the MTN becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction specified in the Pricing Supplement.

Applicable Business Day Convention means the Business Day Convention specified in the Pricing Supplement as applicable to any date in respect of the MTN or, if none is specified, the Applicable Business Day Convention for such purpose is the Following Business Day

Convention. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates and any other date or dates in respect of any MTNs.

APRA means the Australian Prudential Regulation Authority as constituted under the Australian Prudential Regulation Authority Act 1998 (Cth) or any successor Government Agency responsible for prudential regulation.

Arrears of Interest has the meaning given in Condition 5.8.

Assets means, in the respect of the Issuer, its total non-consolidated gross assets as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its directors, its auditors or its liquidator may determine to be appropriate.

ASX Listing Rules means the listing rules of the Australian Securities Exchange as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

ASX Operating Rules means the market operating rules of the Australian Securities Exchange as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

ASX Settlement Operating Rules means the settlement operating rules of the Australian Securities Exchange as amended, varied or waived (whether in respect of the Issuer or generally) from time to time.

Attorney has the meaning given in Condition 6F.2.

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

Austraclear Regulations means the regulations known as the "Regulations and Operating Manual" established by Austraclear as amended, varied or waived (whether in respect of the Issuer or generally) from time to time to govern the use of the Austraclear System.

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

Australian Dollars and **A$** mean the lawful currency of Australia.

Australian Securities Exchange means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

Business Day means:

(a) in the case of a Subordinated MTN, for the purposes of Conditions 6A to 6F (inclusive), a day which is a business day within the meaning of the ASX Listing Rules;

(b) for all other purposes, means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general banking business in the place specified in the Pricing Supplement, or, if no such place is specified, Sydney and Melbourne; and

(c) if an MTN is to be issued or paid on a Business Day other than in the case of a Subordinated MTN, a payment taken to be made as part of the Conversion of that Subordinated MTN:

    (i) a day on which commercial banks settle payments, in the case of Australian Dollars, in Sydney and Melbourne, and, in the case any other currency, in the principal financial city in the country of that currency; and

(ii) a day on which the relevant Clearing System for that MTN is operating.

Business Day Convention means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the Following Business Day Conventions, where specified in the Pricing Supplement in relation to any date applicable to any MTN, have the following meanings:

(a) **Floating Rate Convention** means that the date is postponed to the next following day which is a Business Day unless that day falls in the next calendar month, in which event:

(i) such date is brought forward to the first preceding day that is a Business Day; and

(ii) each subsequent Interest Payment Date is the last Business Day in the calendar month which is the specified number of months (or other period specified as the Interest Period in the applicable Pricing Supplement) after the calendar month in which the preceding applicable Interest Payment Date occurred;

(b) **Following Business Day Convention** means that the date is postponed to the first following day that is a Business Day;

(c) **Modified Following Business Day Convention** or **Modified Business Day Convention** means that the date is postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date is the first preceding day that is a Business Day; and

(d) **Preceding Business Day Convention** means that the date is brought forward to the first preceding day that is a Business Day.

Calculation Agent means, in respect of a Tranche, the person (if any) specified as such in the relevant Pricing Supplement. The Calculation Agent must be the same for all MTNs in a Series.

CHESS means the Clearing House Electronic Subregister System operated by the Australian Securities Exchange.

Clearing System means:

(a) the Austraclear System;

(b) Euroclear Bank S.A./N.V.;

(c) Clearstream Banking, société anonyme, Luxembourg; or

(d) any other clearing system specified in the relevant Pricing Supplement.

Condition means the correspondingly numbered condition in these Conditions.

Conditions means these terms and conditions of the MTNs.

Control has the meaning given in the Corporations Act.

Controlled Entity means an entity the Issuer Controls.

Conversion means, in relation to a Subordinated MTN or a portion of a Subordinated MTN, the conversion of all, some or a proportion of that Subordinated MTN into Ordinary Shares in accordance with and subject to Conditions 6A to 6F (inclusive) and Schedule A to these Conditions, and "**Convert**", "**Converting**" and "**Converted**" have corresponding meanings.

Conversion Number has the meaning given in Schedule A.

Corporations Act means the Corporations Act 2001 (Cth).

Costs include costs, charges and expenses, including those incurred in connection with advisers.

Day Count Fraction means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), the day count fraction specified in the Pricing Supplement and:

(a) if **Actual/365** or **Actual/Actual** is so specified, means the actual number of days in the Calculation Period divided by 365 or, if any portion of the Calculation Period falls in a leap year, the sum of:

  (i) the actual number of days in the portion of the Calculation Period falling in a leap year divided by 366; and

  (ii) the actual number of days in the portion of the Calculation Period falling in a non-leap year divided by 365;

(b) if **Actual/365 (fixed)** is so specified, the actual number of days in the Calculation Period divided by 365;

(c) if **Actual/360** is specified, means the actual number of days in the Calculation Period divided by 360;

(d) if **30E/360** or **Eurobond Basis** is specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(e) if **Australian Bond Basis** is specified, one divided by the number of Interest Payment Dates in a year.

Dealer means, in respect of an MTN, such person appointed by the Issuer as a dealer in respect of that MTN, in accordance with the Dealer Agreement.

Dealer Agreement means Annexure A to the Dealer Common Terms Deed Poll dated 28 February 2014 executed by each Issuer, as amended and supplemented from time to time.

Denomination means the notional face value of an MTN as specified in the relevant Pricing Supplement less, in the case of a Subordinated MTN, the aggregate of any part of the principal amount of that Subordinated MTN that has been reduced due to Conversion or Write-Off in accordance with Condition 6A.4.

Early Redemption Amount (Call) has the meaning given in Condition 6.4 (as may be supplemented by the relevant Pricing Supplement).

Early Redemption Amount (Put) has the meaning given in Condition 6.5 (as may be supplemented by the relevant Pricing Supplement).

Early Redemption Amount (Regulatory) has the meaning given in Condition 6.3(b).

Early Redemption Amount (Tax) has the meaning given in Condition 6.3(a) (as may be supplemented by the relevant Pricing Supplement).

Early Termination Amount means in relation to an MTN, the Outstanding Principal Amount or, if the MTN is non-interest bearing, the Amortised Face Amount or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

Effective Date, for the purposes of Condition 17, has the meaning given in Condition 17.3.

Encumbrance means any:

(a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust or title retention arrangement and any "security interest" as defined in sections 12(1) or (2) of the Personal Property Securities Act 2009 (Cth); or

(b) third party right or interest, or any right arising as a consequence of the enforcement of a judgment,

or any agreement to create any of them or allow them to exist.

Equal Ranking Securities means, in relation to the Subordinated MTNs, any Relevant Tier 2 Securities of the Issuer.

Event of Default has the meaning given to it in Condition 8.

External Administrator means, in respect of a person:

(a) a liquidator, a 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,

or in either case, any similar official.

Extraordinary Resolution has the same meaning as in the Meetings Provisions.

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-U.S. laws enacted with respect to those provisions).

Final Broken Amount has the meaning given to it in the Pricing Supplement.

Financial Year means any year beginning on 1 July and ending on 30 June.

Foreign Holder has the meaning given to it Condition 6B.3.

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

Group means the Issuer and its Subsidiaries.

Holder Conversion means, in the case of a Subordinated MTN, a Subordinated MTN to which Condition 6D applies, as specified in the relevant Pricing Supplement.

Holder Conversion Date means, for a Subordinated MTN, where Holder Conversion applies, each date specified in the relevant Pricing Supplement on which Holder Conversion may occur.

Holder Conversion Notice has the meaning given in Condition 6D.1.

Holder Details Notice means a notice in the form available from the Registrar.

IAG 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.

Inability Event shall mean the Issuer is prevented by applicable law or order of any court or action of any Government Agency or External Administrator (including regarding the insolvency, winding up or other external administration of the Issuer) or any other reason from performing any obligations required of it in connection with the Conversion of the Subordinated MTNs.

Information Memorandum means, in relation to MTNs, the then latest information memorandum (and any supplement to it) prepared on behalf of, and approved in writing by, the Issuer in connection with the issue of (amongst other things) MTNs, all documents incorporated by reference in it and such other information (including the relevant Pricing Supplement) approved in writing by the Issuer from time to time.

Initial Broken Amount has the meaning given to it in the Pricing Supplement.

Insolvency Event means the happening of any of these events:

(a) an application is made to a court for an order (and is not stayed, withdrawn or dismissed within 14 days) or an order is made that a body corporate be wound up; or

(b) an application is made to a court for an order appointing a liquidator or provisional liquidator in respect of a body corporate (and is not stayed, withdrawn or dismissed within 14 days), or one of them is appointed, whether or not under an order; or

(c) except to reconstruct or amalgamate while solvent a body corporate enters into, or resolves to enter into, a scheme of arrangement, deed of company arrangement or composition with, or assignment for the benefit of, all or any class of its creditors, or it proposes a reorganisation, moratorium or other administration involving any of them; or

(d) a body corporate resolves to wind itself up, or otherwise dissolve itself, or gives notice of intention to do so, except to reconstruct or amalgamate while solvent or is otherwise wound up or dissolved; or

(e) a body corporate is or states that it is insolvent; or

(f) a body corporate takes any step to obtain protection or is granted protection from its creditors, under any applicable legislation or an administrator is appointed to a body corporate; or

(g) anything analogous or having a substantially similar effect to any of the events specified above happens under the law of any applicable jurisdiction.

Interest Commencement Date means the Issue Date or such other date as may be specified as such in the Pricing Supplement.

Interest Determination Date has the meaning specified as such in the Pricing Supplement.

Interest Payment Date means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and adjusted, if necessary, in accordance with the Applicable Business Day Convention.

Interest Period means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided that the first Interest Period commences on and includes the Interest Commencement Date and the final Interest Period ends on but excludes the Maturity Date.

Interest Rate means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the MTNs specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement and in the case of floating rate MTNs, the rate determined in accordance with Condition 5.3.

Issue Date means the day on which any MTN is or is to be issued as specified in or determined in accordance with the provisions of the Pricing Supplement.

Issue Date VWAP means, in respect of Subordinated MTNs of a Series, the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which any Subordinated MTNs of that Series were issued, as adjusted in accordance with paragraphs 4 to 7 (inclusive) of Schedule A.

Issuer means Insurance Australia Group Limited (ABN 60 090 739 923) and a Substitute Issuer if appointed in accordance with Condition 17.

Junior Ranking Creditors means, in respect of Subordinated MTNs, creditors of the Issuer whose claims against the Issuer:

(a) arise under Junior Ranking Securities; or

(b) are in respect of a shareholding including the claims described in section 563AA and in section 563A of the Corporations Act.

Junior Ranking Securities means, in respect of Subordinated MTNs:

(a) any class of the Issuer's share capital; and

(b) any other securities of the Issuer which are issued on terms that are eligible for inclusion as Tier 1 Capital of the IAG Level 2 Insurance Group (whether or not constituting Tier 1 Capital of the IAG Level 2 Insurance Group at any other time).

Liabilities means, in respect of the Issuer, its total non-consolidated gross liabilities as shown by its latest published audited financial statements but adjusted for events subsequent to the date of such financial statements in such manner and to such extent as its directors, its auditors or its liquidator may determine to be appropriate.

Margin means the margin specified in, or determined in accordance with the provisions of, the Pricing Supplement.

Maturity Date means the date for redemption of an MTN or, in the case of an amortising MTN, the date on which the last instalment of principal is payable, in each case, as specified in the Pricing Supplement.

Maturity Redemption Amount means in relation to an MTN, the Outstanding Principal Amount, together with, in the case of Subordinated MTNs, any unpaid Arrears of Interest and any unpaid Additional Interest Amount, or such other redemption amount as may be specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

Maximum Interest Rate means the Maximum Interest Rate specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

Meetings Provisions means the provisions for the convening of meetings of, and passing of resolutions by, MTN Holders set out in Schedule 2 of the MTN Deed Poll.

Minimum Interest Rate means the Minimum Interest Rate specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

MTN means a medium term debt obligation of the Issuer constituted by, and owing under, the MTN Deed Poll to an MTN Holder, the details of which are recorded in, and evidenced by, inscription in an MTN Register.

MTN Deed Poll means the deed poll in relation to MTNs executed by the Issuer in New South Wales on or about 7 November 2007 and as amended and restated on 22 March 2018.

MTN Holder means:

(a) in respect of Subordinated MTNs only, for the purposes of determining the person entitled to be issued Ordinary Shares (or, where Condition 6B.3 applies, the net proceeds of sale of such shares) and the amount of their entitlements:

(i) for so long as such Subordinated MTNs are held in the Austraclear System, the Austraclear Participant (as defined in the Austraclear Regulations) for whose benefit the person whose name is for the time being entered in the relevant MTN Register (as the holder of that Subordinated MTN) holds that Subordinated MTN; and

(ii) for so long as such Subordinated MTNs are held in any other Clearing System specified in the relevant Pricing Supplement and Ordinary Shares are not able to be held in that Clearing System, the participant of that Clearing System for whose benefit the person whose name is for the time being entered in the relevant MTN Register (as the holder of that Subordinated MTN) holds that Subordinated MTN; and

(b) for all other purposes, a person whose name is for the time being entered in an MTN Register as the holder of an MTN or, where an MTN is held jointly by two or more persons, the persons whose names appear in the MTN Register as the joint holders of that MTN and (for the avoidance of doubt) when an MTN is entered into a Clearing System, includes the operator of that system or a nominee for a common depository for any one or more Clearing Systems (such operator or nominee for a common depository acting in such capacity as is specified in the rules and regulations of the relevant Clearing System or Clearing Systems).

MTN Register means a register, including any branch register, of MTN Holders established and maintained by or on behalf of the Issuer in which is entered the names and addresses of MTN Holders, the amount of MTNs held by each MTN Holder and the Tranche, Series and date of issue and transfer of those MTNs, and any other particulars which the Issuer sees fit.

Nominal Amount has the meaning given in Schedule A.

Non-Viability Determination means a determination made pursuant to paragraph (a) or paragraph (b) of the definition Non-Viability Trigger Event (as applicable).

Non-Viability Trigger Event has the meaning given in Condition 6A.2.

Optional Interest Payment Date means, in respect of a Subordinated MTN, an Interest Payment Date where:

(a) on or before that date:

(i) APRA requests the Issuer, the Group or a Regulated Subsidiary to restore or improve any applicable minimum or notional margin of solvency or capital adequacy levels; and

(ii) no interest payments have been made on Junior Ranking Securities and no dividends have been paid to shareholders since the date of that request; or

(b) no interest payments have been made on Equal Ranking Securities (other than an Equal Ranking Security in the 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 Securities) or Junior Ranking Securities, in each case during the Financial Year in which such Interest Payment Date falls, and no other dividends or other distributions have been paid to shareholders of the Issuer during the Financial Year in which such Interest Payment Date falls.

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

Outstanding means on any day all MTNs issued, less those MTNs:

(a) which have been redeemed or satisfied or Converted or Written-Off in full by the Issuer; or

(b) in respect of which an MTN Holder is unable to make a claim as a result of the operation of Condition 11.

Outstanding Principal Amount means, in respect of any MTN which is Outstanding at any time, the Denomination of the MTN less the aggregate of any part of the principal amount of that MTN that has been paid or otherwise satisfied by the Issuer and for such purposes:

(a) the premium of an MTN to be redeemed at a premium is to be taken to be added to the principal amount;

(b) the principal amount of an MTN issued at a discount is to be taken as at any time to equal its Denomination or, if provided for in its terms and conditions, its Amortised Face Amount at that time;

(c) the principal amount of a partly paid MTN is to be taken to equal its outstanding principal amount;

(d) if an MTN is repayable in instalments, the Outstanding Principal Amount at any time is to be taken to be Denomination of the MTN less the aggregate of each instalment repaid as at that time, to the extent that the instalment relates to a payment of principal; and

(e) if an amount is required to be determined in Australian Dollars, the Australian Dollar equivalent of an MTN denominated in an Alternate Currency is to be determined on the basis of the spot rate of exchange for the sale of Australian Dollars against the purchase of the relevant Alternate Currency in the Sydney foreign exchange market quoted by any leading bank selected by the Issuer on the relevant calculation date. The calculation date is, at the discretion of the Issuer, either the date of the relevant Pricing Supplement for such MTNs or the preceding day on which commercial banks and foreign exchange markets are open for business in Sydney or such other date as may be agreed between the Issuer and the Programme Manager or Dealer; and

(f) in respect of any Subordinated MTNs at any time, the Denomination of the Subordinated MTN.

Payment Date means, in respect of an MTN, an Interest Payment Date, the Maturity Date or other relevant payment date (including an early payment date).

Payment Default means, either:

(a) (**failure to pay principal**) the Issuer does not pay any principal or Early Termination Amount due in respect of the Subordinated MTNs within 7 days of its due date; or

(b) (**failure to pay interest or other amounts**) the Issuer does not pay any interest or other amount due in respect of the Subordinated MTNs within 30 days of its due date.

Pricing Supplement means the Pricing Supplement prepared and issued in relation to each Tranche of MTNs which has been confirmed in writing by the Issuer and which is in or substantially in the form of Schedule 6 of the Dealer Agreement.

Programme means the Issuer's uncommitted revolving debt issuance programme for the issuance of debt instruments as described in the Information Memorandum.

Programme Documents means each of the MTN Deed Poll, each MTN, each Pricing Supplement, each Registry Services Agreement, each Agency Agreement and any other instrument specified as such in a Pricing Supplement.

Programme Manager means the person appointed by the Issuer from time to time as an administration manager of the Programme (if any) and who has consented to act as Programme Manager. Any reference in these Conditions to a Programme Manager only applies while a Programme Manager is appointed to the Programme or in respect of the MTNs. For the avoidance of doubt, when a Programme Manager is not appointed, any requirement of an agreement or consent of, provision of a notice or other document to, or consultation with the Programme Manager shall not apply.

Purchase Price means, in respect of an MTN, the purchase price so specified in the relevant Pricing Supplement.

Record Date means, in the case of payments of interest or principal, the eighth calendar day before the relevant date for payment or such date that may be specified in the relevant Pricing Supplement.

Reference Rate means, in relation to an MTN, the rate so specified in the relevant Pricing Supplement.

Register means each of the register of Subordinated MTN Holders and the register of members of the Issuer maintained by or on behalf of the Issuer as the case may be.

Registrar means in relation to MTNs, Computershare Investor Services Pty Limited (ABN 48 078 279 277) or such other person appointed by the Issuer pursuant to the Registry Services Agreement to establish and maintain the MTN Register for such MTNs on the Issuer's behalf from time to time.

Registry Services Agreement means each agreement entered into between the Issuer and a Registrar and any replacement of it and includes, for the avoidance of doubt, the agreement entitled "Registrar and Paying Agency Services Agreement" dated 28 February 2014, between, amongst others, the Issuer and Computershare Investor Services Pty Limited and any replacement of it.

Regulated Subsidiary means any entity engaged in the insurance business and regulated as such by APRA, in which the Issuer directly or indirectly holds 20% or more of the voting rights or share capital.

Regulatory Capital means a Tier 1 Capital Security of the Issuer or a Tier 2 Capital Security of the Issuer.

Regulatory Event means the Issuer determines, having received:

(a) an opinion from a reputable legal counsel that as a result of any amendment to, clarification of or change (including any announcement of a change that has been or will be introduced) in, any law or regulation of the Commonwealth of Australia (including prudential standards), or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification or change is effective, or pronouncement, action or decision is announced, after the Issue Date; or

(b) a statement in writing from APRA after the Issue Date,

that, in each case, the Issuer is not or will not be entitled to treat all Subordinated MTNs of a Series as Tier 2 Capital of the IAG Level 2 Insurance Group, provided that, in each case, on the Issue Date, the Issuer did not expect that matters giving rise to the Regulatory Event would occur.

Regulatory Intervention means:

(a) with respect to the Issuer, the Group or a Regulated Subsidiary, a request is received from APRA to restore or improve any applicable minimum or notional margin of solvency or capital adequacy levels;

(b) if:

(i) prior to any date on which a payment in respect of interest on the Subordinated MTNs is due; or

(ii) on any date on which a payment in respect of interest on the Subordinated MTNs is due,

the Issuer, the Group or a Regulated Subsidiary has failed (or in the case of paragraph (b)(ii) above is reasonably likely to fail immediately after such payment) to meet its applicable minimum or notional margin of solvency or capital adequacy levels as at the later of:

(A) the date of the most recent audited accounts of the Issuer, the Group or, as the case may be, a Regulated Subsidiary; or

(B) the date such capital adequacy levels were most recently tested for regulatory purposes; or

(C) any date selected by the board of directors (or other management body) of the Issuer, the Group or, as the case may be, a Regulated Subsidiary, falling on or prior to the date on which a payment in respect of interest on the Subordinated MTNs is, or would otherwise be due.

A Regulatory Intervention is deemed to be continuing until such date as, in the case of paragraph (a) above, the relevant margins of solvency or capital adequacy levels have been restored or improved to the satisfaction of APRA or the request is otherwise withdrawn or addressed to the satisfaction of APRA, and, in the case of paragraph (b) above, the first date on which the Issuer, the Group or a Regulated Subsidiary (as applicable), meets its applicable minimum or notional margin of solvency or, as the case may be, its capital adequacy levels, in all cases as determined and certified to this effect by two directors of the Issuer.

Related Body Corporate of a person means a body corporate that is related to that person by virtue of section 50 of the Corporations Act.

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

Relevant Date means the date on which a payment in respect of the MTNs first becomes due, except that if the full amount payable has not been received by the Registrar on or before the due date, it means the date on which, the full amount having been so received, notice to that effect is given to the MTN Holders in accordance with Condition 12.

Relevant Financial Centre means the city specified as such in the Pricing Supplement or, if none, the city most closely connected with the Reference Rate in the determination of the Calculation Agent.

Relevant Fraction means:

(a) with respect to Conversion required after the occurrence of a Non-Viability Trigger Event, 0.2; and

(b) with respect to a Holder Conversion, a fraction specified in the applicable Pricing Supplement.

Relevant Screen Page has the meaning specified as such in the Pricing Supplement.

Relevant Securities means each of the:

(a) Relevant Tier 1 Securities; and

(b) Relevant Tier 2 Securities.

Relevant Senior MTN has the meaning given in Condition 17.1.

Relevant Tier 1 Security means a Tier 1 Capital Security that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off upon the occurrence of a Non-Viability Trigger Event and includes, for so long as they are on issue, the $404,100,000 perpetual capital notes issued by the Issuer on 22 December 2016.

Relevant Tier 2 Security means a Tier 2 Capital Security that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off upon the occurrence of a Non-Viability Trigger Event and includes, for so long as they are on issue:

(a) the $350,000,000 subordinated medium term notes due 2040 issued by Insurance Australia Limited (ABN 60 090 739 923) on 19 March 2014; and

(b) the NZD350,000,000 unsecured subordinated convertible notes due 2043 issued by the Issuer on 15 June 2016.

Relevant Time has the meaning given in Condition 5.3(b)(ii).

Senior Creditor has the meaning given in Condition 4.8.

Senior MTN means an MTN which is not a Subordinated MTN.

Senior MTN Holder means an MTN Holder holding a Senior MTN.

Series means a Tranche or Tranches of MTNs which have identical terms, except that:

(a) the Issue Date and the amount of the first payment of interest may be different in respect of different Tranches of a Series; and

(b) a Series may comprise MTNs in more than one denomination.

The Issuer is taken to be “**Solvent**” if:

(a) it is able to pay its debts as they fall due; and

(b) its Assets exceed its Liabilities.

Subordinated MTN means an MTN which is specified in a Pricing Supplement as being a Subordinated MTN.

Subordinated MTN Holder means an MTN Holder holding a Subordinated MTN.

Subsidiary of an entity means:

(a) another entity which is a subsidiary of the first within the meaning of Part 1.2 Division 6 of the Corporations Act; or

(b) another entity which is a subsidiary of or otherwise controlled by the first within the meaning of any applicable approved accounting standard.

Substitute Issuer has the meaning given in Condition 17.1.

Tax Act means:

(a) the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as the case may be and a reference to any section of the Income Tax Assessment Act 1936 (Cth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1997 (Cth); and

(b) any other Act setting the rate of income tax payable and any regulation promulgated under it.

Tax Event has the meaning given in Condition 6.3.

Taxes means taxes, levies, imposts, deductions, charges or withholdings and duties (including stamp and transaction duties) imposed by any authority together with any related interest, penalties and expenses in connection with them.

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

Tier 1 Capital Security means a share, note or other security or instrument constituting Tier 1 Capital of the IAG Level 2 Insurance Group.

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

Tier 2 Capital Security means a share, note or other security or instrument constituting Tier 2 Capital of the IAG Level 2 Insurance Group.

Tranche means MTNs which are issued on the same Issue Date and the terms of which are identical in all respects (except that a Tranche may comprise MTNs in more than one denomination).

Trigger Event Date shall mean the date on which APRA notifies the Issuer of a Non-Viability Trigger Event as contemplated in Condition 6A.2.

Trigger Event Notice has the meaning given to it in Condition 6A.3.

VWAP means, subject to any adjustments under Schedule A, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on the Australian Securities Exchange during the VWAP Period or on the relevant days and where the currency of the Nominal Amount in respect of the Subordinated MTN is not Australian Dollars, with each such daily price converted into the Alternate Currency on the basis of the spot rate of exchange for the sale of Australian Dollars against the purchase of the relevant Alternate Currency in the Sydney foreign exchange market quoted by any leading bank selected by the Issuer on the relevant calculation date 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 Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means the number of days specified in the applicable Pricing Supplement on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Date or the Holder Conversion Date (as applicable).

Winding Up has the meaning given to that term in Condition 4.8.

Winding Up Default means a Winding Up occurs in Australia other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by the shareholders of the Issuer or by a court of competent jurisdiction) under which the continuing or resulting corporation effectively assumes the entire obligations of the Issuer under the Subordinated MTNs and such Winding Up is not successfully appealed or permanently stayed within 30 days.

Written-Off:

(a) for the purposes of Condition 6B, has the meaning given to it in Condition 6B.5; and

(b) for the purposes of Conditions 6C, has the meaning given to it in Condition 6C.2.

Zero Coupon MTN means an MTN that does not bear interest. A Subordinated MTN cannot be a Zero Coupon MTN.

1.2 Interpretation

In these Conditions unless the contrary intention appears:

(a) a reference to these Conditions is a reference to these Conditions as varied, supplemented or replaced by the Pricing Supplement;

(b) 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;

(c) the singular includes the plural and vice versa;

(d) the word "person" includes a firm, body corporate, an unincorporated association or an authority;

(e) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns;

(f) a reference to any thing (including, without limitation, any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to all of them collectively and to each of them individually;

(g) a reference to an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act or, if not in connection with those standards, in accounting principles and practices generally accepted in Australia;

(h) any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer only if the Issuer is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time;

(i) any provisions which require APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time;

(j) any provisions in these Conditions requiring the prior approval of APRA for a particular course of action to be taken by the Issuer do not imply that APRA has given its consent or approval to the particular action as of the Issue Date of the applicable MTN;

(k) a reference to any term defined by APRA (including, without limitation, "Additional Tier 1 Capital", "Level 1", "Level 2", "Related Entity", "Tier 1 Capital" and "Tier 2 Capital") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term;

(l) for the avoidance of doubt, if Conversion under Condition 6B or Write-Off under Condition 6C of Subordinated MTNs is to occur on a Trigger Event Date, then that Conversion or Write-Off must occur on that date notwithstanding that it may not be a Business Day;

(m) a reference to a term defined by the ASX Listing Rules, the ASX Settlement Operating Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term; and

(n) in respect of Ordinary Shares, if the principal securities exchange on which the Ordinary Shares are listed becomes other than the Australian Securities Exchange, unless the context otherwise requires, a reference to the Australian Securities Exchange shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, the ASX Settlement Operating Rules, the ASX 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).

1.3 Headings

Headings are inserted for convenience and do not affect the interpretation of these Conditions.

2 Form, denomination and title

2.1 Constitution under MTN Deed Poll

The MTNs are registered debt obligations of the Issuer constituted by, and owing under, the MTN Deed Poll and take the form of entries in the MTN Register. Each entry in the MTN Register constitutes a separate and individual acknowledgment to the relevant MTN Holder of the indebtedness of the Issuer to the relevant MTN Holder.

2.2 Independent obligations

The obligations of the Issuer in respect of each MTN constitute separate and independent obligations which the MTN Holder to whom those obligations are owed is entitled to enforce without having to join any other MTN Holder or any predecessor in title of an MTN Holder.

2.3 Currency and denomination

MTNs may be denominated in Australian Dollars or an Alternate Currency specified in the Pricing Supplement.

2.4 Issue restrictions

Unless otherwise specified in the Pricing Supplement, MTNs may only be issued:

(a) in the denomination of A$10,000 (or an approximate equivalent in an Alternate Currency); and

(b) if the consideration payable is a minimum of A$500,000 (or the equivalent in an Alternate Currency) (disregarding any moneys lent by the Issuer or its associates) or the offer or invitation does not otherwise require disclosure to investors under Part 6D.2 of the Corporations Act.

2.5 MTN Register conclusive

Entries in the MTN Register in relation to an MTN constitute conclusive evidence that the person so entered is the registered holder of the MTN subject to rectification for fraud or error. No MTN will be registered in the name of more than four persons. An MTN registered in the name of more than one person is held by those persons as joint tenants. MTNs will be registered by name only without reference to any trusteeship. The person registered in the MTN Register as an MTN Holder will be treated by the Issuer and the Registrar as absolute owner of that MTN and neither the Issuer nor the Registrar is, except as ordered by a court or as required by statute, obliged to take notice of any other claim to an MTN.

2.6 Holder absolutely entitled

Upon a person acquiring title to any MTN by virtue of becoming an MTN Holder in respect of that MTN, all rights and entitlements arising by virtue of the MTN Deed Poll in respect of that MTN vest absolutely in the MTN Holder, such that no person who has previously been the MTN Holder in respect of that MTN has or is entitled to assert against the Issuer or the Registrar or the MTN Holder for the time being and from time to time any rights, benefits or entitlements in respect of the MTN.

2.7 Location of MTN Register

Each MTN Register will be established and maintained in New South Wales unless otherwise agreed with the Registrar.

2.8 Certificates

No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to an MTN unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

2.9 Acknowledgement

Where a Clearing System (or a common depository for more than one Clearing System) (each a "**relevant person**") is recorded in an MTN Register as the MTN Holder, each person in whose account that MTN is recorded is deemed to acknowledge in favour of the Registrar and each relevant person that:

(a) the Registrar's decision to act as the Registrar of the MTN does not constitute a recommendation or endorsement by the Registrar or the relevant person in relation to the MTN but only indicates that such MTN is considered by the Registrar to be compatible with the performance by it of its obligations as Registrar under its agreement with the Issuer to act as Registrar of the MTN; and

(b) the MTN Holder does not rely on any fact, matter or circumstance contrary to Condition 2.9(a).

3 Transfers

3.1 Limit on transfer

MTNs may only be transferred in whole. Unless otherwise specified in the Pricing Supplement, MTNs may only be transferred:

(a) if the consideration payable at the time of transfer is a minimum amount of A$500,000 (or the equivalent in an Alternate Currency) (disregarding any moneys lent by the transferor or its associates) or if the offer or invitation does not otherwise require disclosure to investors under Part 6D.2 of the Corporations Act; and

(b) the transfer complies with any applicable law or directive of the jurisdiction where the transfer takes place.

3.2 Transfer procedures

Unless MTNs are lodged in a Clearing System, application for the transfer of MTNs must be made by the lodgement of a transfer form with the Registrar. Transfer forms are available from the Registrar. Each form must be accompanied by such evidence (if any) as the Registrar may require to prove the title of the transferor or the transferor's right to transfer the MTN and be signed by both the transferor and the transferee.

MTNs entered in a Clearing System will be transferable only in accordance with the rules and regulations of that Clearing System.

3.3 Registration of transfer

The transferor of an MTN is deemed to remain the holder of that MTN until the name of the transferee is entered in the MTN Register in respect of that MTN.

3.4 No charge on transfer

Transfers will be registered without charge provided taxes, duties or other governmental charges (if any) imposed in relation to the transfer have been paid.

3.5 Estates

A person becoming entitled to an MTN as a consequence of the death or bankruptcy of an MTN Holder or of a vesting order or a person administering the estate of an MTN Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the MTN or, if so entitled, become registered as the MTN Holder in respect of that MTN.

3.6 Unincorporated associations

A transfer to an unincorporated association is not permitted.

3.7 Transfer of unidentified MTNs

Where the transferor executes a transfer of less than all MTNs of the relevant Tranche or Series registered in its name, and the specific MTNs to be transferred are not identified, the Registrar may (subject to the limit on minimum holdings) register the transfer in respect of such of the MTNs of the relevant Tranche or Series registered in the name of the transferor as the Registrar thinks fit, provided the aggregate principal amount of the MTNs registered as having been transferred equals the aggregate principal amount of the MTNs expressed to be transferred in the transfer.

3.8 Australian Securities Exchange Listing

MTNs which are listed on the Australian Securities Exchange will not be transferred through or registered on CHESS and will not be "CHESS approved securities". In the event that an interface between the MTN Register maintained by the Registrar and CHESS is established the Programme Documents may be amended to facilitate settlement on CHESS and so that the MTNs will become "CHESS approved securities".

4 Status

4.1 Status - Senior MTNs

Senior MTNs are direct, unsubordinated and unsecured obligations of the Issuer and rank at least equally with all other unsecured and unsubordinated obligations of the Issuer except liabilities mandatorily preferred by law.

4.2 Status - Subordinated MTNs

Subordinated MTNs constitute direct, subordinated and unsecured obligations of the Issuer and rank:

(a) ahead of the claims of holders of Junior Ranking Creditors;

(b) equally among themselves and with the claims of holders of Equal Ranking Securities; and

(c) behind all claims of Senior Creditors and all liabilities mandatorily preferred by law.

4.3 Winding Up

In a winding up of the Issuer, a Subordinated MTN Holder's claim for an amount owing by the Issuer in connection with a Subordinated MTN is subordinated to the claims of Senior Creditors, in that:

(a) all claims of Senior Creditors must be paid in full before the Subordinated MTN Holder's claim is paid; and

(b) the Subordinated MTN Holder must not claim in the winding up in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive.

4.4 No set-off

A Subordinated MTN Holder does not have any right to set-off any amounts owing to it by the Issuer in respect of Subordinated MTNs against any amount owing by it to the Issuer in connection with the Subordinated MTNs or otherwise.

The Issuer does not have any right to set-off any amounts owing to it by a Subordinated MTN Holder in respect of Subordinated MTNs against any amount owing by it to the Subordinated MTN Holder in connection with the Subordinated MTNs or otherwise.

4.5 Restriction on variation of Conditions

The Issuer must not vary the Conditions of any Subordinated MTNs other than in accordance with Condition 14 and provided that the Issuer has obtained the prior written approval of APRA if the variation may in any way affect the eligibility of the Subordinated MTN as Tier 2 Capital of the IAG Level 2 Insurance Group.

4.6 Consequences of an Event of Default

If an Event of Default occurs in relation to the Subordinated MTNs of any Series as set out in Condition 8.3, then Condition 8.4 will apply.

4.7 Acknowledgements by Subordinated MTN Holder

Each Subordinated MTN Holder irrevocably acknowledges and agrees that:

(a) Condition 4 is a debt subordination for the purposes of section 563C of the Corporations Act;

(b) it must not exercise its voting rights as an unsecured creditor in the Winding Up or administration of the Issuer to defeat the subordination in Condition 4;

(c) the debt subordination effected by Condition 4 is not affected by any act or omission of the Issuer or a Senior Creditor which might otherwise affect it at law or in equity;

(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 connection with a Subordinated MTN in excess of its entitlement under Condition 4.3;

(e) there is no limit on the amount of debt or other obligations which rank equally with or ahead of the Subordinated MTNs that may be incurred or assumed by the Issuer; and

(f) nothing in Condition 14.2 shall be taken to require the consent of any Senior Creditor to any amendment of Condition 4.

4.8 Definitions

(a) "**Senior Creditor**" means all present and future creditors of the Issuer, including policy holders, other than creditors in respect of Equal Ranking Securities or Junior Ranking Creditors.

(b) "**Winding Up**" means:

(i) a final court order is made for the winding up, dissolution or liquidation of the Issuer; or

(ii) a final and effective resolution is passed by shareholders or member for the winding up, dissolution or liquidation of the Issuer.

4.9 No guarantee

A MTN is not a policy liability of any member of the Group for the purposes of the Insurance Act 1973 (Cth), is not a protected policy for the purposes of the Financial Claims Scheme established under Part V of the Insurance Act 1973 (Cth) and is not guaranteed or insured by any government, Government Agency or compensation scheme of Australia or any other jurisdiction or by any other person.

5 Interest

5.1 General

MTNs may be either interest-bearing or non interest-bearing, as specified in the relevant Pricing Supplement. Interest-bearing MTNs may bear interest at either a fixed rate or a floating rate. In relation to any Tranche of MTNs, the relevant Pricing Supplement may specify actual amounts of interest payable ("**Interest Amounts**") rather than, or in addition to, a rate or rates at which interest accrues.

The Pricing Supplement in relation to each Tranche of interest-bearing MTNs will specify which of Conditions 5.2, 5.3 and 5.4 will be applicable to the MTNs. Condition 5.5 will be applicable to each Tranche of interest-bearing MTNs save to the extent of any inconsistency with the relevant Pricing Supplement.

5.2 Interest - fixed rate

Each MTN in relation to which this Condition 5.2 is specified in the relevant Pricing Supplement as being applicable ("**Fixed Rate MTNs**") will bear interest on its Outstanding Principal Amount at the fixed coupon rate or the fixed rate or rates per annum specified in the relevant Pricing Supplement from the Issue Date of the MTNs. Interest will be payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement.

Interest which is required to be calculated for a period of other than a full year will be calculated on such basis as is specified as the Day Count Fraction in the relevant Pricing Supplement.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount (as defined in the Pricing Supplement).

If the Maturity Date is not an Interest Payment Date, interest (including interest on any Arrears of Interest) from (and including) the preceding Interest Payment Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount (as specified in the Pricing Supplement).

5.3 Interest - floating rate

(a) *Accrual of interest*

MTNs in relation to which this Condition 5.3 is specified in the relevant Pricing Supplement as being applicable ("**Floating Rate MTNs**") will bear interest in respect of each Interest Period at the rate or rates per annum determined in accordance with this Condition 5.3.

Each Floating Rate MTN will bear interest on its Outstanding Principal Amount at the Interest Rate (as defined below) from the Interest Commencement Date. Interest will be payable in arrears on each Interest Payment Date. If any Interest Payment Date in respect of a Floating Rate MTN would otherwise fall on a day which is not a Business Day, such Interest Payment Date shall be determined in accordance with the Business Day Convention specified in the Pricing Supplement.

(b) *Interest Rate*

The Interest Rate payable in respect of Floating Rate MTNs shall be determined by the Calculation Agent on the basis of sub-paragraph (i) or (ii) below, as specified in the relevant Pricing Supplement.

(i) *ISDA Determination for Floating Rate MTNs*

Where "ISDA Determination" is specified in the applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period is the relevant ISDA Rate (as defined below) plus or minus (as indicated in the applicable Pricing Supplement) the Margin.

For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent for the MTNs under an interest rate swap transaction if the Calculation Agent for the MTNs were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions (as defined below) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is as specified in the applicable Pricing Supplement; and

(D) each Period End Date is an Interest Payment Date, the Spread is the Margin and the Floating Rate Day Count Fraction is the Day Count Fraction.

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**" (except references to "**Calculation Agent for the MTNs**"), "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**", "**Period End Date**", "**Spread**" and "**Floating Rate Day Count Fraction**" have the meanings given to those terms in the 2000 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the MTNs, published by the International Swaps and Derivatives Association, Inc. ("**ISDA Definitions**").

(ii) *Screen Rate Determination for Floating Rate MTNs*

Where the "Screen Rate Determination" is specified in the applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the Reference Rate which appears on the Relevant Screen Page as at 10.15 a.m. (Sydney time) or such other time as is specified in the Pricing Supplement ("**Relevant Time**") on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any).

(iii) *Minimum Interest Rate and/or Maximum Interest Rate - Senior MTNs*

If the applicable Pricing Supplement for a series of Senior MTNs specifies a Minimum Interest Rate for any Interest Period then, in the event that the Interest Rate in respect of such Interest Period determined in accordance with the other provisions of this Condition 5.3(b) is less than such Minimum Interest Rate, the Interest Rate for such Interest Period shall be such Minimum Interest Rate.

If the applicable Pricing Supplement for a series of Senior MTNs specifies a Maximum Interest Rate for any Interest Period then, in the event that the Interest Rate in respect of such Interest Period determined in accordance with the other provisions of this Condition 5.3(b) is greater than such Maximum Interest Rate, the Interest Rate for such Interest Period shall be such Maximum Interest Rate.

(iv) *Fallback Interest Rate*

Unless otherwise specified in the relevant Pricing Supplement, if, during the Interest Period, the Calculation Agent is unable to, or does not, determine a rate in accordance with the above provisions, the Interest Rate applicable to the MTNs during that Interest Period will be the Interest Rate applicable to the MTNs during the immediately preceding Interest Period (with adjustment for any change in the Margin, Maximum Interest Rate or Minimum Interest Rate).

(v) *Rounding*

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

(A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);

(B) all figures shall be rounded to five significant figures (with halves being rounded up); and

(C) all amounts that fall due and payable shall be rounded to the nearest cent (with halves being rounded up).

(c) *Calculation of interest amount payable*

The Calculation Agent will, as soon as practicable on or after determining the Interest Rate in relation to each Interest Period, calculate the amount of interest payable for the relevant Interest Period in respect of the Outstanding Principal Amount of each MTN. The amount of interest payable will be calculated by multiplying the product of the Interest Rate for such Interest Period and the Outstanding Principal Amount by the applicable Day Count Fraction and rounding the resultant figure to the nearest cent (with halves being rounded upwards).

5.4 Interest - other rates

MTNs in relation to which this Condition 5.4 is specified in the relevant Pricing Supplement as being applicable will bear interest at the rate or rates calculated on the basis specified in, and be payable in the amounts and in the manner determined in accordance with, the relevant Pricing Supplement.

5.5 Interest - supplemental provisions

(a) *Interest Payment Dates*

Interest on each MTN will be payable in arrear at such intervals and on such Interest Payment Dates as are specified in the relevant Pricing Supplement and on the Maturity Date.

(b) *Notification of Interest Rate, interest payable and other items*

The Calculation Agent will cause each Interest Rate, the amount of interest payable and each other amount, item or date, as the case may be, determined or calculated by it to be notified to the Issuer, the Registrar and any relevant Agent and to be notified to MTN Holders in accordance with Condition 12 as soon as practicable after such determination or calculation but in any event not later than the fourth day (other than a Saturday or Sunday) on which commercial banks are open for business in the Relevant Financial Centre thereafter. The Calculation Agent will be entitled to amend any such amount, item or date (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the previous sentence.

(c) *Determination final*

The determination by the Calculation Agent of all amounts, rates and dates falling to be determined by it pursuant to these Conditions (including, without limitation, the Interest Rate for any Interest Period and the amount of interest payable for any Interest Period in respect of any MTN) is, in the absence of manifest error, final and binding on the Issuer, each MTN Holder, the Registrar, any Agent and the Calculation Agent.

(d) *Accrual of interest*

Interest accrues on the Outstanding Principal Amount of each MTN or as otherwise indicated in the relevant Pricing Supplement. Interest ceases to accrue as from the due date for redemption of an MTN unless the relevant payment is not made in which case interest will continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the Outstanding Principal Amount of the MTN or such other default rate (if any) as may be specified in the relevant Pricing Supplement until the date on which the relevant payment is made or, if earlier, the seventh day after the date on which any Agent receives the funds required to make such payment (provided that notice of such circumstance is given to the MTN Holders in accordance with Condition 12) except to the extent that there is failure in the subsequent payment thereof to the relevant MTN Holder.

5.6 Zero Coupon MTNs - Senior MTNs

If the amount due and payable in respect of a Senior MTN which is a Zero Coupon MTN on the redemption date is not paid when due, the Interest Rate for any such overdue principal is a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified in the relevant Pricing Supplement.

5.7 Optional deferral of interest (Subordinated MTNs only)

(a) *Deferral of interest*

In the case of Subordinated MTNs, if this Condition 5.7 is specified in the relevant Pricing Supplement as being applicable then, the Issuer may, on any Optional Interest Payment Date, in the Issuer’s absolute discretion defer the payment of interest on the Subordinated MTNs which would otherwise be payable on such date.

The Issuer shall notify the Subordinated MTN Holders (in accordance with Condition 12) as soon as practicable (and in any event within ten Business Days after any Optional Interest Payment Date in respect of which payment is deferred) of (subject as provided below) any Optional Interest Payment Date on which, pursuant to the provisions of this Condition 5.7 the Issuer elects to defer the payment of interest. Notwithstanding the requirements to give notice pursuant to this Condition 5.7, failure to give such notice shall not prejudice the right of the Issuer not to pay interest pursuant to this Condition 5.7.

(b) *Not default*

Notwithstanding any other provision in these Conditions, any payment which for the time being is not made on the Subordinated MTNs by virtue of Condition 5.7(a) does not constitute a default for any purpose (including, but without limitation, Condition 8) on the part of the Issuer and does not give any Subordinated MTN Holder the right to accelerate repayment of the Subordinated MTNs.

5.8 Arrears of Interest - optional and compulsory payments (Subordinated MTNs only)

Any interest in respect of Subordinated MTNs not paid on an Interest Payment Date by virtue of Condition 5.7(a), together with any other interest in respect of the Subordinated MTNs not paid on any other Interest Payment Date, so long as the same remains unpaid, constitutes "**Arrears of Interest**".

Any Arrears of 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 Subordinated MTN Holders in accordance with Condition 12. All Arrears of Interest (together with all corresponding Additional Interest Amounts) will 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 Securities or Equal Ranking Securities (excluding any such payment on an Equal Ranking Security 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 Securities) 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 on which no Regulatory Intervention that has occurred is or will be continuing, unless the Issuer is otherwise entitled to defer at such time under these Conditions;

(c) the date on which the Issuer commences and does not abandon a public offer to redeem, purchase or acquire any Junior Ranking Securities or Equal Ranking Securities, except in connection with:

(i) any employment contract, employee share scheme, performance rights plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of the Issuer or any of its Controlled Entities; or

(ii) a dividend reinvestment plan, bonus option plan, bonus share plan, shareholder share purchase plan or top-up facility, shareholder sale facility or nominee sale facility;

(d) the date on which a Winding Up Default occurs; or

(e) the date fixed for any redemption of Subordinated MTNs or the date fixed for any purchase of Subordinated MTNs by or on behalf of the Issuer pursuant to Condition 6 or Condition 8.4(c).

5.9 Additional Interest Amounts (Subordinated MTNs only)

Interest will accrue on each amount of Arrears of Interest at the Interest Rate from time to time applicable to the Subordinated MTNs, and such amount of interest (the "**Additional Interest Amount**") will become due and payable pursuant to Condition 5.8 above and, unless otherwise specified in the relevant Pricing Supplement, shall be calculated by the Issuer by applying the Interest Rate applicable to the relevant Subordinated MTNs to the amount of Arrears of Interest.

All Additional Interest Amounts accrue and are payable on the same basis as interest on a Subordinated MTN, subject to deferral on the same basis as interest under Condition 5.7(a).

All Additional Interest Amounts accrued up to any Interest Payment Date and not paid on such Interest Payment Date shall be added, for the purpose only of calculating the Additional Interest Amounts accruing thereafter, to the amount of Arrears of Interest remaining unpaid on such Interest Payment Date.

6 Redemption and purchase

6.1 Redemption on maturity

Unless previously redeemed, Converted, Written-Off or purchased and cancelled or unless such MTN is stated in the Pricing Supplement as having no fixed maturity date, each MTN shall be redeemed on maturity at its Maturity Redemption Amount. A Subordinated MTN may only be redeemed or purchased prior to its stated maturity if:

(a) such redemption or purchase is on or after the fifth anniversary of the Issue Date of that Subordinated MTN;

(b) the Issuer has obtained the prior written approval of APRA; and

(c) the conditions in Condition 6.7 are satisfied.

6.2 Purchase of MTNs

MTNs may at any time be purchased in the open market or otherwise and at any price:

(a) in the case of a Subordinated MTN, by the Issuer or any Related Entity of the Issuer provided the prior written approval of APRA has been obtained and the conditions in Condition 6.7 are satisfied; and

(b) in the case of Senior MTNs, by the Issuer or any Related Body Corporate of the Issuer at any time.

All unmatured Senior MTNs purchased in accordance with this Condition 6.2 may be held, resold or cancelled at the discretion of the Issuer. All unmatured Subordinated MTNs purchased in accordance with this Condition 6.2 must be cancelled by the Issuer.

Any holding, resale or cancellation is subject to compliance with all legal and regulatory requirements.

For the purposes of the Meetings Provisions, in determining whether the provisions relating to quorum, meeting and voting procedures are complied with, any MTNs held in the name of the Issuer or any Related Body Corporate will be disregarded.

6.3 Redemption for taxation reasons and regulatory reasons

(a) *Redemption for taxation reasons*

If, in respect of the MTNs of any Series:

(i) the Issuer, on the occasion of the next payment due in respect of the MTN, would be required to make payment of any Additional Amount (as defined in Condition 9.6);

(ii) in the case of any Subordinated MTNs only, the Issuer or the consolidated tax group of which it is a member would be exposed to more than a *de minimis* amount of other Taxes, assessments or other governmental charges in connection with any Subordinated MTN of that Series; or

(iii) in the case of any Subordinated MTN only, the Issuer determines that any interest payable on any Subordinated MTN of that Series is not, or may not be, allowed as a deduction for the purposes of Australian income tax,

(each a "**Tax Event**") then the Issuer may, notwithstanding Condition 6.1(a), at any time, on giving not more than 30 nor less than 15 days' notice to the relevant Registrar, the relevant Agent and the MTN Holders in accordance with Condition 12, and upon expiry of such notice shall redeem all (but not some only) of the MTNs at their early redemption amount applicable for tax redemptions ("**Early Redemption Amount (Tax)**") (which is their Outstanding Principal Amount or, in the case of Senior MTNs, such other Early Redemption Amount (Tax) as is specified in the Pricing Supplement) together with (unless otherwise specified in the Pricing Supplement) accrued interest (if any) thereon (including, in the case of Subordinated MTNs, any Arrears of Interest and Additional Interest Amounts) provided that, in the case of a Subordinated MTN, on the Issue Date of that Subordinated MTN, the Issuer did not expect that matters giving rise to the Tax Event would occur, the prior written approval of APRA has been obtained and the conditions in Condition 6.7 are satisfied.

Prior to publication of any such notice of redemption, the Issuer shall deliver to the Registrar a certificate signed by an authorised person of the Issuer stating that the conditions precedent to the right of the Issuer so to redeem have occurred and attaching an opinion of legal or tax advisers of recognised standing to the Issuer in its jurisdiction of incorporation to the effect that one or more of the circumstances described in paragraphs (i), (ii) and (iii) of this Condition 6.3(a) exist.

(b) *Redemption for regulatory reasons (Subordinated MTNs only)*

Unless otherwise specified in the relevant Pricing Supplement, if a Regulatory Event occurs at any time:

(i) the Issuer may, notwithstanding Condition 6.1(a) (but subject to having obtained the prior written consent of APRA), give not more than 30 nor less than 15 days' notice to the relevant Registrar, the relevant Agent and the MTN Holders (in accordance with Condition 12) of its intention to redeem the Subordinated MTNs of a Series to which the Regulatory Event relates; and

(ii) the Issuer shall, upon expiry of the notice referred to in paragraph (i) above, redeem all (but not some only) of the Subordinated MTNs of that Series for the amount ("**Early Redemption Amount (Regulatory)**") (which is the Outstanding Principal Amount together with accrued interest (if any) thereon (including any Arrears of Interest and Additional Interest Amounts)) provided the prior written approval of APRA has been obtained and the conditions in Condition 6.7 are satisfied.

Prior to publication of any such notice of redemption, the Issuer shall deliver to the Registrar a certificate signed by an authorised person of the Issuer showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

6.4 Early redemption at the option of the Issuer

If this Condition 6.4 is specified in the relevant Pricing Supplement as being applicable then the Issuer, having given at least the minimum period (if any) (but not more than the maximum period (if any)) of notice specified in the relevant Pricing Supplement to MTN Holders in accordance with Condition 12 (which notice must comply with the following paragraph and shall, subject to Condition 6A.2, 6B.4 and 6C (as applicable), be irrevocable) and subject to satisfaction of any relevant conditions specified in the relevant Pricing Supplement, may redeem all (but not, unless and to the extent that the relevant Pricing Supplement specifies otherwise, some only) of the MTNs:

(a) in the case of a Subordinated MTN, on any Business Day or within any period (each as specified in the Pricing Supplement provided that no day may be specified for redemption which falls earlier than the fifth anniversary of the Issue Date of that Subordinated MTN) and before any date (if applicable) as specified in the Pricing Supplement and provided further that the prior written consent of APRA has been obtained and the conditions in Condition 6.7 are satisfied; and

(b) in the case of Senior MTNs, on any Business Day,

(being, in the case of interest bearing MTNs (unless otherwise specified in the relevant Pricing Supplement), an Interest Payment Date) at their early redemption amount applicable for calls by the Issuer ("**Early Redemption Amount (Call)**") (which is their Outstanding Principal Amount or such other Early Redemption Amount (Call) as is specified in, or determined in accordance with, the relevant Pricing Supplement) together with (unless otherwise specified in the Pricing Supplement) accrued interest (if any) thereon (including any Arrears of Interest and Additional Interest Amounts).

The notice referred to in the preceding paragraph shall specify:

(c) the Series of MTNs subject to redemption;

(d) subject to the Pricing Supplement specifying that a partial redemption is permissible, whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the MTNs of the relevant Series which are to be redeemed;

(e) the due date for redemption;

(f) the Early Redemption Amount (Call) at which such MTNs are to be redeemed; and

(g) whether or not accrued interest is to be paid upon redemption and, if so, the amount thereof or the basis or method of calculation thereof, all as provided in the relevant Pricing Supplement.

In the case of a partial redemption of MTNs, the MTNs to be redeemed will be selected by the Registrar, and notice of the MTNs selected for redemption will be given in accordance with Condition 12 not less than 15 days prior to the date fixed for redemption.

Any notice given under this Condition 6.4 is irrevocable and obliges the Issuer to redeem the MTNs at the time and in the manner specified in the notice.

6.5 Redemption at the option of MTN Holders

If this Condition 6.5 is specified in the relevant Pricing Supplement as being applicable then, at the option of the MTN Holder and provided that any conditions to the exercise of such option as are specified in the relevant Pricing Supplement have been satisfied, the Issuer will redeem the Senior MTN on any day (being, in the case of an interest bearing Senior MTN (unless otherwise specified in the relevant Pricing Supplement) an Interest Payment Date) at its early redemption amount applicable for puts ("**Early Redemption Amount (Put)**") (which is its Outstanding Principal Amount or such other Early Redemption Amount (Put) as is specified in, or determined in accordance with, the relevant Pricing Supplement) together with (unless otherwise specified in the Pricing Supplement) accrued interest (if any) thereon (including any Arrears of Interest and Additional Interest Amounts).

To exercise such option, the MTN Holder must complete, sign and deliver to the specified office of the Registrar not less than 45 days before the redemption date (or such other period as may be specified in the relevant Pricing Supplement), a redemption notice (in the form obtainable from the Registrar) together with such evidence as the Registrar may require to establish the rights of that MTN Holder to the relevant Senior MTNs.

MTN Holders have no right to require early redemption of Subordinated MTNs.

6.6 Zero Coupon MTNs

In the case of a Zero Coupon MTN (unless otherwise specified in the Pricing Supplement), the Early Termination Amount is the Amortised Face Amount or such other amount specified in the Pricing Supplement.

6.7 Redemption condition for Subordinated MTNs

A redemption of Subordinated MTNs in accordance with Condition 6.3 or Condition 6.4 must not occur unless either:

(a) the Subordinated MTNs are replaced, concurrently with the redemption or beforehand, with Regulatory Capital of the same or better quality (for the purposes of APRA's prudential standards as they are applied to the Issuer) and the replacement of the Subordinated MTNs is done under conditions that are sustainable for the income capacity of the Issuer; or

(b) APRA is satisfied that, having regard to the capital position of the IAG Level 2 Insurance Group, the Issuer does not have to replace the Subordinated MTNs the subject of the redemption.

Subordinated MTN Holders should not expect that APRA's approval will be given for any redemption or purchase of the Subordinated MTNs.

6A Conversion or Write-Off of Subordinated MTNs on Non-Viability Trigger Event

6A.1 Application to Subordinated MTNs only

Conditions 6A to 6F (inclusive) apply only to Subordinated MTNs. Schedule A to these Conditions (including the defined terms therein) shall be deemed to form part of, and be incorporated in, Conditions 6B and 6D.

6A.2 Non-Viability Trigger Event

A "**Non-Viability Trigger Event**" means:

(a) the issuance to the Issuer of a written determination from APRA that conversion or write-off of Relevant Securities is necessary because, without it, APRA considers that the Issuer would become non-viable; or

(b) a determination by APRA, notified to the Issuer in writing, that without a public sector injection of capital, or equivalent support, the Issuer would become non-viable.

6A.3 Conversion or Write-Off of Subordinated MTNs on Trigger Event Date

If a Non-Viability Trigger Event occurs:

(a) on the Trigger Event Date, subject only to Condition 6B.4, such Nominal Amount of the Subordinated MTNs will immediately Convert or be Written-Off (whichever is applicable as specified in the Pricing Supplement) as is required by the Non-Viability Determination, provided that:

(i) where such Non-Viability Determination is made on the grounds that, without a public sector injection of capital or equivalent support, the Issuer would become non-viable, all Subordinated MTNs must be Converted or Written-Off (as applicable) in full; and

(ii) where Condition 6A.3(a)(i) does not apply and such Non-Viability Determination does not require all Relevant Securities to be converted into Ordinary Shares or written-off, such Nominal Amount of the Subordinated MTNs shall Convert or be Written-Off (as applicable) as is sufficient (determined by the Issuer in accordance with Condition 6A.3(b)), in accordance with Condition 6A.3(b)) to satisfy APRA that the Issuer is viable without further conversion or write-off;

(b) where Condition 6A.3(a)(ii) applies, the Issuer will determine the Nominal Amount of Subordinated MTNs which must be Converted or Written-Off (as applicable) in accordance with Condition 6A.3(a), on the following basis:

(i) the Issuer will first convert into Ordinary Shares or write-off all Relevant Tier 1 Securities; and

(ii) secondly, if conversion into Ordinary Shares or write-off of all Relevant Tier 1 Securities is not sufficient to satisfy the requirements of Condition 6A.3(a) (and provided that as a result of the conversion or write-off of Relevant Tier 1 Securities, APRA has not withdrawn the Non-Viability Determination), Convert or Write-Off (as applicable) a Nominal Amount of Subordinated MTNs and convert into Ordinary Shares or write-off a number or principal amount of other Relevant Tier 2 Securities on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of the Issuer, fair and reasonable;

and in determining what is fair and reasonable:

(A) the Issuer may make such adjustment to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and the authorised denominations of the Nominal Amount of any Subordinated MTN or the number or principal amount of other Relevant Tier 2 Securities remaining on issue, and the need to effect the conversion immediately); and

(B) for the purposes of Condition 6A.3(b)(ii), where the specified currency of the principal amount of Relevant Tier 2 Securities is not the same for all Relevant Tier 2 Securities, the Issuer may treat them as if converted into a single currency of the Issuer's choice at such rate of exchange as the Issuer in good faith considers reasonable,

provided always that the determination of the Nominal Amount of Subordinated MTNs to be Converted or Written-Off (as applicable) does not impede or delay the immediate Conversion or Write-Off (as applicable) of the relevant Nominal Amount of Subordinated MTNs);

(c) on the Trigger Event Date, the Issuer shall determine the Subordinated MTNs or portions thereof as to which the Conversion or Write-Off (as applicable) is to take effect and in making that determination may make any decisions with respect to the identity of the Subordinated MTN Holders at that time as may be necessary or desirable to ensure Conversion or Write-Off (as applicable) occurs in an orderly manner, including disregarding any transfers of Subordinated MTNs that have not been settled or registered at that time provided that such determination does not impede or delay the immediate Conversion or Write-Off (as applicable) of the relevant Nominal Amount of Subordinated MTNs;

(d) the Issuer must give notice of its determination pursuant to Condition 6A.3(c) (a "**Trigger Event Notice**") as soon as practicable to the Subordinated MTN Holders, which must specify:

(i) the Trigger Event Date;

(ii) the Nominal Amount of the Subordinated MTNs Converted or Written-Off (as applicable); and

(iii) the relevant number or principal amount of other Relevant Securities converted or written-off; and

(e) none of the following events shall prevent, impede or delay the Conversion or Write-Off (as applicable) of Subordinated MTNs as required by Condition 6A.3(a):

(i) any failure or delay in the conversion or write-off of other Relevant Securities;

(ii) any failure or delay in giving a Trigger Event Notice;

(iii) any requirement to select or adjust the number or Nominal Amount of Subordinated MTNs to be Converted or Written-Off (as applicable) in accordance with Condition 6A.3(b)(ii); and

(iv) in the case of Conversion only, any failure or delay in quotation of Ordinary Shares to be issued on Conversion.

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

6A.4 Conversion or Write-Off of a portion of a Subordinated MTN

In respect of any Subordinated MTN which is to be Converted or Written-Off only in part:

(a) the Issuer shall notify the Registrar of the Nominal Amount of such Subordinated MTN that has been Converted or Written-Off and instruct the Registrar to reflect this Conversion or Write-Off (as applicable) in the MTN Register so that the Nominal Amount of such Subordinated MTN is reduced to an amount equal to the non-Converted or non-Written-Off (as applicable) portion of the Nominal Amount of such Subordinated MTN; and

(b) if a certificate of title has been issued to the relevant Subordinated MTN Holder in respect of such Subordinated MTN, then, if the Issuer so requires, such Subordinated MTN Holder shall surrender such certificate of title to the Issuer (or, if the Issuer so directs, to the Registrar) and the Issuer shall deliver to the Subordinated MTN Holder, a new certificate of title for a Subordinated MTN with a Nominal Amount equal to the non-Converted or non-Written-Off (as applicable) portion of the Nominal Amount of such Subordinated MTN; and

(c) the amount of interest payable in respect of that Subordinated MTN on each Interest Payment Date falling immediately after that Trigger Event Date will be reduced and calculated on the Outstanding Principal Amount of that Subordinated MTN as reduced on the day of the Conversion or Write-Off.

6B Conversion of Subordinated MTNs

6B.1 Conversion of Subordinated MTNs on Trigger Event Date

Unless "Write-Off – Applicable" is specified in the relevant Pricing Supplement, Condition 6B shall apply to the Subordinated MTNs and, notwithstanding any other provision in these

Conditions other than Condition 6B.4, on the Trigger Event Date the relevant Nominal Amount (as determined under Condition 6A.3) of the Subordinated MTNs will Convert immediately and irrevocably.

From the Trigger Event Date, subject to Conditions 6B.4 and 6E(b)(iii), the Issuer shall treat any Subordinated MTN Holder of any Subordinated MTN or portion thereof which is required to be Converted as the holder of the relevant number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion and the issuance of such Ordinary Shares.

6B.2 Failure to Convert

Subject to Condition 6B.3 and Condition 6E, if, in respect of a Conversion of Subordinated MTNs, the Issuer fails to issue on the Trigger Event Date the Conversion Number of Ordinary Shares in respect of the relevant Nominal Amount (or portion thereof) of such Subordinated MTNs to, or in accordance with the instructions of, the relevant Subordinated MTN Holder on the Trigger Event Date or any other nominee where Condition 6B.3 applies, the Nominal Amount (or portion thereof) of such Subordinated MTNs which would otherwise be subject to Conversion shall remain on issue and outstanding until:

(a) the Ordinary Shares are issued to, or in accordance with the instructions of, the Subordinated MTN Holder of such Subordinated MTNs; or

(b) such Subordinated MTNs are Written-Off in accordance with these Conditions;

provided, however, that the sole right of the Subordinated MTN Holder in respect of Subordinated MTNs or portion thereof that are subject to Conversion is its right to be issued Ordinary Shares upon Conversion in accordance with Schedule A (subject to its compliance with this Condition 6B.2 or to receive the proceeds from their sale pursuant to Condition 6B.3, as applicable) and the remedy of such Subordinated MTN Holder in respect of the Issuer's failure to issue the Ordinary Shares in accordance with Schedule A is limited to seeking an order for specific performance of the Issuer's obligations to issue the Ordinary Shares to the Subordinated MTN Holder in accordance with Schedule A or where Condition 6B.3 applies to the nominee and to receive such proceeds of sale, in each case, in accordance with the terms of the Subordinated MTNs. This Condition 6B.2 does not affect the obligation of the Issuer to issue the Ordinary Shares when required in accordance with these Conditions.

6B.3 Issue to nominee

If, in respect of a Subordinated MTN and a Subordinated MTN Holder of that Subordinated MTN, the Subordinated MTN or portion thereof is required to be Converted and:

(a) in the case of a Conversion due to a Non-Viability Trigger Event, the Subordinated MTN 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 Trigger Event Date;

(b) the Subordinated MTNs are held by a Subordinated MTN Holder whose address in the register is a place outside Australia or who the Issuer otherwise believes may not be a resident of Australia (a "**Foreign Holder**"); or

(c) for any reason (whether or not due to the fault of the Subordinated MTN Holder) the Issuer has not received the information required by Condition 6F.1 prior to the Trigger Event Date and the lack of such information would prevent the Issuer from issuing the Ordinary Shares to the Subordinated MTN Holder on the Trigger Event Date,

then, subject always to Condition 6B.4, on the Trigger Event Date:

(d) where Condition 6B.3(a) or 6B.3(b) applies, the Issuer shall issue the Ordinary Shares to the Subordinated MTN Holder only to the extent (if at all) that:

(i) where Condition 6B.3(a) applies, the Subordinated MTN Holder has notified the Issuer that it wishes to receive them;

(ii) where Condition 6B.3(b) applies, the Issuer is satisfied that the laws of both the Commonwealth of Australia and the Foreign Holder's country of residence permit the issue of 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 the Issuer is not obliged to issue Ordinary Shares to the Subordinated MTN Holder, the Issuer will issue the balance of the Ordinary Shares to the nominee in accordance with Condition 6B.3(e);

(e) otherwise, subject to applicable law, the Issuer will issue the balance of Ordinary Shares in respect of the Subordinated MTN Holder to a competent nominee (which may not be a Related Entity of the Issuer) and will promptly notify such Subordinated MTN Holder of the name of and contact information for the nominee and the number of Ordinary Shares issued to the nominee on its behalf and, subject to applicable law:

(i) and subject to Condition 6B.3(e)(ii), the nominee will as soon as reasonably possible after issue of the Ordinary Shares 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 Subordinated MTN Holder; and

(ii) where Condition 6B.3(c) applies, the nominee will hold such Ordinary Shares and will transfer Ordinary Shares to such Subordinated MTN Holder promptly after such Subordinated MTN Holder provides the nominee with the information required to be provided by such Subordinated MTN Holder under Condition 6F.1 (as if a reference in Condition 6F.1(C) 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) but only where such information is provided to the nominee within 30 days of the date on which Ordinary Shares are issued to the nominee upon Conversion of such Subordinated MTN and failing which the nominee will sell the Ordinary Shares and pay the proceeds to such Subordinated MTN Holder in accordance with Condition 6B.3(e)(i);

(f) nothing in this Condition 6B.3 shall affect the Conversion of the Subordinated MTNs of a Subordinated MTN Holder who is not a person to which any of Condition 6B.3(a) to 6B.3(c) (inclusive) applies; and

(g) for the purposes of this Condition 6B.3, neither the Issuer nor the nominee owes any obligations or duties to the Subordinated MTN Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Subordinated MTN Holder as a result of the sale of Ordinary Shares.

6B.4 Write-Off of Subordinated MTNs

Notwithstanding any other provision of Condition 6B and provided that "Write-Off – Applicable" is not specified in the relevant Pricing Supplement, where Subordinated MTNs are required to be Converted on the Trigger Event Date and Conversion of the relevant Nominal Amount of those Subordinated MTNs that are subject to Conversion has not been effected within five Business Days after the relevant Trigger Event Date for any reason (including, without limitation, an Inability Event):

(a) the relevant Nominal Amount (or portion thereof) of those Subordinated MTNs which, but for this Condition 6.4B, would be Converted, will not be Converted and instead will be Written-Off with effect on and from the Trigger Event Date; and

(b) the Issuer shall notify the Subordinated MTN Holders as promptly as practically possible that Conversion of the relevant Nominal Amount (or portion thereof) of the Subordinated MTNs has not occurred and that such Nominal Amount of the Subordinated MTNs has been Written-Off.

6B.5 Meaning of "Written-Off"

For the purposes of Condition 6B, "**Written-Off**" shall mean that, in respect of a Subordinated MTN or portion thereof that is otherwise subject to Conversion and a Trigger Event Date:

(a) the Subordinated MTN or portion thereof that is otherwise subject to Conversion will not be Converted on that date and will not be Converted or redeemed under these Conditions on any subsequent date; and

(b) on and from the expiry of the fifth Business Day after the relevant Trigger Event Date, the rights of the relevant Subordinated MTN Holder of the Subordinated MTN or portion thereof (including to any right to receive any payment thereunder, both in the future and as accrued but unpaid as at the Trigger Event Date) in relation to such Subordinated MTN or portion thereof are immediately and irrevocably terminated and written-off, with effect on and from the Trigger Event Date; and

"**Write-Off**" has a corresponding meaning.

6C Write-Off of Subordinated MTNs

6C.1 Write-Off of Subordinated MTNs on Trigger Event Date

If "Write-Off – Applicable" is specified in the relevant Pricing Supplement, Condition 6C shall apply to the Subordinated MTNs and on the Trigger Event Date the rights of the Subordinated MTN Holder of the relevant Subordinated MTNs (including to payment of any principal or interest) in relation to the relevant Nominal Amount (as determined under Condition 6A.3) of the Subordinated MTNs are Written-Off (as that term is defined for the purposes of Condition 6C).

Each Subordinated MTN Holder irrevocably acknowledges and agrees that this Condition 6C is a fundamental term of the Subordinated MTNs to which Condition 6C is applicable and that no conditions or events will affect the operation of this Condition 6C and such Subordinated MTN Holder will not have any rights to vote in respect of any Write-Off under this Condition 6C.1.

6C.2 Meaning of "Written-Off"

For the purposes of Condition 6C, "**Written-Off**" shall mean that, in respect of a Subordinated MTN or portion thereof and a Trigger Event Date, the rights of the relevant Subordinated MTN Holder (including to any right to receive any payment thereunder, both in the future and as accrued but unpaid as at the Trigger Event Date) in relation to such Subordinated MTN or portion thereof are immediately and irrevocably terminated and written-off, and "**Write-Off**" has a corresponding meaning.

6D Subordinated MTN Holder Conversion

6D.1 When a Subordinated MTN Holder Conversion will occur

If this Condition 6D.1 is specified in the relevant Pricing Supplement as being applicable, a Subordinated MTN Holder may at its option give a written notice (a "**Holder Conversion Notice**") in respect of some or all of its Subordinated MTNs and a Holder Conversion Date in accordance with and subject to Condition 6D.2, in which case the Subordinated MTNs the subject of the Holder Conversion Notice will be Converted into Ordinary Shares on the Holder Conversion Date in accordance with the mechanics set out in Schedule A.

6D.2 Holder Conversion Notice

In order to elect to Convert its Subordinated MTNs, a Subordinated MTN Holder must give a Holder Conversion Notice to the Issuer within the minimum notice period (if any) but not more than the maximum notice period (if any) specified in the relevant Pricing Supplement in accordance with Condition 12. A Holder Conversion Notice must specify:

(a) the Holder Conversion Date;

(b) the Series of Subordinated MTNs subject to Conversion; and

(c) if the Pricing Supplement specifies that a partial Conversion is applicable, whether such Series is to be Converted in whole or in part and, if in part only, the Nominal Amount of Subordinated MTNs of the relevant Series to be Converted (which amount must be a minimum amount and an integral multiple of an amount above the minimum amount equal to the Denomination of a Subordinated MTN or as otherwise specified in the Pricing Supplement. If the Conversion is not of all of the Subordinated MTN Holder's Subordinated MTNs, the Subordinated MTN Holder must have a minimum aggregate Nominal Amount of Subordinated MTNs remaining after the Conversion as specified in the Pricing Supplement);

(d) the information required by Condition 6F.1; and

(e) be accompanied by a duly executed (and if required by the Issuer) stamped transfer form in respect of the Subordinated MTNs to be transferred.

A Holder Conversion Notice once given is irrevocable.

6D.3 Settlement of Holder Conversion

On the Conversion Date, the Issuer and the Subordinated MTN Holder shall perform their respective obligations in respect of the Conversion and the Subordinated MTN shall be Converted accordingly.

6D.4 Failure to Convert

If on a Holder Conversion Date the Conversion Number of Ordinary Shares is not issued or delivered in respect of a Subordinated MTN, that Subordinated MTN remains on issue and any interest (including any Arrears of Interest and Additional Interest Amounts) will continue to accrue until the Ordinary Shares are issued to the Subordinated MTN Holder (which date shall be the Holder Conversion Date in respect of that Subordinated MTN) or the Subordinated MTN is redeemed or purchased in accordance with Condition 6, Converted as required by Condition 6B or Written-Off.

The remedy of a Subordinated MTN Holder in respect of the Issuer's failure to issue or deliver the Ordinary Shares in accordance with Schedule A is limited to seeking an order for specific performance of the Issuer's obligations to issue or deliver the Ordinary Shares to the Subordinated MTN Holder in accordance with the terms of the Subordinated MTNs.

This Condition 6D.4 does not affect the obligation of the Issuer to issue or deliver Ordinary Shares when required in accordance with these Conditions.

6E Subordinated MTN Holder acknowledgements

For the purposes of Conversion under Conditions 6B and 6D, each Subordinated MTN Holder irrevocably consents to becoming a member of the Issuer upon the Conversion of the relevant Nominal Amount of Subordinated MTNs and agrees to be bound by the constitution of the Issuer, in each case in respect of the Ordinary Shares issued to such Subordinated MTN Holder on Conversion.

For the purposes of Conversion as required by Condition 6B, each Subordinated MTN Holder irrevocably acknowledges and agrees as a fundamental term of the Subordinated MTNs:

(a) that it is obliged to accept Ordinary Shares upon a Conversion of the Nominal Amount of Subordinated MTNs it holds notwithstanding anything that might otherwise affect a Conversion of such Nominal Amount of Subordinated MTNs including:

(i) any change in the financial position of the Issuer or the Group since the issue of such Subordinated MTNs;

(ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or

(iii) any breach by the Issuer of any obligation in connection with such Subordinated MTNs;

(b) that where Condition 6A.3 applies:

(i) there are no other conditions to a Non-Viability Trigger Event occurring as and when provided in Condition 6A.2;

(ii) Conversion must occur immediately on the occurrence of a Non-Viability Trigger Event and that may result in disruption or failures in trading or dealings in the Subordinated MTNs;

(iii) it will not have any rights to vote in respect of any Conversion; and

(iv) the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all;

(c) that where Condition 6B.4 applies, no conditions or events will affect the operation of that Condition and such Subordinated MTN Holder will not have any rights to vote in respect of any Write-Off under that Condition and has no claim against the Issuer arising in connection with the application of that Condition;

(d) unless “Conversion – Applicable” is specified in the relevant Pricing Supplement, that such Subordinated MTN Holder has no right to request a Conversion of any Nominal Amount of any Subordinated MTNs or to determine whether (or in what circumstances) the Nominal Amount of Subordinated MTNs it holds is Converted;

(e) that none of the following shall prevent, impede or delay the Conversion or (where relevant) Write-Off of the Nominal Amount of Subordinated MTNs:

(i) any failure to or delay in the conversion or write-off of other Relevant Securities;

(ii) any failure or delay in giving a Trigger Event Notice or other notice required by Conditions 6A to 6C (inclusive);

(iii) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion or in the taking of such action as is needed to make them freely tradeable;

(iv) any failure or delay in Converting any Subordinated MTN in part pursuant to the provisions of Condition 6A.4; and

(v) any requirement to select or adjust the number or Nominal Amount of Subordinated MTNs to be Converted in accordance with Condition 6A.3(b); and

(f) that, where Subordinated MTNs are Converted, it has no right to receive payment of any Nominal Amount payable in respect of the Conversion, and any such amount is irrevocably directed to be applied as contemplated by paragraph 1(b)(i) of Schedule A to these Conditions.

6F Provision of Information

6F.1 Information

In order to receive Ordinary Shares on Conversion:

(a) a Subordinated MTN Holder which has elected a Conversion under Condition 6D must specify in the Holder Conversion Notice (or in the case of information requested in paragraph (iii) below, in a Holder Details Notice to be delivered to the Issuer and the Registrar no later than 2 Business Days following the request from the Issuer); and

(b) a Subordinated MTN Holder whose Subordinated MTN (or portion thereof) is required to be Converted under Condition 6B must specify in a Holder Details Notice to be delivered to the Issuer and the Registrar no later than the Trigger Event Date (or, in the case where Condition 6B.3(e) applies, within 30 days of the date on which Ordinary Shares are issued upon such Conversion),

the following details:

(i) the name and address of the Subordinated MTN Holder (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;

(ii) the security account details in a Clearing System or such other account to which the Ordinary Shares may be credited; and

(iii) 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 such Subordinated MTN Holder.

The Issuer has no duty to seek or obtain such information.

6F.2 Power of Attorney

Each Subordinated MTN Holder appoints the Issuer, any of its respective officers and any External Administrator of the Issuer (each an "**Attorney**") severally to be the attorney of the Subordinated MTN Holder with power in the name and on behalf of the Subordinated MTN 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 Subordinated MTN Holder to observe or perform the Subordinated MTN Holder's obligations under these Conditions including, but not limited to, effecting any transfers of Subordinated MTNs or portion thereof or for the purposes of Conversion, making any entry in the Register or exercising any voting power in relation to any consent or approval required for Conversion.

The power of attorney given in this Condition 6F.2 is given for valuable consideration and to secure the performance by the Subordinated MTN Holder of the Subordinated MTN Holder's obligations under these Conditions, and is irrevocable.

7 Negative pledge

So long as any Senior MTN remains Outstanding, the Issuer is not permitted to create or permit to subsist any Security upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Senior MTNs:

(a) are secured equally and rateably therewith; or

(b) have the benefit of such other security, guarantee, indemnity or other arrangement that is not materially less beneficial to the Senior MTN Holders or which is approved by an Extraordinary Resolution of Senior MTN Holders.

The following words have these meanings in this Condition 7:

"**Relevant Debt**" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market.

"**Security**" means a mortgage, charge, pledge, lien or other form of encumbrance or security interest.

8 Events of Default

8.1 Events of Default - Senior MTNs

An Event of Default occurs in relation to a Series of Senior MTNs if:

(a) (**payment default**) the Issuer fails to pay any amount in respect of the Senior MTNs of the relevant Series or any of them within five Business Days of the due date for payment; or

(b) (**other default**) the Issuer defaults in the performance or observance of any of its other material obligations under an MTN and (except where such default is incapable of remedy) such default continues for a period of 15 days next following the service of a notice by a Senior MTN Holder requiring the same to be remedied; or

(c) (**cross default**) any present or future monetary obligation of the Issuer or any of its Subsidiaries:

   (i) in connection with money borrowed or raised by any of them, or any hiring arrangement, redeemable preference share, letter of credit, financial markets transaction (including, without limitation, a swap, option or futures contract) to which either of them is a party:

      (A) is not satisfied on time, or at the end of its period of grace; or

      (B) becomes prematurely payable as a result of an event of default; or

   (ii) to guarantee or indemnify against loss in connection with money borrowed or raised is not discharged at maturity or when called,

   provided that the aggregate amount of the indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred equals or exceeds A$50,000,000 (or its equivalent in any other currency or currencies); or

(d) (**enforcement action**) a judgement, order or encumbrance is enforced, or becomes enforceable against any property of the:

(i) Issuer and where such distress, judgement, order or encumbrance is for an amount exceeding A$50,000,000; or

(ii) any Subsidiary of the Issuer where such enforcement would materially affect the ability of the Issuer to perform its obligations under the Senior MTNs,

provided that such judgment, order or encumbrance is not set aside or satisfied within 60 days or the Issuer or Subsidiary is diligently pursuing in good faith an appeal from the judgment or award; or

(e) (**insolvency**) an Insolvency Event occurs in respect of the Issuer; or

(f) (**administration**) a controller (as defined in the Corporations Act) is appointed in respect of the whole or any part of the property of the Issuer or any of its Subsidiaries and such appointment would materially affect the ability of the Issuer to perform its obligations under the MTNs; or

(g) (**obligations unenforceable**) any of the Senior MTNs become wholly or partly void, voidable or unenforceable or is claimed to be so by the Issuer.

Notwithstanding any other provision of this Condition 8.1 no Event of Default in respect of any Senior MTN shall occur solely on account of any failure by any member of the Group to perform or observe its obligations in relation to, or the taking of any process or proceeding in respect of any share, note or other security or instrument constituting Tier 1 Capital of any member of the IAG Level 2 Insurance Group or Tier 2 Capital of any member of the IAG Level 2 Insurance Group.

8.2 Consequences of an Event of Default - Senior MTNs

Subject to Condition 8.6, if any Event of Default occurs in relation to the Senior MTNs of any Series, then a Senior MTN Holder in that Series may by written notice to the Issuer (with a copy to the Registrar and the Programme Manager) declare the Early Termination Amount (together with all accrued interest (if any)) applicable to each Senior MTN held by the Senior MTN Holder to be due and payable immediately or on such other date specified in the notice.

8.3 Events of Default - Subordinated MTNs

An Event of Default occurs in relation to a Series of Subordinated MTNs if:

(a) (**Payment Default**) a Payment Default occurs in respect of the Issuer; or

(b) (**Winding Up Default**) a Winding Up Default occurs in respect of the Issuer.

8.4 Consequences of an Event of Default - Subordinated MTNs

(a) (**Payment Default**) Subject to Condition 8.6, if a Payment Default occurs in relation to the Subordinated MTNs of any Series, then a Subordinated MTN Holder in that Series may, subject to Condition 8.4(b), institute proceedings:

(i) in a court of competent jurisdiction against the Issuer to recover any principal, interest, or other amount in respect of the Subordinated MTNs not paid by the Issuer as specified in Condition 8.3(a), subject to the Issuer being able to pay that principal, interest or other amount and remaining Solvent after making that payment;

(ii) in a court of competent jurisdiction against the Issuer to obtain an order for specific performance of any other obligation in respect of the Subordinated MTNs; and/or for a Winding Up of the Issuer.

(b) (**No acceleration**) Upon the occurrence of a Payment Default, Subordinated MTN Holders will have no right to accelerate the Issuer's payment obligations under the Subordinated MTNs or to take any other action which has the same economic effect as an acceleration.

(c) (**Winding Up Default**) If a Winding Up Default occurs in relation to the Issuer, a Subordinated MTN Holder may, in addition to taking any of the actions specified in Condition 8.4(a) above, by notice to the Issuer and the Registrar declare that such Subordinated MTNs are immediately due and payable at their Outstanding Principal Amount together with accrued interest and any other amounts accrued under the Subordinated MTNs and, subject to Condition 4.3 may prove in the Winding Up for an amount equal to such amount.

8.5 Amounts unpaid remain debts

Any amount not paid due to Condition 8.4(a)(i) accumulates and remains a debt owing to the Subordinated MTN Holder by the Issuer until it is paid.

8.6 Rectification

A Senior MTN Holder's right to declare Senior MTNs due terminates if the situation giving cause to it has been cured before such right is exercised. A Subordinated MTN Holder's right to take any of the actions contemplated in Condition 8.4(a) terminates if the situation giving cause to it has been cured before such right is exercised.

8.7 Notification

If an Event of Default occurs, the Issuer must promptly after becoming aware of it notify the Registrar and the Programme Manager of the occurrence of the Event of Default (specifying details of it) and procure that the Registrar promptly notifies the relevant MTN Holders of the occurrence of the Event of Default by registered post to the address of the MTN Holder recorded in the MTN Register.

9 Payments

9.1 Record Date

Payments to MTN Holders will be made according to the particulars recorded in the MTN Register at 5.00pm (Sydney time) on the relevant Record Date.

9.2 Joint holders

When an MTN is held jointly, payment will be made to the holders in their joint names unless requested otherwise.

9.3 Method of payments

Payments in respect of each MTN will be made:

(a) if the MTNs are in the Austraclear System, by crediting on the relevant Payment Date the amount then due to the account of the MTN Holder in accordance with the Austraclear Regulations; or

(b) if the MTNs are not in the Austraclear System, by crediting on the Payment Date the amount then due to an account previously notified by the MTN Holder in respect of that MTN to the Issuer and the Registrar. If the MTN Holder has not notified the Issuer and the Registrar of such an account by close of business on the relevant Record Date or upon application by the MTN Holder to the Issuer and the Registrar no later than close of business on the relevant Record Date, payments in respect of the relevant MTN will be made by cheque, mailed on the Business Day immediately preceding the relevant Interest Payment Date in the case of payments of interest or on the due date for redemption or repayment, in the case of payments of principal, at the MTN Holder's risk to the MTN Holder (or to the first named of joint registered holder) of such MTN at the address appearing in the MTN Register as at the Record Date. Cheques to be despatched to the nominated address of an MTN Holder will in such cases be deemed to have been received by the MTN Holder on the relevant Payment Date and no further amount will be payable by the Issuer in respect of the relevant MTN as a result of payment not being received by the MTN Holder on the due date.

9.4 Business Days

All payments must be made in accordance with the Applicable Business Day Convention. Nothing in this clause applies to any payment referred to in paragraph 1(b)(i) of Schedule A which occurs on the Trigger Event Date as provided in paragraph 1(b)(i) of Schedule A.

9.5 Payment subject to fiscal laws

Payments (whether in respect of principal, redemption amounts, interest or otherwise) in respect of the MTNs are subject in all cases to applicable provisions of fiscal and other laws, regulations and directives.

9.6 Taxation - Additional Amounts

Unless this Condition 9.6 is specified in the Pricing Supplement as not being applicable, all payments (whether in respect of principal redemption amount, interest or otherwise) in respect of the MTNs will be made without set-off or counterclaim and free and clear of, and without deduction of or withholding on account of any Taxes now or hereafter imposed, levied, collected, withheld or assessed the Commonwealth of Australia or any political subdivision therein or thereof unless such withholding or deduction is required by law. In that event the Issuer will pay such additional amounts ("**Additional Amounts**") as may be necessary in order that the net amount received by the MTN Holders after such withholding or deduction equals the respective amounts which would otherwise have been receivable in respect of the MTNs in the absence of such withholding or deduction, except that no Additional Amounts are payable in relation to any payments in respect of any MTN:

(a) to, or to a third party on behalf of, an MTN Holder who is liable to such Taxes in respect of such MTN by reason of that MTN Holder having some connection with the Commonwealth of Australia or any political subdivision therein or thereof other than the mere holding of such MTN or receipt of payment (whether in respect of principal, redemption amount, interest or otherwise) in respect thereof;

(b) to, or to a third party on behalf of, an MTN Holder who could lawfully avoid (but has not so avoided) such deduction or withholding 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 cause for exemption to any tax authority in the place where payment under the MTN is made;

(c) presented for payment more than 30 days after the Relevant Date except to the extent that an MTN Holder would have been entitled to Additional Amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Business Day;

(d) to, or to a third party on behalf of, an MTN Holder who is liable to the Taxes in respect of the MTN by reason of the MTN Holder being an associate of the Issuer within the meaning of section 128F(9) of the Tax Act;

(e) to, or to a third party on behalf of an Australian resident MTN Holder, if that person has not supplied an appropriate tax file number an Australian Business Number or exemption details; or

(f) in such other circumstances as may be specified in the Pricing Supplement.

9.7 Currency indemnity

The Issuer waives any right it has in any jurisdiction to pay an amount other than in the currency in which it is due. However, if an MTN Holder receives an amount in a currency other than that in which it is due:

(a) it may convert the amount received into the due currency (even though it may be necessary to convert through a third currency to do so) on the day and at such rates (including spot rate, same day value rate or value tomorrow rate) as it reasonably considers appropriate taking into account any costs of conversion; and

(b) the Issuer satisfies its obligation to pay in the due currency only to the extent of the amount of the due currency obtained from the conversion.

9.8 FATCA

The Issuer may withhold or make deductions from payments or from the issue of Ordinary Shares to a MTN Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the MTN Holder or a beneficial owner of the MTNs 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, notwithstanding Condition 9.6 (if otherwise applicable), 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 MTN Holder or a beneficial owner of the MTNs for or in respect of any such withholding or deduction. A dealing with such payment and any Ordinary Shares in accordance with FATCA satisfies the Issuer's obligations to that MTN Holder to the extent of the amount of that payment or issue of Ordinary Shares.

10 Further issues

The Issuer may from time to time, without the consent of any MTN Holder, issue further MTNs having the same terms and conditions as the MTNs of any Series in all respects (or in all respects except for the first payment of interest, if any, on them, the date from which interest starts to accrue and/or their denomination) so as to form a single Series with the MTNs of that Series, provided that, in the case of Subordinated MTNs, such further Subordinated MTNs meet the requirements of APRA to be eligible to be treated as Tier 2 Capital of the IAG Level 2 Insurance Group.

11 Time limit for claims

A claim against the Issuer for a payment under an MTN is void unless such claim is made within 10 years (in the case of principal and redemption amount) or 5 years (in the case of interest and other amounts) from the Relevant Date of payment.

12 Notices

12.1 To the Issuer, the Programme Manager, the Registrar and the Agent

A notice or other communication in connection with an MTN to the Issuer, the Programme Manager, a Registrar or an Agent must be in writing and may be given by prepaid post or delivery to the address of the addressee or by facsimile to the facsimile number of the addressee specified:

(a) in the Information Memorandum; or

(b) as otherwise agreed between those parties from time to time and notified to the MTN Holders.

12.2 To MTN Holders

A notice or other communication in connection with an MTN to the MTN Holders must be in writing and may be given by:

(a) an advertisement published in The Australian Financial Review or any other newspaper or newspapers circulating in Australia generally;

(b) if an additional or alternate newspaper is specified in the Pricing Supplement, that newspaper; or

(c) prepaid post (airmail if posted to or from a place outside Australia) or delivery or by facsimile to the address of facsimile address, as the case may be, of each MTN Holder or any relevant MTN Holder as shown in the MTN Register at the close of business three Business Days prior to the dispatch of the relevant notice or communication.

12.3 Effective on receipt

Unless a later time is specified in it a notice, approval, consent or other communication takes effect from the time it is received, except that if it is received after 5.00pm in the place of receipt or on a non-Business Day in that place, it is to be taken to be received at 9.00am on the next succeeding Business Day in that place.

12.4 Proof of receipt

Subject to Condition 12.3, proof of posting of a letter or of dispatch of a facsimile or of publication of a notice is proof of receipt:

(a) in the case of a letter, on the sixth (or tenth, if sent from one country to another) Business Day after posting;

(b) in the case of a facsimile, on receipt by the sender of a successful transmission report; and

(c) in the case of publication, on the date of such publication.

13 Meetings of MTN Holders

Meetings of MTN Holders may be convened in accordance with the Meetings Provisions. Any such meeting may consider any matters affecting the interests of MTN Holders, including, without limitation, the variation of the terms of the MTNs by the Issuer and the granting of approvals, consents and waivers, and the declaration of an Event of Default.

14 Amendments

14.1 To cure ambiguities

Subject to Condition 4.5, these Conditions, the MTN Deed Poll and the Pricing Supplement may be varied by the Issuer, without the consent of any MTN Holder if, in the reasonable opinion of the Issuer, the variation:

(a) is necessary or advisable to comply with any law;

(b) is necessary to correct an obvious error, or otherwise of a formal, technical or administrative nature only;

(c) is made to cure any ambiguity or correct or supplement any defective or inconsistent provision;

(d) is made to:

(i) alter the terms of any Subordinated MTNs to align them with any Equal Ranking Securities issued after the Issue Date of those Subordinated MTNs; or

(ii) alter the definition of "Equal Ranking Securities" as it applies to any Subordinated MTNs on account of the issue (after the Issue Date in respect of those Subordinated MTNs) of capital instruments of any member of the IAG Level 2 Insurance Group;

(e) is not materially prejudicial to the interests of the MTN Holders as a whole; or

(f) only applies to MTNs issued by the Issuer after the date of the amendment.

14.2 Approval by MTN Holders

Subject to Condition 4.5, these Conditions, MTN Deed Poll and the Pricing Supplement may otherwise be varied by the Issuer with the approval of the MTN Holders by Extraordinary Resolution. No other variation to these Conditions has effect in relation to the MTN Holders who hold MTNs at the date of any variation deed, unless they otherwise agree in writing. A variation will take effect in relation to all subsequent MTN Holders. A variation which affects only a particular Series or Tranche of MTNs may be approved solely by the MTN Holders of such Series or Tranche.

14.3 Other documents

The issuer may vary or terminate any Registry Services Agreement and any Agency Agreement or other deed or agreement entered into in connection with any MTN without the consent of MTN Holders provided that so long as any MTNs are Outstanding there is a Registrar appointed in respect of such MTNs.

14.4 Meaning of "vary"

In this Condition 14, "vary" includes amend, novate, assign, modify, add to, cancel or alter and "variation" has a corresponding meaning.

15 Registrar

15.1 Role of the Registrar

In acting under the Registry Services Agreement in connection with the MTNs, the Registrar acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the MTN Holders save insofar as any funds received by the Registrar are required in accordance with the Registry Services Agreement, pending their application in accordance with the Registry Services Agreement, to be held by it in a segregated account on trust for the persons entitled thereto.

15.2 Change of Registrar

The Issuer reserves the right at any time to terminate the appointment of the Registrar in accordance with the relevant Registry Services Agreement and to appoint a successor or additional registrars, provided, however, that the Issuer must at all times maintain the appointment of a registrar with its specified office in Australia. Notice of any such termination of appointment will be given to the MTN Holders in accordance with Condition 12.

15.3 Appointment of replacement Registrar

If a then current Registrar ceases to be Registrar (whether as a result of termination under Condition 15.2, resignation as a result of the MTNs ceasing to be lodged in the Clearing System or otherwise), the Issuer must ensure that a replacement Registrar is appointed with effect from the relevant date.

16 Calculation Agent

The Calculation Agent and its initial specified officers are as set out in the relevant Pricing Supplement for the MTNs issued by the Issuer. The Issuer reserves the right at any time to terminate the appointment of the Calculation Agent or to appoint additional or other Calculation Agents, provided that it will ensure that at all times for so long as any MTNs are outstanding the Calculation Agent acts in respect of MTNs for which these Conditions require a Calculation Agent to make calculations.

17 Substitution of the Issuer

17.1 Senior MTNs - Substitution with guarantee

The Issuer may, on 30 days' notice to but without the consent of MTN Holders, if no payment of principal, redemption amount or interest in connection with any of the Senior MTNs is in default, at any time substitute for the Issuer any entity (including, without limitation, a special purpose company) ("**Substitute Issuer**") in respect of all obligations arising from or in connection with one or more Series of Senior MTNs ("**Relevant Senior MTNs**"). The Issuer may only do this if:

(a) the Substitute Issuer assumes all obligations of the Issuer under the Relevant Senior MTNs;

(b) the Issuer unconditionally and irrevocably guarantees the obligations so to be assumed by the Substitute Issuer;

(c) the Substitute Issuer has obtained all necessary authorisations from the authorities in the country where the Substitute Issuer is located, and can transfer to the Registrar or an Agent (as the case may be), all amounts necessary for the fulfilment of the payment obligations on or in connection with the Relevant Senior MTNs in such freely negotiable and convertible legal currency of Australia without withholding or deduction for or on account of any taxes, charges or duties of whatsoever nature;

(d) there have been delivered to the Registrar and the Programme Manager opinions of lawyers of recognised standing in Australia and of lawyers of recognised standing in the country of incorporation of the Substitute Issuer to the effect that the matters referred to in paragraphs (a), (b) and (c) above have been satisfied; and

(e) unless the Senior MTNs are unrated, the Senior MTNs continue to have a credit rating from an internationally recognised rating agency which is investment grade and at least equal to the credit rating of the Senior MTNs immediately prior to the substitution.

17.2 Notice

Notice of any such substitution shall be given to the MTN Holders in accordance with Condition 12.

17.3 Effective Date

A substitution under this Condition 17 takes effect on and from the date ("**Effective Date**") specified under Condition 17.1, which must be a date not earlier than the date on which the notice is given.

17.4 Effect of substitution

On and with effect from the Effective Date:

(a) the Substitute Issuer assumes all of the obligations of the Issuer with respect to the Relevant Senior MTNs (whether accrued before or after the Effective Date); and

(b) the Issuer is released from its obligations in respect of the Senior MTNs (other than in the case of the Senior MTNs for which a substitution is made under Condition 17.1, to the extent of the guarantee in Condition 17.1(b));

(c) any reference in the Conditions of the Relevant Senior MTNs to:

(i) the Issuer shall from then on be deemed to refer to the Substitute Issuer; and

(ii) the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for tax purposes of the Substitute Issuer.

17.5 No limitation

Nothing in this Condition 17 limits the rights of the Issuer or the power of APRA or any court under the Insurance Act 1973 (Cth) or otherwise under the MTNs or the MTN Deed Poll.

18 Governing law and jurisdiction

18.1 Governing law

The MTNs are governed by the law in force in the State of New South Wales.

18.2 Jurisdiction

The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts of appeal from them.

SCHEDULE A TO THE CONDITIONS

1 Conversion

If the Issuer must Convert a Nominal Amount of a Subordinated MTN in accordance with the Conditions or if a Subordinated MTN Holder elects to Convert, then, subject to this Schedule A, the following provisions apply:

(a) the Issuer will allot and issue on the Trigger Event Date or a Holder Conversion Date (as the case may be) a number of Ordinary Shares in respect of the Nominal Amount of that Subordinated MTN equal to the Conversion Number, where the Conversion Number (but subject to the Conversion Number being no more than the Maximum Conversion Number) is a number calculated according to the following formula:

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

where:

"**Nominal Amount**" means:

(i) in the case of Conversion required after the occurrence of a Non-Viability Trigger Event, the nominal amount of the Subordinated MTN required to be Converted in accordance with Condition 6B; and

(ii) in the case of a Subordinated MTN Holder Conversion, the nominal amount of the Subordinated MTN elected by a Subordinated MTN Holder for Conversion together with accrued interest (if any) (including any Arrears of Interest and Additional Interest Amounts in respect if that Subordinated MTN).

"**VWAP**" (expressed in dollars and cents or equivalent denominations of any relevant Alternate Currency) means the VWAP during the VWAP Period and where the "**Maximum Conversion Numbe**r" means a number calculated according to the following formula:

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

(b) on the Trigger Event Date or a Holder Conversion Date (as the case may be):

(i) the rights of each Subordinated MTN Holder (including to payment of interest with respect to such Nominal Amount, both in the future and as accrued but unpaid as at the Trigger Event Date) in relation to the Nominal Amount of each Subordinated MTN or portion thereof that is being Converted will be immediately and irrevocably terminated for an amount equal to the Nominal Amount of that Subordinated MTN (or portion thereof) that is being Converted and the Issuer will apply that Nominal Amount (or portion thereof) by way of payment for subscription for the Ordinary Shares to be allotted and issued under paragraph 1(a) of this Schedule A. Each Subordinated MTN Holder is taken to have irrevocably directed that any amount payable under paragraph 1(b)(i) of this Schedule A is to be applied as provided for in this paragraph 1(b)(i) and no Subordinated MTN Holder has any right to payment in any other way;

(ii) in the case of a Trigger Event Date, all rights to the payment of interest in respect of the Subordinated MTN or the relevant portion thereof (including any Arrears of Interest and any Additional Interest) are immediately and irrevocably terminated; and

(iii) in the case of a Holder Conversion Date, interest scheduled to be paid on this date together with any Arrears of Interest and Additional Interest shall be paid;

(c) any calculation under paragraph 1(a) of this Schedule A shall be, unless the context requires otherwise, be rounded to four decimal places provided that if the total number of additional Ordinary Shares to be allotted to a Subordinated MTN Holder in respect of the aggregate Nominal Amount of the Subordinated MTNs it holds which is being Converted includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and

(d) the rights attaching to Ordinary Shares issued as a result of Conversion do not take effect until 6.00pm (Sydney, Australia time) on the Trigger Event Date or a Holder Conversion Date (as the case may be) (unless another time is required for Conversion on that date in the case of a Conversion required by Condition 6B). At that time all other rights conferred or restrictions imposed on that Subordinated MTN under the Conditions will no longer have effect to the extent of the Nominal Amount of that Subordinated MTN being Converted (except for the right to receive the Ordinary Shares as set forth in paragraph 1 of this Schedule A and Conditions 6B and 6D and except for rights relating to interest which is payable but has not been paid on or before the Trigger Event Date which will continue).

2 Adjustments to VWAP

For the purposes of calculating VWAP in the Conditions:

(a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on the Australian Securities Exchange as cum dividend or cum any other distribution or entitlement and the relevant Nominal Amount of Subordinated MTNs will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount ("**Cum Value**") equal to:

(i) (in 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 paragraph 2(a)(i) of this Schedule A which is traded on the Australian Securities Exchange on any of those Business Days), the volume weighted average sale price of all such entitlements sold on the Australian Securities Exchange during the VWAP Period on the Business Days on which those entitlements were traded; or

(iii) (in the case of any other entitlement which is not traded on the Australian Securities Exchange during the VWAP Period), the value of the entitlement as reasonably determined by the directors of the Issuer; and

(b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on the Australian Securities Exchange as ex dividend or ex any other distribution or entitlement, and the relevant Nominal Amount of Subordinated MTNs will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

3 Adjustments to VWAP for divisions and similar transactions

(a) Where during the relevant VWAP Period there is a change in the number of the Ordinary Shares on issue as a result of a division, consolidation or reclassification of the Issuer's share capital (not involving any cash payment or other distribution or consideration to or by holders of Ordinary Shares) (a "**Reorganisation**"), in calculating the VWAP for that VWAP Period the daily VWAP applicable on each 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 daily VWAP by 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 paragraph 3(a) of this Schedule A will, absent manifest error, be effective and binding on the Subordinated MTN Holders under these terms and these terms will be construed accordingly. Any such adjustment must be promptly notified to all Subordinated MTN Holders.

4 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, corresponding adjustments to VWAP will be made in accordance with paragraphs 2 and 3 of this Schedule A during the 20 Business Day period over which VWAP is calculated for the purposes of determining the Issue Date VWAP. On and from the Issue Date adjustments to the Issue Date VWAP:

(a) may be made in accordance with paragraphs 5 to 7 of this Schedule A (inclusive); and

(b) if so made, will cause an adjustment to the Maximum Conversion Number.

5 Adjustments to Issue Date VWAP for bonus issues

(a) Subject to paragraph 5(b) of this Schedule A below, 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:

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

where:

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

Vo means the Issue Date VWAP applying immediately prior to the application of this formula;

RN means the number of Ordinary Shares issued pursuant to the bonus issue; and

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue.

(b) For the avoidance of doubt, paragraph 5(a) of this Schedule 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 paragraph 5(a) of this Schedule A, an issue will be regarded as a pro rata 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 paragraph 5 of this Schedule A for any offer of Ordinary Shares not covered by paragraph 5(a) of this Schedule A, including a rights issue or other essentially pro rata issue.

6 Adjustment to Issue Date VWAP for divisions and similar transactions

(a) If at any time after the Issue Date, a Reorganisation occurs, the Issuer shall adjust the Issue Date VWAP by multiplying the Issue Date VWAP applicable on the Business 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 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 paragraph 6(a) of this Schedule will, absent manifest error, be effective and binding on Subordinated MTN Holders under these terms and these terms will be construed accordingly.

(c) Each Subordinated MTN 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 requiring any consent or concurrence of any Subordinated MTN Holders.

7 No adjustment to Issue Date VWAP in certain circumstances

(a) Despite the provisions of paragraphs 5 and 6 of this Schedule A, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

(b) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by paragraphs 5(a) and 6(a) of this Schedule A shall not in any way restrict the Issuer from issuing Ordinary Shares at any time on such terms as it sees fit nor require any consent or concurrence of any Subordinated MTN Holders.

8 Announcement of adjustment to Issue Date VWAP

The Issuer will notify Subordinated MTN Holders (an "**Adjustment Notice**") of any adjustment to the Issue Date VWAP under this Schedule A within 10 Business Days of the Issuer determining the adjustment and the adjustment set out in the announcement will be final and binding.

9 Ordinary Shares

Each Ordinary Share issued or arising upon Conversion of a Subordinated MTN (or portion thereof):

(a) is issued fully paid in consideration of the application of the relevant Nominal Amount (or portion thereof) in accordance with paragraph 1(b)(i) of Schedule A; and

(b) ranks *pari passu* with all other fully paid Ordinary Shares.

10 Listing Ordinary Shares issued on Conversion

(a) The Issuer, at its cost:

(i) must use reasonable endeavours to list the Ordinary Shares issued upon Conversion of the Subordinated MTNs on the Australian Securities Exchange; and

(ii) in the case of Conversion on account of a Non-Viability Trigger Event must use reasonable endeavours to, and in the case of a Holder Conversion must, procure that the Ordinary Shares issued upon Conversion are able to be freely traded after their issue date on the Australian Securities Exchange 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 Subordinated MTN 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 Foreign Holder and is not otherwise within the control of the Issuer).

(b) The Subordinated MTN 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.

Form of Pricing Supplement (MTNs)

The Pricing Supplement that will be issued in respect of each Tranche will be substantially in the form set out below.

Series No.: [ ]

Tranche No.: [ ]

[Insurance Australia Limited (ABN 11 000 016 722)/ Insurance Australia Group Limited (ABN 60 090 739 923)]

A$1,000,000,000 Debt Issuance Programme

Issue of
[Aggregate Principal Amount of Tranche] [Title of MTNs]

The date of this Pricing Supplement is [ ]

This Pricing Supplement (as referred to in the Information Memorandum in relation to the above Programme) relates to the Tranche of MTNs referred to above. It is supplementary to, and should be read in conjunction with the MTN Deed Poll dated on or about [•] made by the Issuers.

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 MTNs 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 MTNs referred to above are as follows:

1	**Issuer**	:	[Insurance Australia Limited] (ABN 11 000 016 722)/ Insurance Australia Group Limited (ABN 60 090 739 923)]
2	**Status of Notes**	:	[Senior MTN/ Subordinated MTN]
3	**Type of Issue**	:	[Syndicated Issue/Private Placement]
4	**Public Offer Test Compliant**	:	It [is/is not] the relevant Issuer's intention that this issue of MTNs will be issued in a manner which will seek to satisfy the public offer test under section 128F of the Tax Act.

5	**IWT Notice**	:	The Tax gross-up in respect of the Commonwealth of Australia specified in Condition 9.6 of the MTNs is [applicable/not applicable] to this Tranche with effect from the Issue Date.
6	**Relevant Dealer[s]**	:	[Name]
7	**Lead Manager**	:	[Name(s)]
8	**Registrar**	:	[Name and address]
9	**Calculation Agent**	:	[Name and address]
10	**Issuing and Paying Agent (Australia)**	:	Name and address]
11	**If to form a single Series with an existing issue, specify date on which MTNs of the Series become fungible, if not the Issue Date**	:	**Series, specify date on which all MTNs of** [Specify]
12	**Aggregate Principal Amount of Tranche**	:	[Specify]
13	**If interchangeable with existing Series**	:	[Specify]
14	**Issue Date**	:	[Specify]
15	**Purchase Price**	:	[Specify]
16	**Denomination**	:	Specify amount and currency]
17	**Type of MTNs**	:	[Fixed Rate MTNs/ Floating Rate Note/Zero Coupon Note/Amortising/Other]
18	**If interest-bearing, specify which of Conditions 5.2 (fixed rate), 5.3 (floating rate) or 5.4 (other rates) is applicable, and then specify the matters required for the relevant Condition, namely**	:	[ ]
19	**Condition 5.2 for Fixed Rate MTNs**	:	Applicable [Yes/No]
	Fixed Coupon Amount	:	[ ]
	Interest Rate	:	[ ]
	Interest Commencement Date, if not Issue Date	:	[ ]
	Interest Payment Dates	:	[ ]
	Day Count Fraction	:	(if none specified, the Day Count Fraction will be Actual/365 (Fixed) (as defined in the Terms and Conditions)).
	Initial Broken Amount	:	[ ]

	Final Broken Amount	:	[ ]
	Business Day Convention	:	[ ]
20	**Condition 5.3 for Floating Rate MTNs**	:	Applicable [Yes/No]
	Interest Commencement Date, if not Issue Date	:	[ ]
	Interest Rate	:	[Specify if ISDA Determination or Screen Rate Determination] (condition 5.3(b)(i))
	Interest Payment Dates	:	[ ]
	Business Day Convention	:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	[Complete the following if Condition 5.3(b)(i) applies (ISDA Determination)]		
	Floating Rate Option	:	[ ]
	Designated Maturity	:	[ ]
	Reset Date	:	[ ]
	Period End Date	:	[ ]
	[Complete the following if Condition 5.3(b)(ii) (Screen Rate Determination) applies]		
	Relevant Screen Page	:	[ ]
	Relevant Time	:	[ ]
	Reference Rate	:	[ ]
	Reference Banks	:	[If none are specified, the Reference Banks will be four major banks specified by the Calculation Agent in the inter-bank market that is most closely connected with the Reference Rate]
	Relevant Financial Centre	:	[If none is specified, the city most closely connected with the Reference Rate in the determination of the Calculation Agent]
	Interest Determination Date	:	[ ]
	[The following whether Condition 5.3(b)(i) (ISDA Determination) or 5.3(b)(ii) (Screen Rate Determination) applies]		

	Margin	:	[ ] (state whether positive or negative)
	Minimum/Maximum Interest Rate	:	[ ]/[not applicable]
	Day Count Fraction	:	[ ]
	Fallback Interest Rate	:	[ ]
21	**Condition 5.4 for other rates**	:	Applicable: [Yes/No] [specify full interest determination provisions, including Interest Commencement Date, rate or calculation basis for interest or actual amounts of interest payable, amount and dates for payment, minimum/maximum rates]
22	**Accrual of interest**	:	Specify any change to Condition 5.5(d) regarding accrual of interest: [ ]
23	**Default Rate**	:	In the case of interest-bearing MTNs, specify rate of interest applying to overdue amounts: [ ]
24	**Overdue Rate**	:	Applicable: [Yes/No]
25	**Amortisation Yield**	:	In the case of Zero Coupon MTNs, specify the Amortisation Yield (Condition 5.6): [ ]
26	**Specify if Condition 5.7 is applicable**	:	[ ]
27	**Maturity Date**	:	[ ] [In the case of an amortising Note, insert the date on which the last instalment of principal is payable]
28	**Maturity Redemption Amount**	:	[ ] [If Maturity Redemption Amount is not the outstanding principal amount of the MTNs, insert amount or full calculation provisions.]
29	**Early Redemption Amount(Call)**	:	
	Specify if Condition 6.4 is applicable	:	Applicable [Yes/No]
	Specify the day on which the call can be made *(Subordinated MTNs only)*	:	[ ]
	Specify minimum notice period for the exercise of the call option	:	[ ]
	Specify maximum notice period for the exercise of the call option	:	[ ]
	Specify any relevant conditions to exercise of option	:	[ ]

Specify whether redemption at Issuer's option is permitted in respect of some only of the MTNs and, if so, any minimum aggregate principal amount and the means by which MTNs will be selected for redemption	:	[ ]
Specify if MTN Holders are not to receive accrued interest on early redemption	:	[ ]
30 Early Redemption Amount (Put)	:	
Specify if Condition 6.5 is applicable	:	Applicable [Yes/No]
Specify minimum notice period for exercise of put option	:	[ ]
Specify any relevant conditions to exercise of option	:	[ ]
Specify if MTN Holders are not to receive accrued interest on early redemption at Issuer's option	:	[ ]
31 Early Redemption Amount (Tax)	:	
If Early Redemption Amount (Tax) is not the Outstanding Principal Amount together with accrued interest (if any) thereon of the MTNs (including, in the case of Subordinated MTNs any Arrears of Interest and Additional Interest Amounts), insert amount or full calculation provisions	:	[ ]
Specify if MTN Holders are not to receive accrued interest on early redemption for tax reasons	:	[ ]
32 Early Redemption Amount (Regulatory) ***(Subordinated MTNs only)***		
If the Issuer cannot redeem the Subordinated MTNs (with the prior written consent of APRA) by giving not more than 30 nor less than 15 days notice specify any relevant conditions to exercise the option	:	[ ]
If Early Redemption Amount (Regulatory) is not the Outstanding Principal Amount together with accrued interest (including any Arrears of Interest and Additional Interest Amounts) insert amount or full calculation provisions	:	[ ]

	Specify if MTN Holders are not to receive accrued interest on early redemption for regulatory reasons		[ ]
33	**Early Termination Amount (Default)**	:	[ ]
	If Early Termination Amount is not the Outstanding Principal Amount of the MTNs, insert amount or full calculation provisions	:	[ ]
	Specify if MTN Holders are not to receive accrued interest on early redemption on default	:	[ ]
34	**Redemption of Zero Coupon MTNs**	:	Specify any change to Condition 6.6
35	**Subordinated MTN Holder Conversion *(Subordinated MTNs only)***		
	Specify if Condition 6D is applicable	:	[ ]
	Relevant Fraction (for Holder Conversion)	:	[ ]
	Specify VWAP Period	:	[ ]
	Specify minimum notice period to exercise the Subordinated MTN Holder Conversion right	:	[ ]
	Specify maximum notice period to exercise the Subordinated MTN Holder Conversion right	:	[ ]
	Specify Holder Conversion Date	:	[ ]
	Specify if a partial Conversion is applicable	:	[ ]
	Minimum amount of Subordinated MTNs to be Converted	:	[ ]
	Minimum integral amount of Subordinated MTNs above the minimum amount of Subordinated MTNs to be Converted	:	[ ]
	If partial Conversion is applicable, the minimum aggregate Nominal Amount of Subordinated MTNs the Subordinated MTN Holder must have remaining after Conversion	:	[ ]
36	**Conversion on a Non- Viability Trigger Event *(Subordinated MTNs only)***		
	Specify if Conversion is applicable	:	[ ]

	If Conversion is applicable, specify the VWAP Period	:	[ ]
	Specify if Write-Off is applicable	:	[ ]
37	**Taxation**	:	Specify the additional circumstances in which an exception to the gross up obligation are to apply pursuant to Condition 9.6.
38	**Other relevant terms and conditions**	:	Specify any Conditions to be altered, varied, deleted otherwise than as provided above and also any additional Conditions to be included.
39	**ISIN**	:	[ ]
40	**Common Code**	:	[ ]
41	**Common Depositary**	:	[ ]
42	**Any Clearing System other than Euroclear/Clearstream, Luxembourg/Austraclear**	:	[ ]
43	**U.S. selling restrictions**	:	[ ]
44	**Other selling restrictions**	:	Specify any variation to the selling restrictions
45	**Listing**	:	[ ]
46	**Events of Default**	:	Specify any additional (or modifications to) Events of Default
47	**Additional or alternate newspapers**	:	Specify any additional or alternate newspapers for the purposes of Condition 12.2(b).
48	**Other amendments**	:	[ ]

CONFIRMED

For and on behalf of
[Insurance Australia Limited/Insurance Australia Group Limited]

By: .... Date: ....
[Name] Authorised Officer

Subscription and Sale

Pursuant to a Dealer Agreement, Notes will be offered by either Issuer through the Dealers. Each Issuer will have the sole right to accept any such offers to purchase Notes and may reject any such offer in whole or (subject to the terms of such offer) in part. Each Dealer has the right, in its discretion reasonably exercised, to reject any offer to purchase Notes made to it in whole or (subject to the terms of such offer) in part. The Issuer is entitled under the Dealer Agreement to appoint one or more Dealers as a dealer for a particular Series or Tranche of Notes.

By its purchase and acceptance of Notes issued under the Dealer Agreement, each Dealer has agreed that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, resell, re-offer, or deliver Notes.

Each Dealer has further agreed that it will not directly or indirectly offer, sell or deliver MTNs or distribute the Information Memorandum, any Pricing Supplement, circular, advertisement or other offering material relating to the MTNs in any country or jurisdiction except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations.

Neither the Issuers nor any of the Dealers represents that any Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

1. Australia

No prospectus, product disclosure document or other disclosure document (as defined in the Corporations Act 2001 of Australia) in relation to the Programme or any Notes has been or will be lodged with the Australian Securities and Investments Commission ("**ASIC**"). Each Dealer has represented and agreed that it:

(a) has not offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of any Notes in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Information Memorandum or any other offering material or advertisement relating to any Notes in Australia,

unless in each case (i) the aggregate consideration payable by each offeree is a minimum A$500,000 (or its equivalent in an Alternate Currency) (disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act 2001 of Australia; and (ii) such offer is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act; and (iii) such action complies with all applicable laws, regulations and directives; and (iv) such action does not require any document to be lodged with the ASIC.

In addition and unless the relevant Supplement otherwise provides, each Dealer has agreed that, in connection with the primary distribution of the Notes, it will not sell Notes to any person in circumstances where employees or officers of the Dealer directly involved in the sale know or have reasonable grounds to suspect that, as a result of such sale, any Notes (or an interest in or right in respect of the Notes) were being, or would later be, acquired either directly or indirectly by an associate of the Issuer within the meaning of section 128F(9) of the Income Tax Assessment Act 1936 of Australia ("Tax Act") and associated regulations (and, where applicable, any replacement legislation including, but not limited to, the Income Tax Assessment Act 1997 of Australia), except as permitted by section 128F(5) of the Tax Act.

2. The United States of America

The Notes have not been and will not be 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 except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

3. Hong Kong

Each Dealer 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 Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap 571.) of Hong Kong (the “**SFO**”) other than (i) to “professional investors” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**Companies Ordinance**”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

4. Singapore

This Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance on an exemption under Section 274 or 275 of the SFA, the Notes and/or new Shares to be issued on conversion of the Notes shall not be sold within the period of 6 months from the date of the initial acquisition of the Notes, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

5. New Zealand

No action has been taken to permit the Notes to be offered or sold to any retail investor, or otherwise under any regulated offer in terms of the Financial Markets Conduct Act 2013 of New Zealand ("FMC Act"). In particular, no product disclosure statement under the FMC Act has been prepared or lodged in New Zealand in relation to the Notes.

Each Dealer has represented and agreed that: (1) it has not offered, sold or delivered and will not directly or indirectly offer, sell, or deliver any Notes; and (2) it will not distribute any Information Memorandum or advertisement in relation to any offer of Notes, in New Zealand other than to any or all of the following persons only:

(a) “wholesale investors” as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the FMC Act, being a person who is:

   i. an “investment business”;

   ii. “large”; or

   iii. a “government agency”,

   in each case as defined in Schedule 1 to the FMC Act; and

(b) 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.

6. General

These selling restrictions may be modified by the relevant Issuer provided that, if a Dealer has agreed to subscribe for Notes, the Issuer may not change the selling restrictions prior to the Issue Date (or, where the Notes are issued to a Dealer for the purpose of on-sale within a specified period of time, prior to the expiry of that period of time) for those Notes unless that Dealer otherwise consents or such change is required by any relevant law, regulation, directive, request or guideline having the force of law or compliance which is in accordance with the practice of responsible financial institutions in the country concerned or any change in or introduction of any of them or in their interpretation or administration. Any such modification will be set out in the Pricing Supplement issued in respect of the MTNs to which it relates or otherwise in a supplement to this Information Memorandum.

Australian Taxation

The following is a summary of the Australian taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, the "**Australian Tax Act**"), at the date of this Information Memorandum, of payments of interest (as defined in the Australian Tax Act) on the Notes to be issued by the relevant Issuer under the Programme and certain other matters. This summary is not exhaustive, and in particular, does not deal with the position of certain classes of holders of Notes (including, without limitation, dealers in securities, custodians or other third parties who hold Notes on behalf of others). In addition, unless specifically indicated, it does not nor is it intended to, deal with the tax position applicable to the holder of EPNs.

Prospective holders of Notes should also be aware that particular terms of issue of any Series of Notes may affect the tax treatment of that and other Series of Notes. The following is a general guide and should be treated with appropriate caution. Prospective holders of Notes should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.

1. Interest Withholding Tax

An exemption from Australian interest withholding tax imposed under Division 11A of Part III of the Australian Tax Act ("IWT") is available in respect of the Notes issued by the Issuer, whether in global form or otherwise, under section 128F of the Australian Tax Act if the following conditions are met:

(a) the Issuer is a resident of Australia when it issues those Notes and when interest (as defined in section 128A(1AB) of the Australian Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;

(b) the Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test. In summary, the five methods are:

- (i) offers to 10 or more unrelated financiers or securities dealers;
- (ii) offers to 100 or more investors who can be regarded as (A) having acquired debentures or debt interests in the past or (B) being likely to be interested in acquiring debentures or debt interests;
- (iii) offers of listed Notes;
- (iv) offers via publicly available information sources; and
- (v) offers to a dealer, manager or underwriter who offers to sell those Notes within 30 days by one of the preceding methods and

(c) the Notes are debentures as defined for the purposes of section 128F (but not equity interests).

In addition, the Issuer must not know, or have reasonable grounds to suspect, at the time of issue, that the Notes or interests in those Notes were being, or would later be, acquired, directly or indirectly, by an "associate" of the Issuer, except as permitted by section 128F(5) of the Australian Tax Act.

The exemption will not apply to interest paid in respect of a Note if at the time of the payment of interest, the Issuer knows or has reasonable grounds to suspect, that the payee is an "associate" of the Issuer, except as permitted by section 128F(6) of the Australian Tax Act.

Associates

An "associate" of the Issuer for the purposes of section 128F of the Australian Tax includes:

- (i) a person or entity which holds more than 50% of the voting shares of, or otherwise controls, the Issuer;
- (ii) an entity in which more than 50% of the voting shares are held by, or which is otherwise controlled by, the Issuer (together with its associates);

(iii) a trustee of a trust where the Issuer is capable of benefiting (whether directly or indirectly) under that trust; and

(iv) 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, “associate” does not include:

(A) onshore associates (ie Australian resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia); or

(B) offshore associates (ie Australian resident associates who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia and non resident associates who do not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia) who are acting in the capacity of:

(aa) in the case of section 128F(5), a dealer, manager or underwriter in relation to the placement of the relevant Notes or a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme; or

(ab) in the case of section 128F(6), a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investment scheme.

Compliance with section 128F of the Australian Tax Act

Unless otherwise specified in any Supplement, the Issuer intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Exemptions under recent tax treaties

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

In broad terms, the New Treaties effectively prevent IWT applying to interest derived by either:

(a) the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; and

(b) a “financial institution” which is a resident of a Specified Country and which is unrelated to and dealing wholly independently with the Issuer. The term “financial institution” refers to either a bank or any other form of 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 economically equivalent arrangement will not qualify for this exemption.)

The New Treaties are in force in a number of jurisdictions including, for example the United States and the United Kingdom. The Australian Government is progressively amending its double tax conventions to include this form of the interest withholding tax exemption.

Payment of additional amounts

As set out in more detail in the Terms and Conditions of the Notes and, unless expressly provided to the contrary in the relevant Supplement, if the relevant 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, or any political subdivision thereof or any authority therein or thereof, in respect of the Notes, the Issuer must, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of the 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 relevant

Issuer is compelled by law in relation to any Notes to deduct or withhold an amount in respect of any withholding taxes, the relevant Issuer will have the option to redeem those Notes in accordance with the Terms and Conditions.

2. Other Tax Matters

Subject to paragraph 3, under Australian laws as presently in effect:

(a) ***income tax - offshore holders of Notes*** - assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes issued by the Issuer, payment of principal and interest (as defined in section 128A(1AB) of the Australian Tax Act) to a holder of the Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes;

(b) ***income tax - onshore holders of Notes*** - Australian residents or non-Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia ("Australian Holders") will be assessable for Australian tax purposes on income either received or accrued due to them in respect of the Notes. Whether income will be recognised on a cash receipts or accruals basis will depend upon the tax status of the particular holder of Notes and the Terms and Conditions of the Notes. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located;

(c) ***gains on disposal of Notes - offshore holders of Notes*** - a holder of the Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax on gains realised during that year on sale or redemption of the Notes, provided such gains do not have an Australian source. A gain arising on the sale of Notes by a non-Australian resident holder to another non-Australian resident where the Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia should not be regarded as having an Australian source;

(d) ***gains on disposal of Notes - Australian holders of Notes*** - Australian holders of Notes may be required to include any gain or loss on disposal of the Notes in their taxable income. Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located;

(e) ***deemed interest*** - there are specific rules that can apply to treat a portion of the purchase price of Notes as interest for IWT purposes when certain Notes originally issued by the Issuer at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on trade or business at or through a permanent establishment outside Australia) or a non-resident who acquires them in the course of carrying on trade or business at, or through, a permanent establishment in Australia. If the Notes are not issued at a discount and do not have a maturity premium, these rules should not apply to the Notes. These rules do not apply in circumstances where the deemed interest would have been exempt under section 128F of the Australian Tax Act if the Notes had been held to maturity by a non-resident;

(f) ***stamp duty and other taxes*** - no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or the transfer of any Notes;

(g) ***other withholding taxes on payments in respect of Notes*** - section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia ("**Taxation Administration Act**") imposes a type of withholding tax at the rate of (currently) 47% on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number ("TFN"), (in certain circumstances) an Australian Business Number ("ABN") or proof of some other exception (as appropriate).

Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes issued by the Issuer, then the requirements of section 12-140 do not apply to payments to a holder of Notes in registered form who is not a resident of Australia for tax purposes and is not holding those registered Notes in the course of carrying on business at, or through, a permanent establishment in Australia. Payments to other classes of holders of Notes issued by the Issuer in registered form may be subject to a withholding where the holder of those Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);

(h) ***supply withholding tax*** - payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed under section 12-190 of the Schedule 1 to the Taxation Administration Act;

(i) ***goods and services tax (GST) -*** neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by either Issuers, nor the disposal of the Notes, would give rise to any GST liability in Australia;

(j) ***Additional withholdings from certain payments to non-residents*** - section 12-315 of Schedule 1 to the Taxation Administration Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents. However, section 12-315 expressly provides that the regulations will not apply to interest and other payments which are already subject to the current interest withholding tax rules or specifically exempt from those rules. Further, regulations may only be made if the responsible minister is satisfied that the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The regulations promulgated prior to the date of this Information Memorandum are not relevant to any payments in respect of the Notes. Any further regulations should also not apply to repayments of principal under the Notes, as in the absence of any issue discount, such amounts will generally not be reasonably related to assessable income. The possible application of any future regulations to the proceeds of any sale of Notes will need to be monitored;

(k) ***Taxation of foreign exchange gains and losses*** - Divisions 775 and 960 of the Australian Tax Act contain rules to deal with the taxation consequences of foreign exchange transactions. These rules are complex and may apply to any holder of Notes who are Australian residents, or non-residents that hold Notes that are not denominated in Australian dollars in the course of carrying on business in Australia. Any such holders should consult their professional advisors for advice as to how to account for any foreign exchange gains or losses arising from their holding of those Notes;

(l) ***Taxation of financial arrangements*** - Division 230 of the 1997 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.

In addition, the rules generally do not apply to certain taxpayers or in respect of certain short term "financial arrangements". For instance, unless the Notes are discounted or deferred interest securities they do not, for example, apply to holders of Notes who are individuals or 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 holder of Notes should seek their own tax advice regarding their own personal circumstances as to whether Division 230 applies to them;

(m) ***Conversion*** - the Conversion of Subordinated MTNs into Ordinary Shares should not give rise to any taxable gain or loss in Australia for Subordinated MTN Holders. This is because any gain or loss on the Conversion should generally be disregarded under the Australian Tax Act. There is a range of tax consequences which may apply to holders of Ordinary Shares, or particular holders of Ordinary Shares, in holding, acquiring or disposing of Ordinary Shares. Subordinated MTN Holders should seek their own taxation advice if their Subordinated MTNs are Converted into Ordinary Shares.

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