News Release

29 November 2022

IAG Capital Notes 2 – Replacement Prospectus

Further to the announcement made by Insurance Australia Group Limited (**IAG**) on Wednesday 23 November 2022 following completion of the IAG Capital Notes 2 (**Capital Notes 2**) bookbuild, attached is the replacement Prospectus in connection with the Capital Notes 2 offer (**Offer**).

The Offer opens today and is expected to close at 5:00pm Sydney time on Thursday, 15 December 2022.

Unless otherwise specified, capitalised terms in this announcement have the meaning given to them in the Prospectus.

If you have any questions in relation to the Offer, you should contact your Syndicate Broker or seek personal advice from a qualified financial adviser. Alternatively, you can visit www.iag.com.au or call the IAG Capital Notes 2 Offer information line on 1300 360 688 (within Australia) or +61 3 9415 4210 (outside Australia) (Monday to Friday – 8:30am to 5:00pm Sydney time).

This release has been authorised by IAG's Chief Financial Officer.

About IAG

IAG is the parent company of a general insurance group with operations in Australia and New Zealand. IAG's main businesses underwrite over $13 billion of insurance premium per annum under many leading brands, including: NRMA Insurance, RACV (under a distribution agreement with RACV), CGU, SGIO, SGIC and WFI (Australia); and NZI, State, AMI and Lumley (New Zealand).
For further information, please visit www.iag.com.au.

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Prospectus

Insurance Australia Group Limited Capital Notes 2

Prospectus for the issue of Insurance Australia Group Limited Capital Notes 2 to raise $500 million with the ability to raise more or less

Capital Notes 2 are complex and involve more risks than simple debt or ordinary equity instruments. Capital Notes 2 are not suitable for all investors and contain features which may make the Capital Notes 2 Terms difficult to understand. If you are a Retail Investor and wish to apply for Capital Notes 2, you must obtain personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market and if the investment in Capital Notes 2 is suitable for you in light of your particular investment objectives, financial situation and needs.
If you wish to apply for Capital Notes 2 you must contact your Syndicate Broker.

Issuer

Insurance Australia Group Limited
(ABN 60 090 739 923)

Arranger

UBS AG, Australia Branch

Joint Lead Managers

UBS AG, Australia Branch

ANZ Securities Limited

Commonwealth Bank of Australia

Morgans Financial Limited

National Australia Bank Limited

Westpac Institutional Bank (a division of Westpac Banking Corporation)

Co-Manager

LGT Crestone Wealth Management Limited

Important notices

About this Prospectus

This Prospectus relates to the offer by Insurance Australia Group Limited (ABN 60 090 739 923) ("**IAG**") of perpetual, convertible, subordinated debt obligations in the form of unsecured notes ("**Capital Notes 2**") to raise $500 million with the ability to raise more or less.

This Prospectus is issued under section 713 of the Corporations Act (as modified by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71) and is dated and was lodged with the Australian Securities and Investments Commission ("**ASIC**") on 29 November 2022. This is a replacement prospectus which replaces the original prospectus dated 21 November 2022 and lodged with ASIC on that date ("**Original Prospectus**"). This Prospectus expires on the date which is 13 months after the date of the Original Prospectus ("**Expiry Date**") and no Capital Notes 2 will be issued on the basis of this Prospectus after the Expiry Date.

Neither ASIC nor ASX Limited ("**ASX**") takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws.

This Prospectus is available in electronic form at **www.iag.com.au** or from your Syndicate Broker. This Prospectus is available electronically only to persons accessing and downloading or printing it within Australia and is not available to persons in any other jurisdictions (including the United States) without the prior approval of IAG. If you access an electronic copy of this Prospectus, you should ensure you download and read the entire Prospectus. IAG will not be providing paper copies of this Prospectus. Applications for Capital Notes 2 may only be made through a Syndicate Broker.

Offer and issuer

Capital Notes 2 are issued by IAG, an ASX-listed company incorporated in Australia. IAG is the holding company of a group of general insurance and other businesses with established brands in Australia and New Zealand.

References in this Prospectus to IAG are to the holding company on a standalone basis and references to the Group are to IAG and its subsidiaries on a consolidated basis.

No subsidiary of IAG guarantees or is liable for Capital Notes 2. This Prospectus describes the activities and the financial performance and position of the Group because:

- IAG's subsidiaries conduct substantially all of the insurance and other business of the Group and accordingly, the subsidiaries may generate profits that are distributed to IAG in order for IAG to meet its liabilities; and
- substantially all the assets of IAG represent shares in, or other claims on, IAG's subsidiaries. As a result, the financial position of IAG is a function of the consolidated net asset position of all of the IAG subsidiaries, after satisfaction of their liabilities (including to policyholders).

See Sections 4 and 5 for further information.

No personal investment advice

The information provided in this Prospectus is not personal investment advice and has been prepared without taking into account your particular investment objectives, financial situation and needs (including financial and taxation issues). It is important that you read this Prospectus in full before deciding to invest in Capital Notes 2 and consider the risks that could affect the performance of Capital Notes 2. See in particular the risks set out in Section 7.

Status of Capital Notes 2

Capital Notes 2 are perpetual, convertible, subordinated debt obligations in the form of unsecured notes issued by IAG under the Trust Deed and Capital Note 2 Holders have no direct claim against IAG except as provided in the Trust Deed (which includes the Capital Notes 2 Terms). Capital Notes 2 are not policy liabilities of any member of the Group or protected policies under the *Insurance Act 1973* (Cth) ("**Insurance Act**") and are not guaranteed or insured by any government, government agency, compensation scheme or any other person. Capital Notes 2 are unsecured notes for the purposes of section 283BH of the Corporations Act.

Key risks

Capital Notes 2 are complex and involve more risks than a simple debt or ordinary equity security.

The risks include:

- the Distribution Rate may decrease over the life of Capital Notes 2;
- the market price of Capital Notes 2 may fluctuate; and
- IAG must immediately Convert all or, in some cases, some Capital Notes 2 into Ordinary Shares if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event may occur where IAG encounters severe financial difficulty. Depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive Ordinary Shares that are worth significantly less than the money they invested in Capital Notes 2. Following Conversion, there is no certainty as to the future value of the Ordinary Shares. If Capital Notes 2 are not Converted at that time they will be Written Off and you will lose all the money that you invested in Capital Notes 2. A Conversion or Write Off following a Non-Viability Trigger Event is not subject to any conditions and you will not be given any choice if a Non-Viability Trigger Event occurs.

Capital Notes 2 are not suitable for all investors and contain features which may make the Capital Notes 2 Terms difficult to understand. The risks associated with Capital Notes 2 (including those described in Section 7) could result in the loss of your investment and associated income. The investment performance of Capital Notes 2 is not guaranteed by IAG. If you are a Retail Investor and wish to apply for Capital Notes 2, you must obtain personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market and if the investment in Capital Notes 2 is suitable for you in light of your particular investment objectives, financial situation and needs.

Exposure Period

The Corporations Act prohibited IAG from processing Applications in the seven-day period after the date of lodgement of the Original Prospectus ("**Exposure Period**"). This period was to enable the Original Prospectus to be examined by market participants prior to the raising of funds. Application Forms were not available during the Exposure Period.

Financial information and forward-looking statements

Sections 5 and 6 set out in detail the financial information referred to in this Prospectus along with the basis of preparation of that information.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million dollars unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

The financial information provided in this Prospectus is for information purposes only and is not a forecast of performance to be expected in future periods. Past performance is not a reliable indication of future performance.

Any forward-looking statements in this Prospectus are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. This includes statements regarding IAG's targets, goals, ambitions, intent, belief, objectives and current expectations regarding IAG and/or the Group's business, results, financial condition, capital adequacy, risk management practices and market conditions.

Forward-looking statements may generally be identified by the use of words such as "should", "would", "could", "will", "may", "expect", "intend", "plan", "forecast", "aim", "anticipate", "believe", "outlook", "estimate", "project", "target", "goal", "ambition", "continue", "guidance" or other similar words. While IAG believes the forward-looking statements to be reasonable, such statements involve risks (both known and unknown) and assumptions, many of which are beyond IAG's control (including disruptions stemming from outbreaks of COVID-19 and global economic uncertainties). This may cause actual results, outcomes, conditions or circumstances to differ from those expressed, anticipated or implied in such statements. Forward-looking statements should be read in conjunction with the risk factors as set out in Section 7, and other information in this Prospectus.

Providing personal information

You will be asked to provide personal information to IAG via its agent Registrar, or a Syndicate Broker, if you apply for Capital Notes 2. See Section 9.6 for details of how your personal information is handled.

Website

IAG maintains a website at **www.iag.com.au**. Information contained in, or otherwise accessible through, this or a related website is not part of this Prospectus.

Defined terms and abbreviations

Certain capitalised terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary in Appendix B and in the Capital Notes 2 Terms as set out in Appendix A. If there is any inconsistency in definitions between Appendix A and Appendix B, the definitions in Appendix A prevail.

Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time. Unless otherwise stated or implied, references to $, A$, dollars and cents are to Australian currency.

Information in this Prospectus

All information in this Prospectus, while subject to change, is current as at the date of this Prospectus unless otherwise indicated.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. You should rely only on information in this Prospectus.

Except as required by law, and only to the extent so required, neither IAG nor any other person warrants or guarantees the future performance of IAG, or any return on any investment made pursuant to this Prospectus.

Incorporation by reference

Information contained in or accessible through the documents or websites mentioned in this Prospectus does not form part of this Prospectus unless it is specifically stated that the document or website is incorporated by reference and forms part of this Prospectus.

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Guidance for retail investors

Read this Prospectus in full

This Prospectus is important and you should read it in its entirety.

In considering whether to apply for Capital Notes 2, it is important that you consider all risks and other information regarding an investment in Capital Notes 2 in light of your particular investment objectives, financial situation and needs, as the Offer and the information in this Prospectus do not take into account your individual circumstances.

Capital Notes 2 are complex and involve more risks than simple debt or ordinary equity instruments. Capital Notes 2 may not be suitable for investors outside the Capital Notes 2 Target Market.

Speak to your Syndicate Broker and obtain personal advice

The overall complexity of Capital Notes 2 may make the Capital Notes 2 Terms difficult to understand.

If you are a Retail Investor and wish to apply for Capital Notes 2, you must speak to your Syndicate Broker and also obtain personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market and if the investment in Capital Notes 2 is suitable in light of your particular investment objectives, financial situation and needs. The Capital Notes 2 Target Market is set out in Section 4.2.2. Unlike the offer of Capital Notes 1 in 2016, all applications, including applications by Eligible Capital Note 1 Holders, must be submitted through a Syndicate Broker and no applications can be made directly to IAG.

If you have any questions about the Offer, Capital Notes 2 or the Capital Notes 2 Target Market, you should contact your Syndicate Broker or seek personal advice from a qualified financial adviser who is licensed by ASIC to give that advice.

ASIC has published guidance on how to choose a financial adviser on its MoneySmart website. You can also search 'choosing a financial adviser' at **www.moneysmart.gov.au**.

Consider the ASIC guidance for retail investors

ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of the Capital Notes 2. You can find this guidance by searching 'hybrid securities and notes' at **www.moneysmart.gov.au**. The guidance includes a series of questions you should ask before you invest in hybrid securities, as well as a short quiz to check your understanding of how hybrids work, their features and risks.

Obtain further information about IAG and Capital Notes 2

IAG is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. IAG must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about IAG that a reasonable person would expect to have a material effect on the price or value of its securities including Capital Notes 2.

Copies of documents lodged with ASIC which are publicly available can be obtained from ASIC's website **www.asic.gov.au** (a fee may apply) and IAG's ASX announcements may be viewed at **www.asx.com.au**.

Enquiries

If you have any questions in relation to the Offer, please see **www.iag.com.au**, call the IAG Capital Notes 2 Offer information line on 1300 360 688 (within Australia) or +61 3 9415 4210 (outside Australia) (Monday to Friday – 8:30am to 5:00pm Sydney time), or contact your Syndicate Broker.

Key dates

Key dates for the Offer	Date
Lodgement of the Original Prospectus with ASIC	**21 November 2022**
Bookbuild period commenced for the Syndicate Brokers to determine the Margin	**21 November 2022**
Announcement of the Margin and confirmation of Bookbuild Allocations to the Syndicate Brokers	**23 November 2022**
Opening Date for investors to apply for Capital Notes 2 Allocated by the Syndicate Brokers under the Bookbuild and lodgement of this Prospectus with ASIC	**29 November 2022**
Closing Date for investors to apply for Capital Notes 2 Allocated by the Syndicate Brokers under the Bookbuild	**5:00pm Sydney time on 15 December 2022**
Issue Date	**22 December 2022**
Commencement of normal settlement trading	**23 December 2022**
Last date for despatch of Holding Statements	**28 December 2022**

Key dates for Capital Notes 2	Date
First Distribution Payment Date	**15 March 2023**
Optional Exchange Dates	**15 June 2029**
	15 September 2029
	15 December 2029
	15 March 2030
Scheduled Mandatory Conversion Date	**15 March 2032**

Key dates for Capital Note 1 Holders	Date
Record date for determining Eligible Capital Note 1 Holders for the Reinvestment Offer	**7:00pm Sydney time on 17 November 2022**
Opening Date for the Reinvestment Offer	**29 November 2022**
Closing Date for the Reinvestment Offer	**5:00pm Sydney time on 15 December 2022**
Record date for the First Pro Rata Distribution on all Capital Notes 1	**7:00pm Sydney time on 16 December 2022**
Payment date for the First Pro Rata Distribution on all Capital Notes 1	**22 December 2022**
Expected date for the resale of the Participating Capital Notes 1 to the Capital Notes 1 Nominated Purchaser	**22 December 2022**
Reinvested Capital Notes 1 Reinvestment Date	**22 December 2022**
Issue Date for Capital Notes 2	**22 December 2022**
Record date for the Second Pro Rata Distribution on remaining Capital Notes 1	**7:00pm Sydney time on 7 March 2023**
Payment date for the Second Pro Rata Distribution on remaining Capital Notes 1	**15 March 2023**
Optional exchange date for remaining Capital Notes 1	**15 June 2023**

Dates may change

These dates are indicative only and may change. IAG will announce any such change to ASX.

IAG and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early, accepting late Applications, whether generally or in particular cases, or withdrawing the Offer at any time before Capital Notes 2 are issued, at their discretion.

You are encouraged to apply as soon as possible.

Except as otherwise specified in the Capital Notes 2 Terms, if any of these dates are not Business Days and an event under the Capital Notes 2 Terms is stipulated to occur on that day, then the event will occur on the next Business Day.

Section 1
Investment overview

This section provides a summary of the key features and risks of Capital Notes 2 and the Offer.

Capital Notes 2 are complex and involve more risks than simple debt or ordinary equity instruments. The overall complexity of Capital Notes 2 may make them difficult to understand and the risks associated with them could result in the loss of all or some of your investment and associated income. You should read this Prospectus in full before deciding to apply for Capital Notes 2. If you do not fully understand how Capital Notes 2 work or the risks associated with them, you should not apply.

If you wish to apply for Capital Notes 2 you must contact your Syndicate Broker. All Applications must be submitted through a Syndicate Broker.

Section 1
Investment overview

1.1 Key features of the Offer and Capital Notes 2

Topic	Summary	Further information
Issuer	• Insurance Australia Group Limited, the parent company of a general insurance group with operations primarily in Australia and New Zealand.	Section 5
Type of instrument	• Capital Notes 2 are perpetual, convertible, subordinated debt obligations in the form of unsecured notes.	Section 2
Offer size	• $500 million with the ability to raise more or less.	
Use of proceeds	• IAG will use the proceeds of the Offer to refinance Capital Notes 1 that are reinvested in Capital Notes 2 and for general corporate purposes. • APRA has confirmed that Capital Notes 2 will constitute Additional Tier 1 Capital for the purposes of IAG's regulatory capital requirements.	Section 2.7
Issue Price	• $100 per Capital Note 2.	
Distributions	• Distributions are cash payments on Capital Notes 2 which are scheduled to be paid quarterly at IAG's discretion until all Capital Notes 2 are Converted, Redeemed or Written-Off. • The Distribution Rate is calculated in accordance with the following formula: **(Bank Bill Rate + Margin) x Franking Adjustment Factor** where: – **Bank Bill Rate** is the 3 month Bank Bill Rate (described in Section 2.1.2) on the first Business Day of the relevant Distribution Period; – **Margin** is 3.50% per annum, as determined under the Bookbuild; and – **Franking Adjustment Factor** is the percentage calculated according to the following formula: $\frac{1 - \textbf{Tax Rate}}{1 - [\textbf{Tax Rate x (1 – Franking Percentage)}]}$ where: – **Franking Percentage** is the franking percentage, as defined under Part 3-6 of the Tax Act, for a Distribution as at the relevant Distribution Payment Date (expressed as a decimal); and – **Tax Rate** is the Australian corporate tax rate applicable to the franking account of IAG as at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30%. • The Distribution Payment Dates are 15 March, 15 June, 15 September and 15 December or, if any of those dates are not Business Days, the next day which is a Business Day.	Section 2.1

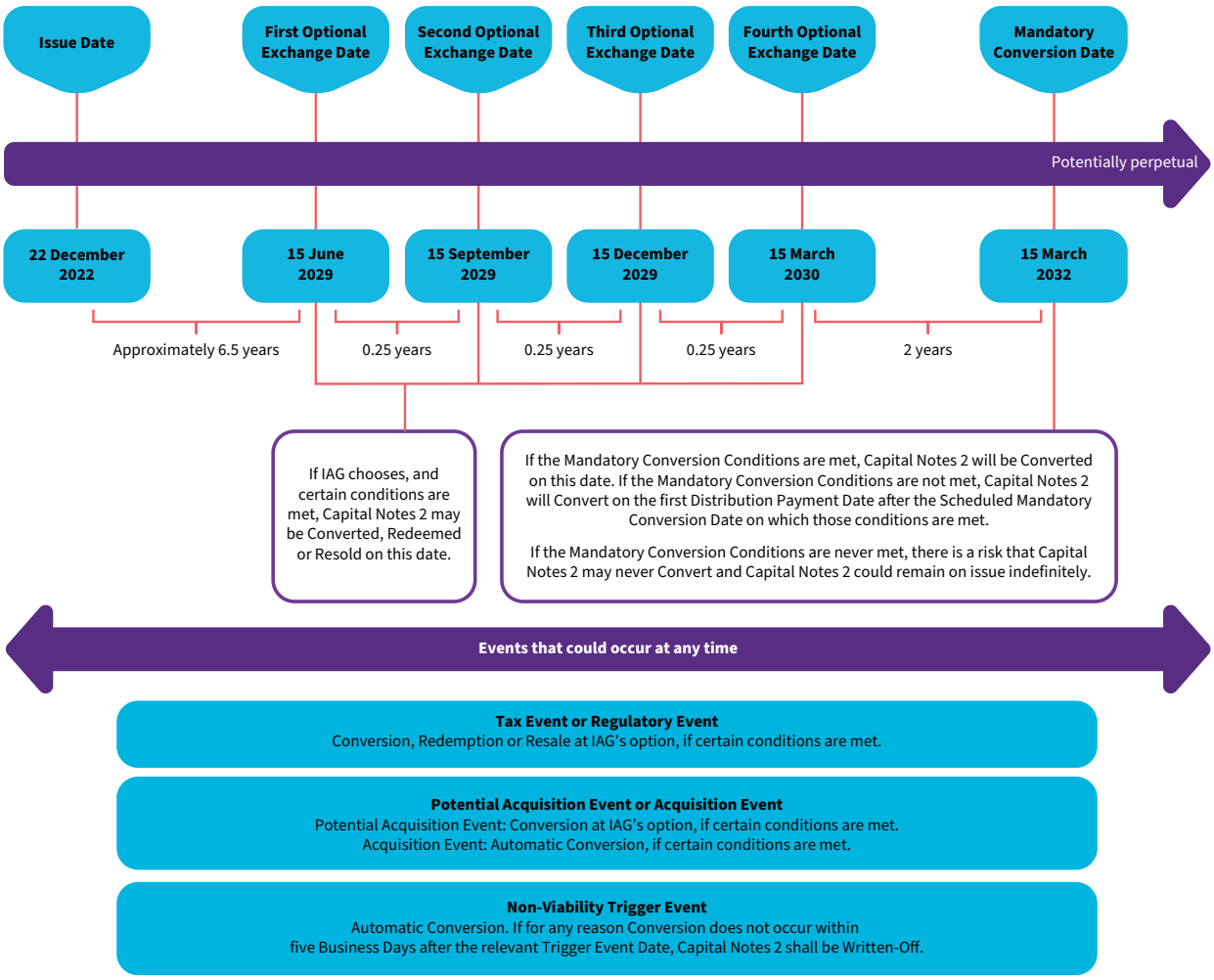
Topic	Summary	Further information
	• The first Distribution is scheduled to be paid on 15 March 2023. • Payments of Distributions are at the absolute discretion of IAG, which means IAG does not have to pay them. Distributions are also only payable if no Payment Condition exists. Broadly, a Payment Condition exists where IAG is prevented from paying the Distribution by APRA's capital adequacy requirements, insolvency or APRA objecting to the payment. • Distributions are non-cumulative which means that Capital Note 2 Holders will not have any claim or right to compensation if IAG does not pay a Distribution. Failure to pay a Distribution when scheduled will not constitute an event of default. • If a Distribution is not paid in full on a Distribution Payment Date, subject to certain exceptions, IAG cannot pay or declare or determine to pay any Ordinary Share Dividend, or undertake any buy-back or capital reduction, until and including the next Distribution Payment Date (unless the Distribution is paid in full within three Business Days of the Distribution Payment Date). • Distributions on Capital Notes 2 are frankable. • Distributions are expected to be franked at the same rate as dividends on Ordinary Shares. IAG's most recent Ordinary Share dividend was franked at 70%. The level of franking may vary over time and Distributions may be fully, partially or not franked. • A higher Franking Percentage for a Distribution will result in a lower Distribution Rate and a lower cash Distribution, reflecting the value of the franking credit attached to the Distribution. • If Distributions are franked, the value and availability of franking credits to a Capital Note 2 Holder will depend on that Capital Note 2 Holder's particular circumstances and the tax rules that apply at the time of each Distribution. The availability of franking credits is not guaranteed. Capital Note 2 Holders should refer to the Australian taxation summary at Section 8.	
Term	• Perpetual. • Capital Notes 2 do not have a fixed maturity date. While Capital Notes 2 are scheduled to Convert into Ordinary Shares on 15 March 2032, that Conversion is subject to conditions which may never be met. Capital Notes 2 could remain on issue indefinitely and Capital Note 2 Holders have no right to request or require an Exchange. • However, there are certain events that could occur while Capital Notes 2 are on issue which may result in Capital Notes 2 being Converted into Ordinary Shares, Redeemed or Resold for cash, or Written-Off. The following diagram and table summarise these events.	Section 2.2

Investment overview continued

1.2 Events that may occur while Capital Notes 2 are on issue

The diagram and table below summarise certain events that may occur while Capital Notes 2 are on issue, and what Capital Note 2 Holders may receive if those events occur. If none of these events occurs, Capital Notes 2 could remain on issue indefinitely and the Issue Price will not be repaid.

Timeline of certain events that may occur while Capital Notes 2 are on issue[1]



1. If any of these dates are not Business Days, due to the Business Day convention, the event will occur on the next Business Day.

Summary of certain events that may occur while Capital Notes 2 are on issue

Event	When could it occur?	Capital Notes 2 impacted	Is APRA approval required?[1]	Do conditions apply?	What value will you receive?	How will that value be provided?	Further information
Mandatory Conversion							
Mandatory Conversion	On 15 March 2032 or the next Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied[2,3,6]	All	No	Yes	Approximately $101 per Capital Note 2[4]	Variable number of Ordinary Shares	Section 2.3
Optional Exchange by IAG[5]							
Optional Conversion	On 15 June 2029, 15 September 2029, 15 December 2029 and 15 March 2030[3,6]	All or some	Yes	Yes	Approximately $101 per Capital Note 2[4]	Variable number of Ordinary Shares	Section 2.4
Optional Redemption	On 15 June 2029, 15 September 2029, 15 December 2029 and 15 March 2030[3,6]	All or some	Yes	Yes	$100 per Capital Note 2	Cash	Section 2.4
Optional Resale	On 15 June 2029, 15 September 2029, 15 December 2029 and 15 March 2030[3,6]	All or some	Yes	Yes	$100 per Capital Note 2	Cash	Section 2.4
Other circumstances[5]							
Conversion in other circumstances	If a Tax Event, Regulatory Event or Potential Acquisition Event occurs[3]	If a Tax Event or Regulatory Event occurs, all or some If an Acquisition Event occurs, all	Yes	Yes	Approximately $101 per Capital Note 2[4,7]	Variable number of Ordinary Shares	Sections 2.4 and 2.7

Investment overview continued

Event	When could it occur?	Capital Notes 2 impacted	Is APRA approval required?[1]	Do conditions apply?	What value will you receive?	How will that value be provided?	Further information
	If an Acquisition Event occurs[3]	All	No	Yes	Approximately $101 per Capital Note 2[4,7]	Variable number of Ordinary Shares	Section 2.6
	If a Non-Viability Trigger Event occurs. This may occur where IAG encounters severe financial difficulty	Potentially all	No	No	Depending on the market price of Ordinary Shares, Capital Note 2 Holders are likely to receive significantly less than approximately $101 per Capital Note 2[4,8]	Variable number of Ordinary Shares, up to a Maximum Conversion Number. If, for any reason Capital Notes 2 are not converted into Ordinary Shares within five Business Days after the relevant Trigger Event Date, IAG Capital Notes 2 will be Written-Off[8]	Section 2.5
Redemption in other circumstances	If a Tax Event or Regulatory Event occurs[3]	All or some	Yes	Yes	$100 per Capital Note 2[7]	Cash	Sections 2.4 and 2.7
Resale in other circumstances	If a Tax Event or Regulatory Event occurs[3]	All or some	Yes	Yes	$100 per Capital Note 2[7]	Cash	Sections 2.4 and 2.7

1. Capital Note 2 Holders should not assume that APRA's approval will be given if requested.
2. If that date is not a Business Day it is adjusted to the next Business Day. This date is expected to align with the March 2032 Distribution Payment Date.
3. Mandatory Conversion, Optional Exchange, Exchange on a Tax Event or Regulatory Event occurring and Conversion on an Acquisition Event or a Potential Acquisition Event are subject to certain conditions and restrictions being met. If those conditions or restrictions are not met, the relevant Exchange may never occur.
4. The number of Ordinary Shares received on Conversion is based on the Conversion calculations (using the VWAP during a period of time) and may be worth more or less than approximately $101 per Capital Note 2 (including because the market price of Ordinary Shares on the date they are received will likely be different from the VWAP used in the Conversion calculations). The number of Ordinary Shares that Capital Note 2 Holders will receive will not be greater than the Maximum Conversion Number.
5. Under the Capital Notes 2 Terms, subject to certain conditions IAG has a choice as to the method of Exchange (Conversion, Redemption, Resale or a combination thereof) in respect of an Optional Exchange or the occurrence of a Tax Event or Regulatory Event. That choice will be made by IAG in its absolute discretion. Capital Note 2 Holders do not have a right to request Exchange.
6. If that date is not a Business Day it is adjusted to the next Business Day.
7. If an Exchange occurs on a day that is not a scheduled quarterly Distribution Payment Date, Capital Note 2 Holders whose Capital Notes 2 are being Exchanged will also receive a Distribution in respect of these Capital Notes 2 for the period from the immediately preceding Distribution Payment Date to (but excluding) the date on which the Exchange occurs (at IAG's discretion and provided the conditions to payment are met).
8. If a Capital Note 2 is Written-Off, that Capital Note 2 will never be Exchanged, all rights (including to Distributions) in respect of that Capital Note 2 will be terminated, and the Capital Note 2 Holder will not have their capital repaid. This means that, for example, unlike Shareholders, if Capital Notes 2 are Written-Off Capital Note 2 Holders will have no right to participate in a surplus of assets on a winding-up of IAG.

1.3 Ranking of Capital Notes 2 in a winding-up of IAG

In a winding-up of IAG, Capital Notes 2 rank ahead of Ordinary Shares, equally among themselves, equally with Equal Ranking Instruments (including Capital Notes 1) and behind all Senior Ranking Creditors, as shown in the table below.

The ranking of Capital Note 2 Holders in a winding-up will be adversely affected if a Non-Viability Trigger Event occurs. If, following a Non-Viability Trigger Event, Capital Notes 2 are Converted into Ordinary Shares, Capital Note 2 Holders will have a claim as holders of Ordinary Shares. If, following a Non-Viability Trigger Event, Capital Notes 2 are Written-Off, those Capital Notes 2 will never be Exchanged, all rights in relation to those Capital Notes 2 will be terminated, and Capital Note 2 Holders will not have their capital repaid.

The table below illustrates how Capital Notes 2 would rank upon a winding-up of IAG, if they are on issue at the time. In the table, a higher ranking claim is one which will be paid out of IAG's available assets in a winding-up before claims with a lower ranking. It may be that lower ranking securityholders, including Capital Note 2 Holders, will be paid only part or none of the amounts owing to them (in the case of Capital Note 2 Holders, the claim for the Issue Price), as there may be insufficient assets remaining to make such payments after higher ranking claims have been paid.

Ranking of Capital Notes 2 in a winding up of IAG

	Ranking in a winding up of IAG	Type of obligation	Examples of obligations/securities
Higher ranking	Liabilities that rank in priority to Capital Notes 2	Secured debt and liabilities preferred by law	Senior ranking secured obligation and liabilities mandatorily preferred by law, including employee entitlements and secured creditors
		Unsubordinated unsecured debt	Borrowings from the market and related bodies corporate, trade and general creditors and other liabilities
		Subordinated unsecured debt that converts or is written off at point of non-viability	Tier 2 Capital instruments issued or guaranteed by IAG
	Liabilities that rank equally with Capital Notes 2	Perpetual capital notes, preference shares and other equally ranked instruments	**Capital Notes 2** Additional Tier 1 capital instruments (such as Capital Notes 1) and other obligations ranking equally with Capital Notes 2
Lower ranking	Ordinary Shares	Ordinary Shares	Ordinary Shares

IAG is a non-operating holding company and substantially all its assets are made up of shares in, or other claims on, IAG's subsidiaries. Accordingly, the claims of Capital Note 2 Holders against IAG will be limited to the value of IAG's residual claims to the net assets (if any) of the subsidiaries, after all liabilities, including liabilities to policyholders, have been discharged or provided for.

1.4 Key risks of Capital Notes 2

Before applying for Capital Notes 2, you should have regard to the TMD (see Section 4.2.2) and if you are a Retail Investor, obtain personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market and if the investment in Capital Notes 2 is suitable in light of your particular investment objectives, financial situation and needs. There are risks associated with an investment in Capital Notes 2 and in IAG. Many of these risks are outside the control of IAG and its Directors. These risks include those described in this Section 1.4 and more fully in Section 7, and other matters referred to in this Prospectus.

1.4.1 Key risks associated with investing in Capital Notes 2

Topic	Summary	Further information
Distributions may not be paid	• There is a risk that Distributions may not be paid. • Distributions are discretionary and are only payable subject to no Payment Condition existing in respect of the relevant Distribution Payment Date. • Distributions are non-cumulative. Accordingly, in the event that IAG does not pay a scheduled Distribution, a Capital Note 2 Holder has no entitlement to that Distribution. • Non-payment of a Distribution is not an event of default.	Section 7.1.1
Changes in Distribution Rate	• The Distribution Rate will fluctuate (it may increase and/or decrease) over time as a result of movements in the Bank Bill Rate. • The Distribution Rate will also fluctuate with any change in the Franking Percentage of Distributions. • There is a risk that the Distribution Rate may become less attractive when compared with the rates of return available on comparable securities.	Section 7.1.2
Market price of Capital Notes 2	• The price at which Capital Note 2 Holders are able to sell Capital Notes 2 on ASX is uncertain. The market price might be below the Issue Price of $100 per Capital Note 2. • Circumstances in which Capital Notes 2 may trade at a market price below the Issue Price depend upon a number of factors including prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of IAG and the Group. • Unlike Ordinary Shares, Capital Notes 2 do not provide a material exposure to growth in the Group's business.	Section 7.1.3
Liquidity of Capital Notes 2	• There may be no liquid market for Capital Notes 2. • Capital Note 2 Holders who wish to sell their Capital Notes 2 may be unable to do so at a price acceptable to them, or at all.	Section 7.1.5
Fluctuation in Ordinary Share price	• There is a risk that the market price of the number of Ordinary Shares received per Capital Note 2 on Conversion will be less than the Issue Price of the Capital Note 2, and may fluctuate afterwards. • The number of Ordinary Shares issued on Conversion is determined based on a VWAP calculation which may not reflect the market price at the time the Ordinary Shares are issued. • Where Conversion is on account of a Non-Viability Trigger Event, the market price may be worth significantly less than the Issue Price. • The market price of Ordinary Shares may fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions and IAG's financial performance and position.	Section 7.1.6
Mandatory Conversion may not occur	• The Mandatory Conversion of Capital Notes 2 may not occur due to a large fall in IAG's share price relative to the share price at the date of issue or if IAG is no longer listed. If the conditions to Mandatory Conversion are never satisfied the Capital Notes 2 may never Convert.	Section 7.1.7
Availability and use of franking credits	• IAG's ability to frank Distributions may be affected by a wide range of factors. • The value and availability of franking credits to a Capital Note 2 Holder will depend on that Capital Note 2 Holder's particular circumstances and the tax rules that apply at the time of each Distribution.	Section 7.1.8

Topic	Summary	Further information
Uncertainty regarding the Exchange of Capital Notes 2	• There are a number of scenarios in which Capital Notes 2 may be Exchanged. It is uncertain whether and when Exchange may occur. The timing of any Exchange may not suit Capital Note 2 Holders. • Capital Notes 2 are perpetual and have no fixed maturity date. Capital Notes 2 may not be Exchanged at all, in which case they may remain on issue indefinitely and you may not receive your capital back or receive any Ordinary Shares.	Section 7.1.9
No right for Capital Note 2 Holders to request Exchange	• Capital Note 2 Holders have no right to request that their Capital Notes 2 be Exchanged. Unless their Capital Notes 2 are Exchanged, to realise their investment, Capital Note 2 Holders would need to seek to sell their Capital Notes 2 on ASX at the prevailing market price. The Capital Notes 2 Terms contain no events of default.	Section 7.1.9
Conversion on account of a Non-Viability Trigger Event	• If Conversion occurs following a Non-Viability Trigger Event, you may receive Ordinary Shares worth significantly less than approximately $101 per Capital Note 2. • In cases where Conversion has not been effected within five Business Days after the Trigger Event Date for any reason (including an Inability Event), Capital Notes 2 which should have been Converted will be Written-Off. This means that all rights in relation to these Capital Notes 2 will be terminated (and Capital Note 2 Holders will not get their capital back or receive compensation).	Section 7.1.10
Restrictions on rights and ranking in a winding-up of IAG	• In a winding-up of IAG, Capital Notes 2 rank for payment ahead of Ordinary Shares, equally with Equal Ranking Instruments (which includes Capital Notes 1), but behind all Senior Ranking Creditors. • If there is a shortfall of funds on a winding-up of IAG to pay all amounts ranking senior to and equally with Capital Notes 2, Capital Note 2 Holders will lose all or some of their investment. • If Capital Notes 2 have been Converted into Ordinary Shares prior to a winding-up of IAG, the Ordinary Shares received on Conversion will rank equally with other Ordinary Shares. As such, a holder's claim in a winding-up of IAG will rank lower than it would have if Capital Notes 2 had not been Converted. If Capital Notes 2 are Written-Off, those Capital Notes 2 will never be Exchanged and therefore the Capital Note 2 Holders will not get their capital back or receive compensation. • IAG is a non-operating holding company and substantially all its assets are made up of shares in, or other claims on, IAG's subsidiaries. Accordingly, the claims of Capital Note 2 Holders against IAG will be limited to the value of IAG's residual claims to the net assets (if any) of the subsidiaries, after all liabilities, including to policyholders, have been discharged or provided for.	Section 7.1.14
Further issues or redemptions of securities by IAG	• There is no limit on the amount of senior debt or other obligations or securities that may be incurred or issued by IAG at any time, which may affect a Capital Note 2 Holder's ability to be repaid on a winding-up of IAG.	Section 7.1.15

1.4.2 Key risks associated with IAG and the Group

See Section 7.2 for a description of the key risks associated with IAG and the Group.

Investment overview continued

1.5 Information about the Offer

Topic	Summary	Further information
Capital Notes 2 Target Market	• IAG has made a target market determination for Capital Notes 2 in accordance with its obligations under the DDO Regime ("**TMD**"). • The TMD describes, amongst other things, the Capital Notes 2 Target Market. • The Capital Notes 2 Target Market is set out in Section 4.2.2 and a copy of the TMD is available at **www.iag.com.au/tmd**. • If you are a Retail Investor and wish to apply for Capital Notes 2 you must obtain personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market and if the investment in Capital Notes 2 is suitable for you in light of your particular investment objectives, financial situation and needs. • **You should not apply for Capital Notes 2 if you are a Retail Investor and are not within the Capital Notes 2 Target Market.**	Section 4.2.2
Offer structure	• The Offer comprises: – a New Money Offer made to eligible clients of the Syndicate Brokers and Institutional Investors wishing to make a new investment in Capital Notes 2; and – a Reinvestment Offer made to eligible clients of the Syndicate Brokers and Institutional Investors, who are Eligible Capital Note 1 Holders wishing to reinvest some or all of their Capital Notes 1 in Capital Notes 2. • Applications (under both the New Money Offer and Reinvestment Offer) will only be accepted from investors who satisfy the eligibility requirements in accordance with the TMD (refer to Section 4.2.2 for further detail). • As there is no general public offer or securityholder offer, no applications can be made directly to IAG.	Section 4.1.1
Reinvestment Offer for Eligible Capital Note 1 Holders	• Under the Reinvestment Offer, Eligible Capital Note 1 Holders may apply for some or all of the Capital Notes 1 registered in their name at 7:00pm on 17 November 2022 to be resold to the Capital Notes 1 Nominated Purchaser for $100 per Capital Note 1 with resale proceeds to be reinvested in Capital Notes 2 on the Reinvestment Date. • You are an Eligible Capital Note 1 Holder if you are: – a registered holder of Capital Notes 1 at 7:00pm on 17 November 2022; – shown on the Capital Notes 1 register as having an address in Australia; – are not in the United States, are not acting as a nominee for, or for the account or benefit of, a person in the United States and are not otherwise prevented from receiving the invitation to participate in the Reinvestment Offer or receiving Capital Notes 2 under the laws of any jurisdiction; and – an Institutional Investor or a client of a Syndicate Broker who is either a Wholesale Client or a Retail Investor who has received personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market.	Section 3

Topic	Summary	Further information
	• Any Participating Capital Notes 1 resold to the Capital Notes 1 Nominated Purchaser under the Reinvestment Offer will be redeemed by IAG in accordance with the Capital Notes 1 Terms on the Reinvested Capital Notes 1 Reinvestment Date once those Participating Capital Notes 1 are held by the Capital Notes 1 Nominated Purchaser. • Any non-participating Capital Notes 1 (being those Capital Notes 1 not resold to the Capital Notes 1 Nominated Purchaser under the Reinvestment Offer) will remain on issue subject to the Capital Note 1 Terms. • Under the Capital Notes 1 Terms, IAG may elect to exchange the Capital Notes 1 on 15 June 2023, subject to APRA's prior written approval, further conditions and IAG's absolute discretion. No decision has been made on whether to make that election yet. • Following the Reinvestment Offer, it is expected that the number of Capital Notes 1 on issue will be significantly reduced, which may impact the liquidity of the Capital Notes 1 while they remain on issue. • There are differences between Capital Notes 1 and Capital Notes 2, and Capital Notes 2 may not suit your particular investment objectives, financial situation and needs. If you have any questions about the differences between Capital Notes 1 and Capital Notes 2, IAG strongly recommends that you seek personal advice from a qualified financial adviser which takes into account your particular investment objectives, financial situation and needs before deciding whether to invest in Capital Notes 2.	
Capital Notes 1 Distributions	• Holders of Capital Notes 1 can expect to receive the scheduled distribution of $1.4295 per Capital Note 1 on 15 December 2022, subject to the Capital Notes 1 Terms. • The Capital Notes 1 Distribution scheduled to be paid on 15 March 2023 has been split into two distributions to facilitate the Reinvestment Offer – the First Pro Rata Distribution and the Second Pro Rata Distribution. • The First Pro Rata Distribution is scheduled to be paid on all Capital Notes 1 on the Issue Date (which is expected to be 22 December 2022). The First Pro Rata Distribution will be calculated in accordance with the Capital Notes 1 Terms using: – the number of days from (and including) the preceding distribution payment date (being 15 December 2022) until (but not including) the payment date for the First Pro Rata Distribution (expected to be 22 December 2022); – the bank bill rate on 15 December 2022; and – the franking percentage applicable on the payment date for the First Pro Rata Distribution. The amount of the First Pro Rata Distribution is expected to be announced to ASX on or about 15 December 2022. • If you hold Capital Notes 1 on the record date for the First Pro Rata Distribution (which is expected to be 7:00pm on 16 December 2022), then you will receive the First Pro Rata Distribution irrespective of whether your Capital Notes 1 participate in the Reinvestment Offer or not (subject to this Prospectus not being withdrawn, the payment conditions in the Capital Notes 1 Terms and IAG's absolute discretion).	

Investment overview continued

Topic	Summary	Further information
	• The First Pro Rata Distribution is a separate distribution payment from IAG and does not form part of the resale price. • The Second Pro Rata Distribution is scheduled to be paid on all Capital Notes 1 outstanding on 15 March 2023. If you hold Capital Notes 1 on the record date for the Second Pro Rata Distribution (which is expected to be 7:00pm on 7 March 2023), then you will receive the Second Pro Rata Distribution (subject to the payment conditions in the Capital Notes 1 Terms and IAG's absolute discretion). The Second Pro Rata Distribution will be calculated in accordance with the Capital Notes 1 Terms using: – the number of days from (and including) the payment date for the First Pro Rata Distribution (expected to be 22 December 2022) until (but not including) 15 March 2023; – the bank bill rate on 15 December 2022; and – the franking percentage applicable on 15 March 2023. The amount of the Second Pro Rata Distribution is expected to be announced to ASX in February 2023. • You will not receive the Second Pro Rata Distribution in respect of any Participating Capital Notes 1 as those Participating Capital Notes 1 will have been resold to the Capital Notes 1 Nominated Purchaser before the record date for the Second Pro Rata Distribution.	
Minimum application for Capital Notes 2	• Your Application must be for a minimum of 50 Capital Notes 2 ($5,000). • However, applications from Eligible Capital Note 1 Holders under the Reinvestment Offer may be smaller in certain circumstances. If you are an Eligible Capital Note 1 Holder and held 50 Capital Notes 1 or fewer at 7:00pm on 17 November 2022, you must apply to reinvest all of your Capital Notes 1 in Capital Notes 2 if you wish to participate in the Reinvestment Offer.	Sections 4.2.1 and 3.1.9
Allocation of Capital Notes 2	• Allocations will be determined by agreement of IAG and the Joint Lead Managers. • IAG and the Joint Lead Managers reserve the right to scale back Applications.	Section 4.3.5
How to apply	• All Applications, including Applications from Eligible Capital Note 1 Holders, must be submitted through a Syndicate Broker. • A list of the appointed Joint Lead Managers and Co-Managers who are Syndicate Brokers to the Offer can be found on the front cover and in the Corporate Directory of this Prospectus. • You should contact your Syndicate Broker to obtain more information on whether you meet the eligibility requirements. Your Syndicate Broker can also assist you with how to apply during the Offer Period.	Section 4.2
More information	• If you have any questions in relation to the Offer, you should contact your Syndicate Broker or seek personal advice from a qualified financial adviser. Alternatively you can visit **www.iag.com.au** or call the IAG Capital Notes 2 Offer information line on 1300 360 688 (within Australia) or +61 3 9415 4210 (outside Australia) (Monday to Friday – 8:30am to 5:00pm Sydney time).	

Section 2
About Capital Notes 2

The following is an overview of the key terms of Capital Notes 2. It is important that you read this Prospectus and the Capital Notes 2 Terms in full before deciding whether to invest in Capital Notes 2. If you do not fully understand how Capital Notes 2 work or the risks associated with them or if you have any questions about the Offer, Capital Notes 2 or the Capital Notes 2 Target Market, you should contact your Syndicate Broker or a qualified financial adviser.

The full Capital Notes 2 Terms are contained in Appendix A. Rights and liabilities attaching to Capital Notes 2 may also arise under the Corporations Act, ASX Listing Rules and other applicable laws.

A table comparing the key features of Capital Notes 2 and some other investments (including Ordinary Shares) is set out in Section 2.9.

Section 2

About Capital Notes 2

2.1 Distribution Payments

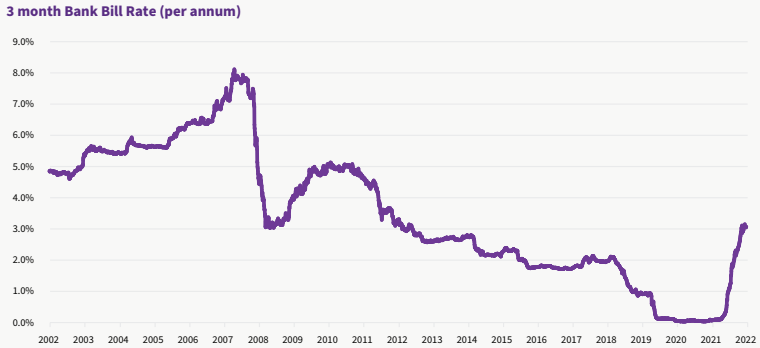
Distributions are discretionary, non-cumulative, floating rate payments and are scheduled to be paid quarterly in arrear on the Distribution Payment Dates until all Capital Notes 2 are Exchanged or Written-Off.

To the extent a Distribution is franked, the cash amount of the Distribution will be lower than it would be if the Distribution were unfranked, reflecting the value of the franking credit attached to the Distribution. Distributions are expected to be franked at the same rate as dividends on Ordinary Shares.

Distributions are subject to IAG's discretion and no Payment Condition existing in respect of the relevant Distribution Payment Date. Broadly, a Payment Condition exists where IAG is prevented from paying the Distribution by APRA's capital adequacy requirements, insolvency or APRA objecting to the payment.

Distributions are non-cumulative. If a Distribution or part of a Distribution is not paid on a Distribution Payment Date, Capital Note 2 Holders will have no claim or entitlement in respect of non-payment and no right to receive that Distribution at a later time. Failure to pay a Distribution when scheduled will not constitute an event of default.

Topic	Summary	Further information
2.1.1 How will the Distribution Rate be calculated?	• The Distribution Rate for each quarterly distribution will be calculated using the following formula: **(Bank Bill Rate + Margin) x Franking Adjustment Factor** where: – **Bank Bill Rate** is the 3 month Bank Bill Rate (described in Section 2.1.2) on the first Business Day of the relevant Distribution Period; – **Margin** is 3.50% per annum, as determined under the Bookbuild; and – **Franking Adjustment Factor** is the percentage calculated according to the following formula: $\frac{1 - \textbf{Tax Rate}}{1 - [\textbf{Tax Rate x (1 – Franking Percentage)}]}$ where: – **Franking Percentage** is the franking percentage, as defined under Part 3-6 of the Tax Act, for a Distribution as at the relevant Distribution Payment Date (expressed as a decimal); and – **Tax Rate** is the Australian corporate tax rate applicable to the franking account of IAG at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30%. As an example, assuming the Bank Bill Rate for a Distribution Period is 3.0497% per annum, the Margin is 3.5000% per annum, the Franking Percentage is 70% and the Tax Rate is 30%, then the Distribution Rate for that Distribution Period would be calculated as follows: Bank Bill Rate — 3.0497% per annum plus Margin — 3.5000% per annum Equivalent unfranked Distribution Rate — 6.5497% per annum Multiplied by Franking Adjustment Factor — x 76.9231% 70% franked Distribution Rate — 5.0382% per annum	Clause 3.1 of the Capital Notes 2 Terms

Topic	Summary	Further information
2.1.2 What is the Bank Bill Rate?	• The Bank Bill Rate is a key benchmark floating interest rate for the Australian money market and is administered by ASX. It is the primary short-term interest rate benchmark used in the financial markets for the pricing and valuation of Australian dollar securities and as a lending reference rate. The Bank Bill Rate changes to reflect supply and demand within the cash and currency markets. • The Bank Bill Rate in respect of a Distribution Period will be the 3 month rate on the first Business Day of that Distribution Period. • The graph below illustrates the movement in the Bank Bill Rate over the last 20 years. The rate on 16 November 2022 was 3.0497% per annum.  • The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Bank Bill Rate. The actual Bank Bill Rate for the first and any subsequent Distribution Periods may be higher or lower than the rates in the above graph, and there is no guarantee that the Bank Bill Rate will be greater than zero throughout the life of Capital Notes 2. If the Bank Bill Rate is negative, the Distribution Rate will be reduced by taking account of the negative value of that rate in the calculation of the Distribution Rate as set out in Section 2.1.1 (but there is no obligation on Capital Note 2 Holders to pay IAG if the Distribution Rate were to become negative). • If IAG determines that the Bank Bill Rate has been affected by a "**Rate Disruption Event**", IAG may select an alternative reference rate that it considers appropriate and make other related changes to the Capital Notes 2 Terms (subject, in each case, to APRA's prior written approval). • Broadly, a Rate Disruption Event occurs where the rate described as the Bank Bill Rate has been discontinued or has ceased to be generally accepted in the Australian market for securities such as Capital Notes 2. IAG is required to act in good faith and in a commercially reasonable manner in selecting an alternative reference rate, and may consult with sources that it considers appropriate, but may otherwise exercise its discretion.	Clause 3.1 of the Capital Notes 2 Terms

Topic	Summary	Further information
2.1.3 How will the Distribution be calculated for each Distribution Period?	• Distributions scheduled to be paid on each Distribution Payment Date will be calculated using the following formula: $$\frac{\textbf{Distribution Rate} \times \$100 \times \textbf{N}}{365}$$ where: – **Distribution Rate** means the rate (expressed as a percentage per annum) calculated as set out in Section 2.1.1; and – **N** means the number of days in the Distribution Period calculated as set out in the Capital Notes 2 Terms. Following the formula above, if a 70% franked Distribution Rate were 5.0382% per annum, then the cash Distribution on each Capital Note 2 for a Distribution Period of 90 days would be calculated as follows: 70% franked Distribution Rate — 5.0382% per annum Multiplied by $100 — x $100 Multiplied by the number of days in the Distribution Period[1] — x 90 Divided by 365 — ÷ 365 70% franked Distribution payment on each Capital Note 2 — $1.2423 • The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payment for the first or any subsequent Distribution Period. Actual Distribution payments may be higher or lower than this example. The Distribution Rate for the first Distribution Period will be set on the Issue Date.	Clauses 3.1 and 3.4 of the Capital Notes 2 Terms

1. Distribution Periods will generally contain 90 to 92 days, except for the first Distribution Period which will contain 83 days.

Topic	Summary	Further information
2.1.4 What is the impact of franking credits?	• Distributions are expected to be franked at the same rate as dividends on Ordinary Shares. IAG's most recent Ordinary Share dividend was franked at 70%. The level of franking may vary over time and Distributions may be partially, fully or not franked. • IAG's ability to frank dividends on Ordinary Shares and Distributions on Capital Notes 2 is affected by its level of available franking credits and distributable profits. IAG's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which the Group makes profits and pays tax, the applicable Australian corporate tax rate and the amount of other frankable distributions. IAG's distributable profits may also be impacted by a wide range of factors, including its level of earnings and other distributions it makes. See Section 7.1.8. • A higher Franking Percentage for a Distribution will result in a lower Distribution Rate and a lower cash Distribution, reflecting the value of the franking credit attached to the Distribution. • If the Distribution is fully or partially franked, the franking credits attached to a Distribution will be equal to: **Distribution** x **(Tax Rate / 1-Tax Rate)** x **Franking Percentage** • Taking the examples in Section 2.1.1 above and Section 2.1.3, the amount of franking credits attached to a Distribution would be calculated as: Distribution $1.2423 Multiplied by (Tax Rate / 1-Tax Rate) x 0.3000/0.7000 Multiplied by Franking Percentage x 0.7000 Franking credit amount $0.3727 If expressed as an annual percentage of the Issue Price and assuming the Distribution Rate, Franking Percentage and Tax Rate are constant throughout the year, the per annum franking credit rate would be approximately 1.5115%. • The amount of franking credits attached to a Distribution will be notified to Capital Note 2 Holders in Distribution notices shortly after a Distribution is paid. • Capital Note 2 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Capital Note 2 Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Capital Note 2 Holder. • If the corporate tax rate or laws relating to franking were to change, the cash amount of Distributions and the amount of any franking credits may change. • Capital Note 2 Holders should refer to the Australian taxation summary in Section 8 and seek professional advice in relation to their tax position.	Clause 3.1 of the Capital Notes 2 Terms

Topic	Summary	Further information
2.1.5 When are the Distribution Payment Dates?	• The first Distribution Payment Date is 15 March 2023. • The number of days in the first Distribution Period will be 83 days. • Distribution Payment Dates are 15 March, 15 June, 15 September and 15 December of each year. • If any of these dates is not a Business Day, then the Distribution Payment Date will be the next Business Day.	Clause 3.4 of the Capital Notes 2 Terms
2.1.6 What are the Payment Conditions?	• Distributions may not always be paid. The payment of each Distribution is subject to the following: – IAG's absolute discretion; and – no Payment Condition existing in respect of the relevant Distribution Payment Date. • A Payment Condition will exist if: – a Distribution payment would result in IAG or the IAG Level 2 Insurance Group not complying with APRA's capital adequacy requirements (unless APRA otherwise approves in writing); – a Distribution payment would result in IAG becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or – APRA objects to a Distribution payment.	Clauses 3.2 and 21.2 ("Payment Condition") of the Capital Notes 2 Terms
2.1.7 What is the Distribution Restriction and when will it apply?	• If for any reason a Distribution has not been paid in full on a Distribution Payment Date (the relevant Distribution Payment Date), IAG must not, subject to certain exclusions, without approval of a Special Resolution, until and including the next Distribution Payment Date: – declare or determine to pay or pay an Ordinary Share Dividend; or – undertake any buy-back or capital reduction, unless the Distribution is paid in full within three Business Days of the relevant Distribution Payment Date. • Failure to pay a Distribution when scheduled will not constitute an event of default.	Clauses 3.3, 3.6, 3.7 and 11.2(g) of the Capital Notes 2 Terms
2.1.8 Are any deductions made on the Distributions?	• IAG may deduct from any Distribution or other amount payable in accordance with the Capital Notes 2 Terms the amount of any withholding or other tax, duty or levy required by any applicable law to be deducted in respect of such amount, or on account of FATCA. • IAG is not required to pay an additional amount (or take any further action) where it has made a deduction as described above.	Clauses 16.1 and 16.2 of the Capital Notes 2 Terms

Topic	Summary	Further information
2.1.9 How will Distributions be paid?	• Distributions are scheduled to be paid to Capital Note 2 Holders whose details are recorded with the Registrar on the relevant Record Date. • Distributions and any other amount payable: – may be paid in any manner IAG decides, including by any method of direct credit to a bank account maintained in Australia with a financial institution specified by the Capital Note 2 Holder to the Registrar; or – where no account is specified by a Capital Note 2 Holder, or where IAG attempts to pay the relevant amount and the transfer is unsuccessful for any reason, may not be paid to the Capital Note 2 Holder, but will be held by or on behalf of IAG for the Capital Note 2 Holder in accordance with the Capital Notes 2 Terms. • The Capital Notes 2 Terms include detailed provisions for the payment of Distributions – see clause 16 of the Capital Notes 2 Terms.	Clauses 16.3 and 16.4 of the Capital Notes 2 Terms

2.2 Term

Topic	Summary	Further information
2.2.1 Do Capital Notes 2 have a maturity date?	• Capital Notes 2 do not have a fixed maturity date and if they are not Converted, Written-Off, Redeemed or Resold in accordance with the Terms, they could remain on issue indefinitely. Accordingly they are perpetual securities. • There can be no certainty that Capital Notes 2 will be Converted, Redeemed or Resold under the Terms. Holders will have no right to request IAG to Convert, Redeem or Resell Capital Notes 2. Conditions apply to any optional Conversion, Redemption, Resale or purchase of Capital Notes 2, including a requirement for the prior written approval of APRA. Holders should not expect that APRA's approval for any optional Conversion, Redemption, Resale or purchase, will be given. Information on the circumstances in which Capital Notes 2 may be Converted, Redeemed, Resold or Written-Off is set out in Sections 2.3 to 2.6.	Clauses 1.1, 5.4, 9.1, 10.1, 11.2(g) of the Capital Notes 2 Terms

2.3 Mandatory Conversion

IAG must convert all outstanding Capital Notes 2 into Ordinary Shares on 15 March 2032, provided that certain conditions are met. If any of these conditions are not satisfied on this date, the Mandatory Conversion Date will be deferred to the next Distribution Payment Date on which they are satisfied. These conditions may never be satisfied and accordingly Capital Notes 2 may never Convert into Ordinary Shares. The number of Ordinary Shares that Holders will receive on Mandatory Conversion will not be greater than the Maximum Conversion Number.

The conditions to Mandatory Conversion and the associated Conversion calculations are designed to ensure that Holders receive approximately $101 worth of Ordinary Shares for each Capital Note 2 they hold, and that the Ordinary Shares they receive following the Conversion are capable of being sold on ASX.

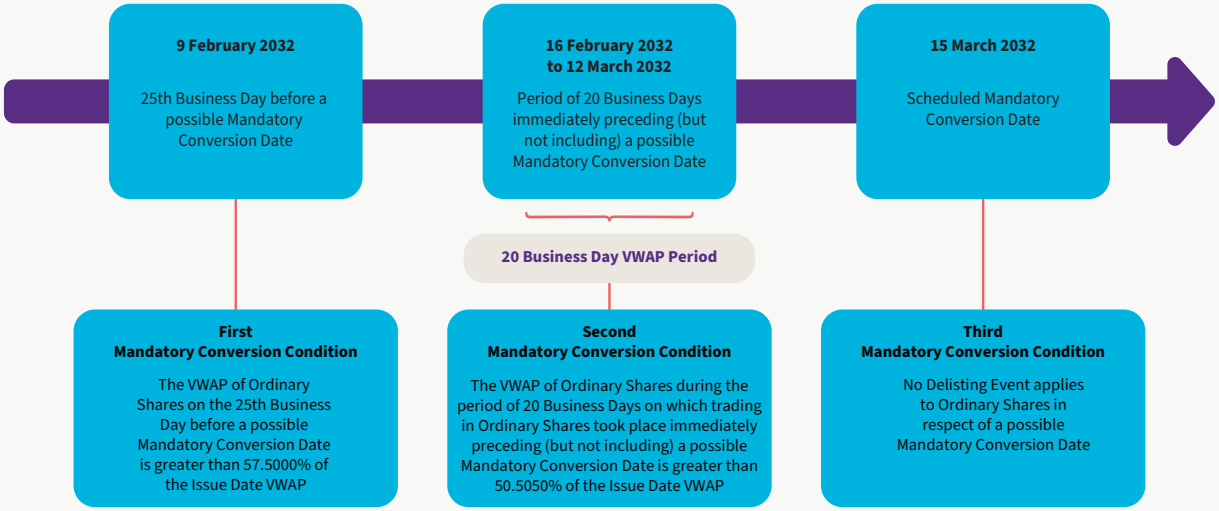
Topic	Summary	Further information
2.3.1 What happens on Mandatory Conversion?	• Capital Note 2 Holders will receive Ordinary Shares on Conversion of Capital Notes 2 on the Mandatory Conversion Date unless the Mandatory Conversion Conditions are not satisfied or Capital Notes 2 are not outstanding on that date. • Upon Conversion on a Mandatory Conversion Date, Capital Note 2 Holders will receive Ordinary Shares worth approximately $101 per Capital Note 2 based on the VWAP (the volume weighted average price of Ordinary Shares) during a period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date. • The number of Ordinary Shares received will not be greater than the Maximum Conversion Number. • The VWAP that is used to calculate the number of Ordinary Shares that Capital Note 2 Holders receive will most likely differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be worth more or less than approximately $101 per Capital Note 2 when they are issued or at any time after that. • As a result of any Conversion of Capital Notes 2 to Ordinary Shares, Capital Note 2 Holders will become holders of Ordinary Shares, which will rank equally with existing Ordinary Shares from the date of issue. • For the Group more broadly, the composition of the capital base will alter as a consequence of any Conversion and result in Common Equity Tier 1 Capital increasing and Additional Tier 1 Capital decreasing.	Clauses 4, 8 and 21.2 ("Conversion", "Issue Date VWAP", "VWAP" and "VWAP Period") of the Capital Notes 2 Terms
2.3.2 When is the Mandatory Conversion Date?	• The Mandatory Conversion Date will be 15 March 2032, provided the Mandatory Conversion Conditions are satisfied. • If any of the Mandatory Conversion Conditions are not satisfied on this date, then the Mandatory Conversion Date will be the next Distribution Payment Date on which they are satisfied. • These conditions may never be satisfied and therefore, Capital Notes 2 may never Convert into Ordinary Shares.	Clauses 4.2, 4.3 and 11.2(d)(ii) of the Capital Notes 2 Terms

Topic	Summary	Further information
2.3.3 What are the Mandatory Conversion Conditions?	• The Mandatory Conversion Conditions are as follows: – **First Mandatory Conversion Condition:** the VWAP of Ordinary Shares on the 25th Business Day before a possible Mandatory Conversion Date[1] is greater than 57.5000% of the Issue Date VWAP; – **Second Mandatory Conversion Condition:** the VWAP of Ordinary Shares during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date ("**VWAP Period**") is greater than 50.5050% of the Issue Date VWAP; and – **Third Mandatory Conversion Condition:** no Delisting Event applies to Ordinary Shares in respect of a possible Mandatory Conversion Date (broadly, a Delisting Event occurs when IAG is delisted from ASX, its Ordinary Shares have been suspended from trading for a certain period, or it is prevented by applicable law or order of any court or action of any government authority or any other reason from Converting Capital Notes 2).	Clauses 4.3, 11.2(d)(ii) and 21.2 ("Delisting Event" and "Inability Event") of the Capital Notes 2 Terms
2.3.4 What is the purpose of the Mandatory Conversion Conditions?	• There is a cap on the maximum number of Ordinary Shares that Capital Note 2 Holders can be issued on conversion of Capital Notes 2 due to Prudential Standards and rating agency requirements ("**Maximum Conversion Number**"). The Maximum Conversion Number is calculated in accordance with the following formula: $\frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \textbf{Relevant Percentage}}$ where: – **Relevant Percentage** is 50% (in relation to a Mandatory Conversion). • Without the Mandatory Conversion Conditions, Mandatory Conversion could occur in situations where Capital Note 2 Holders would receive a number of Ordinary Shares limited to the Maximum Conversion Number, or Ordinary Shares which may not be able to be sold on ASX. • The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to help protect Capital Note 2 Holders against receiving a number of shares on Mandatory Conversion limited to the Maximum Conversion Number and accordingly worth less than approximately $101 per Capital Note 2 (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date). • The Third Mandatory Conversion Condition is intended to protect Capital Note 2 Holders by making Conversion conditional on Capital Note 2 Holders receiving Ordinary Shares which are capable of being sold on ASX. • The Issue Date VWAP, and consequently the price at which the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition would be satisfied, will be adjusted in limited circumstances (described in Section 2.3.7).	Clauses 4.3, 8.1 and 21.2 ("Relevant Percentage") of the Capital Notes 2 Terms

1. If no trading in Ordinary Shares took place on that date, the VWAP is the VWAP on the first Business Day preceding that date on which trading in Ordinary Shares took place.

Topic	Summary	Further information
2.3.5 What can happen if the Mandatory Conversion Conditions are not satisfied?	• If any of the Mandatory Conversion Conditions are not satisfied, Capital Notes 2 continue to be on issue and Mandatory Conversion is deferred until the next Distribution Payment Date on which all of the Mandatory Conversion Conditions are satisfied.	Clause 4.2 of the Capital Notes 2 Terms

The following diagram illustrates the operation of the conditions.



Note: In the diagram above, dates rest on the assumption that during the VWAP Period, trading takes place on each of the Business Days, which may not be the case if trading in Ordinary Shares is suspended during the period leading up to the possible Mandatory Conversion Date.

Topic	Summary	Further information
2.3.6 How many Ordinary Shares will a Capital Note 2 Holder receive on the Mandatory Conversion Date?	• Where the Mandatory Conversion Conditions are satisfied, a Capital Note 2 Holder will receive on a Mandatory Conversion Date a number of Ordinary Shares per Capital Note 2 ("**Conversion Number**") calculated in accordance with the following formula: $\frac{\text{Issue Price}}{99\% \times \textbf{VWAP}}$ where: – **VWAP** is the volume weighted average price of Ordinary Shares during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date. *Illustrative example of Conversion* • Assuming the VWAP is $5.00, the number of Ordinary Shares a Capital Note 2 Holder would receive following Conversion on a Mandatory Conversion Date would be calculated as follows: Issue Price $100 Divided by VWAP x 99% ÷ $4.9500 Ordinary Shares per Capital Note 2 20.2020 • Assuming the price of those Ordinary Shares on the Mandatory Conversion Date is also $5.00, the aggregate value of those Ordinary Shares (calculated by multiplying 20.2020 by $5.00) on the Mandatory Conversion Date would be approximately $101. • Assuming a Capital Note 2 Holder has 100 Capital Notes 2, the total number of Ordinary Shares to which they would be entitled would be 2,020 (i.e. 100 x 20.2020, which number is rounded down to disregard the fraction of the Ordinary Share). • The above example is for illustrative purposes only. The actual VWAP and the number of Ordinary Shares Capital Note 2 Holders might receive on Conversion on the Mandatory Conversion Date may be higher or lower than in this example. • If the Capital Notes 2 Terms did not include the Mandatory Conversion Conditions, in the event that the price of Ordinary Shares falls significantly compared to the Issue Date VWAP the number of Ordinary Shares issued on Conversion per Capital Note 2 would be limited to the Maximum Conversion Number. The Maximum Conversion Number is based on the Issue Date VWAP of Ordinary Shares and, in the case of Mandatory Conversion, is set by dividing the Issue Price of Capital Notes 2 by 50% of the Issue Date VWAP. • However, where the Ordinary Share Price has fallen to less than or equal to 50.5050% of the Issue Date VWAP, the Second Mandatory Conversion Condition will not be met and therefore Conversion will not occur on that date. The Mandatory Conversion Date will be the next Distribution Payment Date on which the Mandatory Conversion Conditions are satisfied.	Clauses 8 and 21.2 ("Conversion", "VWAP" and "VWAP Period") of the Capital Notes 2 Terms

Topic	Summary	Further information
2.3.7 What adjustments to the Issue Date VWAP are made to account for changes to IAG's capital?	• The Issue Date VWAP, and consequently the Maximum Conversion Number and the price at which the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition would be satisfied, will be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Capital Notes 2 Terms (but not other transactions, including rights issues, which may affect the capital of IAG). • However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than 1% of the Issue Date VWAP then in effect.	Clauses 8.4 to 8.7 and 21.2 ("Issue Date VWAP") of the Capital Notes 2 Terms

2.4 Optional Exchange by IAG

On 15 June 2029, 15 September 2029, 15 December 2029 and 15 March 2030, IAG may elect to Convert, Redeem or Resell Capital Notes 2 with APRA's prior written approval. IAG may also elect to Convert, Redeem or Resell Capital Notes 2 following the occurrence of certain events (related to tax and regulation) and may elect to Convert following certain events relating to takeovers, subject to APRA's prior written approval.

As with a Mandatory Conversion, there are conditions to an optional Conversion which are designed to ensure that Capital Note 2 Holders receive approximately $101 worth of Ordinary Shares for each Capital Note 2 that they hold, and that Capital Note 2 Holders receive Ordinary Shares that are capable of being sold on ASX. The number of Ordinary Shares that Capital Note 2 Holders receive on a Conversion in these circumstances will not be greater than the Maximum Conversion Number.

If a Redemption or Resale occurs, a Capital Note 2 Holder will receive an amount equal to $100 in cash for each Capital Note 2 that it holds. There are restrictions on IAG's ability to Redeem Capital Notes 2 for cash. Most importantly, IAG may only elect to Redeem Capital Notes 2 if APRA is satisfied that IAG's regulatory capital position will remain adequate following the Redemption.

Capital Note 2 Holders should not expect that APRA's approval will be given for any optional Conversion, Redemption or Resale. The matters to which APRA may have regard in considering whether to give its approval are not limited and may change. They may include whether IAG has satisfied it as to the economic and prudential rationale for the Redemption and that the Redemption will not create an expectation that other regulatory capital instruments will be redeemed in similar circumstances.

Topic	Summary	Further information
2.4.1 When may IAG choose to Exchange?	• IAG may choose to: – Exchange all or some Capital Notes 2 on an Optional Exchange Date; – Exchange all or some Capital Notes 2 after a Tax Event or a Regulatory Event; or – Convert all Capital Notes 2 after a Potential Acquisition Event. • Exchange means: – IAG Converts Capital Notes 2 into a variable number of Ordinary Shares with a value (based on the VWAP during a period, usually 20 Business Days[1], before the Exchange Date) of approximately $101 per Capital Note 2; – IAG Redeems Capital Notes 2 for $100 per Capital Note 2; – IAG Resells Capital Notes 2 for $100 per Capital Note 2; or – a combination of Conversion, Redemption and Resale.	Clauses 5, 8, 9, 10 and 21.2 ("Conversion" and "Exchange") of the Capital Notes 2 Terms

1. If Conversion occurs as a result of an Acquisition Event or Potential Acquisition Event, the period for calculating the VWAP may be less than 20 Business Days before the Exchange Date.

About Capital Notes 2 continued

Topic	Summary	Further information
	• IAG is unable to Redeem or Resell Capital Notes 2 in connection with a Potential Acquisition Event. • IAG's right to elect to Exchange is subject to APRA's prior written approval and is restricted in circumstances described further in Sections 2.4.4, 2.4.5 and 2.4.6. • Capital Note 2 Holders should not assume that APRA will give its approval for any Exchange.	
2.4.2 When are the Optional Exchange Dates?	• The Optional Exchange Dates are 15 June 2029, 15 September 2029, 15 December 2029 and 15 March 2030.[2]	Clause 21.2 ("Optional Exchange Date") of the Capital Notes 2 Terms
2.4.3 What is a Tax Event, Regulatory Event or Potential Acquisition Event?	• A summary of these events, which give IAG the right to Exchange Capital Notes 2 is as follows: – a **Tax Event** means, broadly, that the Directors receive advice that as a result of a change in the laws or treaties affecting taxation in Australia (not expected by IAG on the Issue Date), there is more than an insubstantial risk that: – IAG would be exposed to more than a de minimis increase in costs in relation to Capital Notes 2; – any Distribution in respect of Capital Notes 2 would not be a frankable distribution or would give rise to an additional franking debit; or – Australian tax resident Capital Note 2 Holders generally would not be entitled to franking credits in respect of Distributions; – a **Regulatory Event** will occur if, broadly: – IAG receives legal advice that, as a result of a change of law or regulation on or after the Issue Date (not expected by IAG on the Issue Date), additional requirements would be imposed on IAG in relation to Capital Notes 2 which the Directors determine to be unacceptable; or – the Directors determine that, as a result of such change, IAG is not or will not be entitled to treat some or all Capital Notes 2 as Additional Tier 1 Capital of the IAG Level 2 Insurance Group; and – a **Potential Acquisition Event** will occur if, broadly: – a takeover bid is made to acquire Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or a majority of Directors recommend acceptance of the offer (without the need that all regulatory approvals necessary for the acquisition have been obtained); or – a court orders the holding of meetings to approve a scheme of arrangement with respect to IAG which would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue after the scheme is implemented.	Clause 21.2 ("Potential Acquisition Event", "Regulatory Event" and "Tax Event") of the Capital Notes 2 Terms

2. If that date is not a Business Day it is adjusted to the next Business Day.

Topic	Summary	Further information
2.4.4 What are the requirements for Conversion to be elected as the Exchange Method?	• If IAG wishes to Convert Capital Notes 2, there are two types of restrictions which apply: – **restrictions on choosing to Convert** – IAG may not elect to Convert Capital Notes 2 as the Exchange Method if, on the second Business Day before the date on which an Exchange Notice is to be sent: – the VWAP is less than or equal to 23.0000% of the Issue Date VWAP; or – a Delisting Event applies; and – **restrictions on completing the Conversion** – further, if IAG has given notice that it has elected to Convert Capital Notes 2, IAG may not proceed to Convert Capital Notes 2 if, on the Exchange Date specified in the notice: – the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) that date is less than or equal to 20.2020% of the Issue Date VWAP; or – a Delisting Event applies. • The percentages used in the above conditions (referred to in the Capital Notes 2 Terms as the First Test Date Percentage and the Conversion Test Date Percentage) are derived from market precedents and the cap on the number of Ordinary Shares that are permitted to be issued in these circumstances under the Prudential Standards and rating agency requirements. Without these conditions, Conversion could occur in situations where Capital Note 2 Holders would receive a number of Ordinary Shares limited to the Maximum Conversion Number and accordingly, those Ordinary Shares could be worth less than approximately $101 per Capital Note 2. • The Maximum Conversion Number in the case of Conversion in these circumstances is set by dividing the Issue Price by 20% of the Issue Date VWAP (as such number may be adjusted as described in Section 2.5.8).	Clauses 4.3, 5.5, 5.6 and 8.1 of the Capital Notes 2 Terms
2.4.5 What happens if the Conversion restrictions apply on the Exchange Date?	• If the Conversion restrictions described above apply on the Exchange Date, IAG will notify Capital Note 2 Holders and the Conversion will be deferred until the next Distribution Payment Date on which the restrictions on electing to Convert and on completing the Conversion described above do not apply (unless Capital Notes 2 are otherwise Exchanged or Written-Off before that date in accordance with the Capital Notes 2 Terms).	Clause 5.6 of the Capital Notes 2 Terms

Topic	Summary	Further information
2.4.6 What are the requirements for Redemption to be elected as the Exchange Method?	• IAG may not specify Redemption as the Exchange Method unless: – the Capital Notes 2 which are the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality; or – APRA is satisfied that IAG does not have to replace Capital Notes 2 the subject of the Redemption. Capital Note 2 Holders should not assume that APRA will be satisfied that this is the case. • IAG is unable to specify Redemption as the Exchange Method in connection with a Potential Acquisition Event.	Clause 5.4 of the Capital Notes 2 Terms
2.4.7 What happens on Resale?	• If IAG elects for Capital Notes 2 to be Resold, subject to payment by the Nominated Purchaser of $100 per Capital Note 2 ("**Resale Price**"), the Capital Note 2 Holder's Capital Notes 2 will be transferred to the Nominated Purchaser on the Exchange Date. If the Nominated Purchaser does not pay the Resale Price of any Capital Notes 2, those Capital Notes 2 will not be transferred and the Capital Note 2 Holder has no claim against IAG as a result of the non-payment. • IAG may only elect to Resell Capital Notes 2 with APRA's prior written approval. Capital Note 2 Holders should not assume that APRA's approval will be given if requested. • IAG is unable to specify Resale as the Exchange Method in connection with a Potential Acquisition Event.	Clauses 5.1 and 10 of the Capital Notes 2 Terms
2.4.8 Can Capital Note 2 Holders request Exchange?	• Capital Note 2 Holders do not have a right to request Exchange.	Clause 11.2(g)(i) of the Capital Notes 2 Terms

2.5 Non-Viability Conversion

IAG must convert Capital Notes 2 as required by APRA if APRA determines IAG is non-viable. Non-viability may occur when IAG encounters severe financial difficulty and APRA's determination may occur at any time. No conditions apply to a Conversion following APRA determining IAG is non-viable. The number of Ordinary Shares that Holders will receive on a Conversion in these circumstances will not be greater than the Maximum Conversion Number.

As a Conversion in these circumstances is likely to occur during a time of severe financial difficulty for IAG, depending on the market price of Ordinary Shares at the relevant time, Capital Note 2 Holders are likely to receive significantly less than $101 worth of Ordinary Shares per Capital Note 2 and a Capital Note 2 Holder may lose some or all of the money they invested in IAG as a consequence.

Where Capital Notes 2 are not Converted into Ordinary Shares for any reason when required due to a non-viability determination, those Capital Notes 2 will be Written-Off. In the event of Write-Off, the rights of Capital Note 2 Holders to Distributions and returns of capital will be terminated and written-off, and Capital Note 2 Holders will not have their capital repaid.

Topic	Summary	Further information
2.5.1 What is a Non-Viability Trigger Event?	• Non-Viability Trigger Event means APRA has provided a written determination to IAG that: – conversion or write-off of Relevant Securities (including Capital Notes 2) is necessary because, without it, APRA considers that IAG would become non-viable; or – without a public sector injection of capital (or equivalent support) IAG would become non-viable. • The date on which a Non-Viability Trigger Event occurs is referred to as the Trigger Event Date. • On the Trigger Event Date, IAG must immediately Convert Capital Notes 2 as required by the determination into the Conversion Number of Ordinary Shares (subject to the Maximum Conversion Number).	Clauses 6 and 21.2 ("Trigger Event Date") of the Capital Notes 2 Terms
2.5.2 Why do Capital Notes 2 include a Non-Viability Trigger Event?	• A Non-Viability Trigger Event is an APRA regulatory requirement for Capital Notes 2 to be characterised as Additional Tier 1 Capital.	
2.5.3 What does non-viable mean?	• APRA has not provided guidance as to how it would determine non-viability. • Non-viability would be expected to include serious impairment of IAG's financial position and insolvency. However, it is possible that APRA's definition of non-viability may not necessarily be constrained to solvency measures or capital ratios. • In the context of banks, APRA has indicated that it may regard non-viability as occurring well before a bank is at risk of becoming insolvent. • APRA may publish further guidance on the parameters used to determine non-viability; however, it is possible that it will not provide any further guidance and IAG has no control over whether it will do so (see further detail in Section 7.1.10).	Section 7.1.10
2.5.4 When does Conversion on account of a Non-Viability Trigger Event occur?	• If a Non-Viability Trigger Event occurs, IAG must immediately: – where APRA's determination is made on the grounds that without a public sector injection of capital, or equivalent support, IAG will become non-viable, convert all Capital Notes 2; and – where APRA's determination is not made on those grounds and does not require all Relevant Securities to be converted or written-off, Convert such number of Capital Notes 2 as is sufficient to satisfy APRA that IAG will be viable without further Conversion or Write-Off.	Clauses 6.2, 6.3 and 11.2(f)(ii) of the Capital Notes 2 Terms

Topic	Summary	Further information
	• Where IAG is required to Convert less than all Capital Notes 2 on account of a Non-Viability Trigger Event, in determining the number of Capital Notes 2 to be converted, IAG will: – first, convert or write-off any Relevant Securities where terms require or permit them to be converted into Ordinary Shares or written-off before Conversion of Capital Notes 2; and – secondly, Convert Capital Notes 2 and convert into Ordinary Shares or write-off other Relevant Securities on an approximately pro rata basis or in a manner that is otherwise in the opinion of IAG fair and reasonable (subject to such adjustment as IAG may determine to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and any Capital Notes 2 or Relevant Securities). In addition, where Relevant Securities are in different currencies, IAG may treat them as if converted into a single currency at rates of exchange it considers reasonable. However, this determination must not impede the immediate Conversion of the relevant number of Capital Notes 2. • IAG may make any decisions with respect to the identity of the Capital Note 2 Holders where Capital Notes 2 are to be Converted as may be necessary or desirable to ensure Conversion occurs immediately in an orderly manner, including disregarding any transfers of Capital Notes 2 that have not been settled or registered at that time. • Capital Note 2 Holders should be aware that: – if APRA does not require all Relevant Securities to be converted or written-off, Relevant Securities such as Capital Notes 2 will be converted or written-off before any Tier 2 capital instruments are converted or written-off; and – IAG has no Relevant Securities on issue other than Capital Notes 1. Capital Notes 1 are not issued on terms that require them to be converted or written-off before Capital Notes 2. Capital Notes 1 may be redeemed on 15 June 2023. IAG has no obligation to keep Capital Notes 1 on issue or to issue or keep on issue any Relevant Securities. • IAG must notify the Trustee and Capital Note 2 Holders of the Non-Viability Trigger Event as soon as practicable (which may be after Conversion has occurred), but failure to give such notice will not prevent, impede or delay the Conversion.	
2.5.5 Are there any conditions which apply to Conversion if a Non-Viability Trigger Event occurs?	• Conversion on the occurrence of a Non-Viability Trigger Event is not subject to the Mandatory Conversion Conditions being satisfied.	Clause 11.2(d)(i) of the Capital Notes 2 Terms

Topic	Summary	Further information
2.5.6 How many Ordinary Shares will Capital Note 2 Holders receive on the Trigger Event Date?	• If Conversion occurs, the number of Ordinary Shares a Capital Note 2 Holder will receive per Capital Note 2 on account of a Non-Viability Conversion is the Conversion Number (calculated as described below), unless that number is greater than the Maximum Conversion Number (in which case a Capital Note 2 Holder will receive the Maximum Conversion Number of Ordinary Shares per Capital Note 2). Since there are no conditions to a Non-Viability Conversion, the number of Ordinary Shares a Capital Note 2 Holder may receive on account of a Non-Viability Conversion may be worth significantly less than approximately $101 per Capital Note 2 and a Capital Note 2 Holder may suffer a loss as a consequence. • The Conversion Number in the event of a Non-Viability Conversion is calculated in accordance with the following formula, subject to the Conversion Number being no greater than the Maximum Conversion Number: $\frac{\text{Issue Price}}{99\% \times \textbf{VWAP}}$ where: – **VWAP** is the volume weighted average price of Ordinary Shares during the period of five Business Days on which trading in Ordinary Shares occurred immediately preceding the Trigger Event Date. See also Section 7.1.10.[1] • The Maximum Conversion Number is described in Section 2.5.7 (as such number may be adjusted as described in Section 2.5.8). • If Conversion does not occur, Capital Note 2 Holders will not receive any Ordinary Shares, and Capital Notes 2 will be Written-Off – see Section 2.5.9.	Clauses 6.2, 8 and 21.2 ("Conversion") of the Capital Notes 2 Terms
2.5.7 What is the Maximum Conversion Number?	• The Maximum Conversion Number is calculated in accordance with the following formula: $\frac{\text{Issue Price}}{\text{Issue Date VWAP} \times \textbf{Relevant Percentage}}$ where: – **Relevant Percentage** is 20% (in relation to a Non-Viability Conversion). • This means that, depending on the market price of Ordinary Shares at the relevant time, a Capital Note 2 Holder is likely to receive Ordinary Shares worth significantly less than approximately $101 per Capital Note 2 and is likely to suffer a loss as a consequence.	Clauses 8.1 and 21.2 ("Issue Date VWAP" and "Relevant Percentage") of the Capital Notes 2 Terms

1. The VWAP during the five Business Days before the Trigger Event Date may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be listed or may not be able to be sold at prices representing their value based on the VWAP calculation or at all.

Topic	Summary	Further information

Illustrative example of Conversion (assuming VWAP is $0.20)

- This example illustrates how many Ordinary Shares a Capital Note 2 Holder will receive per Note following Conversion on a Non-Viability Event assuming the VWAP is $0.20 and the Issue Date VWAP is $5.00.
- This example is for illustrative purposes only. The actual VWAP, Issue Date VWAP and Maximum Conversion Number may be higher or lower than in this example and the Issue Date VWAP may be adjusted after the Issue Date in limited circumstances (see Section 2.5.8).

Step 1 – Calculate the number of Ordinary Shares using the Conversion mechanics

Issue Price	$100
Divided by VWAP × 99%	÷ $0.1980
Ordinary Shares per Capital Note 2	505.0505

Step 2 – Calculate the Maximum Conversion Number

Issue Price	$100
Divided by Issue Date VWAP × 20%	÷ $1.0000
Maximum Conversion Number of Ordinary Shares per Capital Note 2	100.0000

Step 3 – Assess the effect of the Maximum Conversion Number

In this example, the Maximum Conversion Number is lower than the number of Ordinary Shares a Capital Note 2 Holder would receive per Capital Note 2 calculated using the Conversion formula. As a result, the Maximum Conversion Number would cap the number of Ordinary Shares a Holder would receive per Capital Note 2 at 100.0000 Ordinary Shares. If the Capital Note 2 Holder holds 100 Capital Notes 2 (having an aggregate Issue Price of $10,000) they would receive (after disregarding any fraction of an Ordinary Share) 10,000 Ordinary Shares. If those Ordinary Shares were sold on ASX at the same price as the VWAP (being $0.20), the Capital Note 2 Holder would receive approximately $2,000 and have suffered a loss on their investment of approximately $8,000.

Topic	Summary	Further information
2.5.8 What adjustments to the Issue Date VWAP are made to account for changes to IAG's capital?	• The Issue Date VWAP, and consequently the Maximum Conversion Number, will be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Capital Notes 2 Terms (but not other transactions, including rights issues, which may affect the capital of IAG). • However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than 1% of the Issue Date VWAP in effect.	Clauses 8.4 to 8.7 of the Capital Notes 2 Terms
2.5.9 What happens if Capital Notes 2 are not Converted on the Trigger Event Date?	• If Capital Notes 2 are required to be Converted on a Trigger Event Date and Conversion has not been effected within five Business Days after the relevant Trigger Event Date for any reason (including because IAG 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) ("**Inability Event**")), Capital Notes 2 which would otherwise be Converted will not be Converted on that date and will not be Converted, Redeemed or Resold on any subsequent date, and will be Written-Off. If this occurs, all rights in relation to those Capital Notes 2 (including in respect of distribution and return of capital) will be immediately and irrevocably terminated and Capital Note 2 Holders will lose all of the value of their investment in those Capital Notes 2 without compensation. • The laws under which an Inability Event may arise, and the grounds on which a court or government authority may make orders preventing the Conversion of Capital Notes 2 (or other reasons which prevent Conversion), may change.	Clauses 6.4 and 21.2 ("Inability Event") of the Capital Notes 2 Terms

About Capital Notes 2 continued

2.6 Conversion on an Acquisition Event

Topic	Summary	Further information
2.6.1 What is an Acquisition Event?	• An Acquisition Event means: – a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and: – the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or – the Directors issue a statement that at least a majority of those Directors who are eligible to do so recommend acceptance of the offer (which may be stated to be in the absence of a higher offer); or – a court approves a scheme of arrangement which when implemented will result in a person other than IAG having a relevant interest in more than 50% of the Ordinary Shares on issue, and all regulatory approvals necessary for the acquisition to occur have been obtained. • There may be ways in which control of IAG or its business operations change, including as a result of regulatory intervention, which do not amount to an Acquisition Event. See Sections 7.1.11 and 7.2.3.4 for further information.	Clause 21.2 ("Acquisition Event") of the Capital Notes 2 Terms
2.6.2 What must IAG do on the occurrence of an Acquisition Event?	• If an Acquisition Event occurs, IAG must (by giving an Acquisition Conversion Notice) Convert all Capital Notes 2 on issue into a number of Ordinary Shares with a value of approximately $101 per Capital Note 2 (based on the VWAP during a period before the Acquisition Conversion Date, being usually 20 Business Days but a lesser period if trading in Ordinary Shares in the period after the Acquisition Event and before the Acquisition Conversion Date is less than 20 Business Days). Other restrictions, described in Section 2.6.3, may also apply to prevent Conversion.	Clauses 7, 8 and 21.2 ("Acquisition Event") of the Capital Notes 2 Terms

Topic	Summary	Further information
2.6.3 What are the restrictions on Conversion occurring following an Acquisition Event?	• There are two types of restrictions which apply in relation to Conversion in connection with an Acquisition Event: – **First Acquisition Conversion Restriction, on when Conversion is required** – IAG is not required to give an Acquisition Conversion Notice if, on the second Business Day before the date on which an Acquisition Conversion Notice is to be sent: – the VWAP is less than or equal to 23.0000% of the Issue Date VWAP; or – a Delisting Event applies; and – **Second Acquisition Conversion Restriction, on completing the Conversion** – if IAG has given an Acquisition Conversion Notice, IAG may not proceed to Convert Capital Notes 2 if, on the Acquisition Conversion Date specified in the notice: – the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) that date is less than or equal to 20.2020% of the Issue Date VWAP; or – a Delisting Event applies. • If the above conditions apply to prevent IAG from Converting Capital Notes 2 in connection with an Acquisition Event, IAG: – will notify the Trustee and Capital Note 2 Holders as soon as practicable that Conversion will not occur; and – must give, unless the First Acquisition Conversion Restriction applies, an Acquisition Conversion Notice on or before the 25th Business Day prior to the following Distribution Payment Date, and the conditions described above will be tested again in respect of that date. This process will be repeated until a Conversion occurs or Capital Notes 2 are otherwise Exchanged or Written-Off. • The percentages used in the above conditions are derived from market precedents and the cap on the number of Ordinary Shares that are permitted to be issued in these circumstances under the Prudential Standards and rating agency requirements. Without these conditions, Conversion could occur in situations where Capital Note 2 Holders would receive a number of Ordinary Shares limited to the Maximum Conversion Number and accordingly, those Ordinary Shares could be worth less than approximately $101 per Capital Note 2. • The Maximum Conversion Number in the case of Conversion in these circumstances is set by dividing the Issue Price of Capital Notes 2 by 20% of the Issue Date VWAP (as such number may be adjusted as described in Section 2.3.7).	Clauses 4.3, 7.4 and 7.5 of the Capital Notes 2 Terms
2.6.4 What other obligations does IAG have in connection with a takeover or scheme of arrangement?	• On the occurrence of a recommended takeover or scheme of arrangement which would result in an Acquisition Event or Potential Acquisition Event, if the Directors consider that IAG will not be permitted to Convert Capital Notes 2 or the Second Mandatory Conversion Condition or Third Mandatory Conversion Condition will not be satisfied in respect of the relevant Acquisition Conversion Date, the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to Capital Note 2 Holders or that Capital Note 2 Holders are entitled to participate in the scheme of arrangement or a similar transaction.	Clause 13 of the Capital Notes 2 Terms

About Capital Notes 2 continued

2.7 Regulatory treatment

Topic	Summary	Further information
2.7.1 Who is APRA?	• The Australian Prudential Regulation Authority ("**APRA**") is an independent statutory authority that supervises institutions across banking, insurance and superannuation and promotes financial system stability in Australia. • APRA's website at **www.apra.gov.au** includes further details of its functions and prudential standards.	
2.7.2 What is regulatory capital?	• Any business requires capital to support its income generating activities in its chosen industry. • APRA's regulatory capital prudential standards aim to ensure that regulated groups including life insurers, banks, general insurers and regulated registrable superannuation entities maintain adequate capital to support the risks associated with their activities and can withstand unexpected losses. APRA has detailed guidelines and restrictions on the types of capital instruments that are permitted to form the capital base. The types of capital deemed eligible for inclusion in the capital base are referred to as regulatory capital. • APRA currently classifies regulatory capital of APRA regulated entities into two tiers for its supervisory purposes, being Tier 1 Capital and Tier 2 Capital. • Tier 1 Capital is generally considered from the perspective of a financial institution to be a higher quality capital and comprises: – Common Equity Tier 1 Capital (including ordinary shares and retained earnings); and – Additional Tier 1 Capital (such as perpetual subordinated instruments issued by APRA regulated entities). • Tier 2 Capital includes other components which fall short of some of the qualities of Tier 1 Capital but nonetheless contribute to the overall strength of the entity. • Prudential Standard GPS 110 Capital Adequacy describes APRA's requirements for general insurers and insurance groups to maintain adequate capital against the risks associated with their activities.	
2.7.3 What is the regulatory treatment of Capital Notes 2?	• Capital Notes 2 are eligible for inclusion as Additional Tier 1 Capital and qualify as regulatory capital of the IAG Level 2 Insurance Group for APRA purposes. • If APRA's treatment of Capital Notes 2 changes, a Regulatory Event may occur in which case IAG would have an option to Exchange Capital Notes 2 as described in Section 2.4.	Clauses 5.1(a) and 21.2 ("Regulatory Event" and "Additional Tier 1 Capital") of the Capital Notes 2 Terms
2.7.4 Are Capital Notes 2 guaranteed by any government?	• No. Capital Notes 2 are not policy liabilities of any member of the Group or protected policies under the Insurance Act and are not guaranteed or insured by any government, government agency, compensation scheme or any other person.	

2.8 Other

Topic	Summary	Further information
2.8.1 Can IAG issue further Capital Notes 2 or other instruments?	• IAG reserves the right to: – issue further Capital Notes 2 or other instruments which rank equally with Capital Notes 2 (on the same terms or otherwise) or rank in priority or junior to Capital Notes 2; – redeem, buy back, return capital on or convert any securities other than Capital Notes 2 at any time except where expressly prevented from doing so as described in Section 2.1.7; – subject to APRA's prior written consent, purchase or procure the purchase of Capital Notes 2 from Capital Note 2 Holders at any time and at any price; or – incur or guarantee any indebtedness upon such terms as it may think fit. • Capital Notes 2 do not confer on Capital Note 2 Holders any right to subscribe for new securities in IAG or to participate in any bonus issues of shares in IAG's capital.	Clauses 11.2(f) and 12.2 of the Capital Notes 2 Terms
2.8.2 What voting rights do Capital Notes 2 carry?	• Capital Note 2 Holders have no voting rights at meetings of holders of shares in IAG. • Capital Note 2 Holders may vote at meetings for Capital Note 2 Holders in accordance with the Trust Deed.	Clause 12 of the Capital Notes 2 Terms
2.8.3 Can IAG amend the Capital Notes 2 Terms and the Trust Deed?	• Subject to complying with all applicable laws, and obtaining the approval of the Trustee, IAG may amend the Capital Notes 2 Terms and Trust Deed without the approval of Capital Note 2 Holders in certain circumstances. • These may include amendments which may affect the rights of Capital Note 2 Holders, including changes to dates or time periods necessary or desirable to facilitate a Mandatory Conversion, Non-Viability Conversion or Exchange, changes that enable Capital Notes 2 to be quoted on ASX or sold or to comply with applicable laws or listing rules, amendments made to align the Capital Notes 2 Terms with any subsequently issued Additional Tier 1 Capital instrument, or any other change that in IAG's opinion will not be materially prejudicial to the interests of Capital Note 2 Holders as a whole. • IAG may also, with the Trustee's approval (and APRA's prior written approval where required), amend the Capital Notes 2 Terms and Trust Deed if the amendment has been approved by a Special Resolution. • APRA's prior written approval to amend the Capital Notes 2 Terms and Trust Deed is required only where the amendment may affect the eligibility of Capital Notes 2 as Additional Tier 1 Capital. Capital Note 2 Holders should not assume that APRA's approval will be given if requested.	Clause 19 of the Capital Notes 2 Terms and Section 9.9

About Capital Notes 2 continued

Topic	Summary	Further information
2.8.4 What is the Trust Deed?	• The Trust Deed is the document between IAG and the Trustee under which Capital Notes 2 are constituted, as required by Chapter 2L of the Corporations Act. The Trustee holds certain rights in relation to Capital Notes 2 on trust for Capital Note 2 Holders under the Trust Deed. In certain circumstances, the Trustee will act on behalf of Capital Note 2 Holders. • The Trustee holds on trust for Capital Note 2 Holders the right to enforce any obligations of IAG under the Capital Notes 2 Terms and Trust Deed. The Trustee will be entitled to take any action against IAG to enforce any obligations of IAG, subject to the Capital Notes 2 Terms and Trust Deed. • A Capital Note 2 Holder is not entitled to proceed directly against IAG to enforce a right or remedy in respect of Capital Notes 2 except in limited circumstances. • A copy of the Trust Deed can be obtained from **www.iag.com.au**.	Section 9.9
2.8.5 In what circumstances will a Capital Note 2 Holder not receive Ordinary Shares if Conversion occurs?	• If a Capital Note 2 Holder's Capital Notes 2 are Converted, the Capital Notes 2 Terms contemplate certain situations in which Ordinary Shares issued as a result of that Conversion are not issued to the Capital Note 2 Holder, but to a nominee (who may not be IAG or a Related Entity of IAG) who would deal with the Ordinary Shares, as described below: – if the Register indicates that a Capital Note 2 Holder's address is outside Australia (or IAG believes that a Capital Note 2 Holder may not be a resident of Australia) ("**Foreign Capital Note 2 Holder**") and Capital Notes 2 held by a Foreign Capital Note 2 Holder are required to be Converted, or a Capital Note 2 Holder has notified IAG that it does not wish to receive Ordinary Shares as a result of Conversion, the relevant Ordinary Shares which the Capital Note 2 Holder is obliged to accept will be issued to a nominee (who may not be IAG or a Related Entity of IAG) who will sell those Ordinary Shares and pay a cash amount equal to the net proceeds to the Foreign Capital Note 2 Holder; or – where Capital Notes 2 are required to be Converted and a Tax Withholding or FATCA Withholding is required or permitted to be made in respect of Ordinary Shares issued on Conversion, the Ordinary Shares which the relevant Capital Note 2 Holder is obliged to accept will be issued to the Capital Note 2 Holder only to the extent (if at all) that the issue is net of any Tax Withholding or FATCA Withholding. IAG will issue the balance of the Ordinary Shares, if any, to a nominee who will sell those Ordinary Shares and deal with any proceeds of their disposal in accordance with law or any agreement with a governmental authority or FATCA (as relevant). • Capital Note 2 Holders are otherwise bound to accept Ordinary Shares issued on Conversion, and cannot require those Ordinary Shares to be issued to a nominee.	Clause 8.11, 11.2(b) and 21.2 ("FATCA" and "Foreign Capital Note 2 Holder") of the Capital Notes 2 Terms

Topic	Summary	Further information
2.8.6 What are the taxation implications of investing in Capital Notes 2?	• The taxation implications of investing in Capital Notes 2 will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice. • A general outline of the Australian taxation implications is included in the Australian taxation summary in Section 8.	Section 8
2.8.7 Will Capital Notes 2 be rated?	• IAG has not sought a credit rating for Capital Notes 2.	

2.9 Comparison between Capital Notes 2 and other types of investments

Capital Notes 2 are different from other types of investments such as term deposits and ordinary shares. The table below compares the key features of Capital Notes 2 to some other types of investments in the Group and term deposits issued by an APRA-regulated Authorised Deposit-taking Institution ("**ADI**") (generally a bank, credit union or building society)[1]. You should consider these differences in light of your particular investment objectives, financial situation and needs (including financial and taxation issues) before deciding whether to apply for Capital Notes 2. IAG strongly recommends that you seek personal advice from a qualified financial adviser which takes into account your particular investment objectives, financial situation and needs. For a more detailed comparison of Capital Notes 2 and Capital Notes 1, refer to Section 3.2.

Feature	ADI term deposit	NZD Unsecured Subordinated Notes	Capital Notes 1	Capital Notes 2	Ordinary Shares
ASX code	Not quoted on ASX	Quoted on the NZX under the code IAGFC	IAGPD	Expected to be IAGPE	IAG
Issuer	Bank, credit union or building society[1]	Insurance Australia Group Limited	Insurance Australia Group Limited	Insurance Australia Group Limited	Insurance Australia Group Limited
Legal form	Unsecured, unsubordinated debt in respect of an account	Unsecured, subordinated note	Unsecured, subordinated note	Unsecured, subordinated note	Ordinary share
Term	Usually one month to five years	15 June 2038	Perpetual	Perpetual	Perpetual
Ranking in winding-up	Senior to instruments equivalent to Capital Notes 2	Senior to Capital Notes 2 but junior to senior obligations[2] of IAG	Equally with Capital Notes 2	Equally with Capital Notes 1	Junior to Capital Notes 2
Protected under the Financial Claims Scheme[3]	Yes[4]	No	No	No	No
Transferable on market	No	Yes	Yes	Yes	Yes

About Capital Notes 2 continued

Feature	ADI term deposit	NZD Unsecured Subordinated Notes	Capital Notes 1	Capital Notes 2	Ordinary Shares
Distribution rate	Usually a fixed rate for the term of the deposit	5.32% per annum in NZD until 15 June 2028[5]	3 month Bank Bill rate + 4.7% per annum, reduced to the extent of any franking credits	3 month Bank Bill Rate + 3.50% per annum, reduced to the extent of any franking credits	Variable dividends
Distribution frequency	Monthly, quarterly, semi-annually or annually (depending on the choice of the customer)	Quarterly	Quarterly	Quarterly	Semi-annually
Distribution discretionary	No	No, interest is deferrable in certain circumstances including where an Ordinary Share Dividend has not been paid in the financial year in which the scheduled interest payment falls	Yes, and payment is also subject to certain conditions	Yes, and payment is also subject to certain conditions	Yes
Distribution cumulative	Cumulative	Cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Restriction on Ordinary Share Dividends if distribution not paid	No	Payment of an Ordinary Share Dividend obliges the Issuer to pay any deferred interest	Yes, until the next distribution payment date	Yes, until the next Distribution Payment Date	n/a
Frankable distributions	No	No	Yes[6]	Yes[6]	Yes[6]

Feature	ADI term deposit	NZD Unsecured Subordinated Notes	Capital Notes 1	Capital Notes 2	Ordinary Shares
Issuer's optional redemption	No	Yes, on 15 June 2028 (subject to certain conditions)	Yes, on 15 June 2023 (subject to certain conditions)	Yes, on 15 June 2029, 15 September 2029, 15 December 2029 and 15 March 2030 (subject to certain conditions)	No
Issuer's optional resale	No	No	Yes, on 15 June 2023 (subject to certain conditions)	Yes, on 15 June 2029, 15 September 2029, 15 December 2029 and 15 March 2030 (subject to certain conditions)	No
Issuer's optional conversion	No	No	Yes, on 15 June 2023 (subject to certain conditions)	Yes, on 15 June 2029, 15 September 2029, 15 December 2029 and 15 March 2030 (subject to certain conditions)	n/a
Mandatory conversion	No	No	Yes	Yes	n/a
Non-viability conversion	No	Yes	Yes	Yes	n/a
Treated as regulatory capital	No	Yes Tier 2 Capital	Yes Additional Tier 1 Capital	Yes Additional Tier 1 Capital	Yes Common Equity Tier 1 Capital

1. No member of the Group offers term deposits.
2. Secured debt and liabilities preferred by law and unsubordinated, unsecured debt.
3. Established for ADIs in respect of certain accounts under Part 2 Division 2AA of the *Banking Act 1959* (Cth) and for general insurers in respect of certain policies under Part VC of the Insurance Act. None of the investments in the Group listed in this table are protected policies under the Insurance Act.
4. Up to $250,000 in aggregate across all protected accounts that an account holder has with an Australian ADI to which the relevant Minister declares the Financial Claims Scheme applies.
5. There is a provision under the terms of the NZD Unsecured Subordinated Notes for resetting the interest rate on this date (if not redeemed by IAG).
6. Distributions are expected to be franked at the same rate as dividends on Ordinary Shares.

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Section 3
About the Reinvestment Offer

This section provides information on how Eligible Capital Note 1 Holders can apply to reinvest their Capital Notes 1 in Capital Notes 2.

Section 3
About the Reinvestment Offer

3.1 Overview

3.1.1 What are Capital Notes 1?

Capital Notes 1 are perpetual, convertible, subordinated notes issued by IAG in 2016 that trade on ASX under code "**IAGPD**".

3.1.2 What is the Reinvestment Offer?

Under the Reinvestment Offer, Eligible Capital Note 1 Holders may apply for some or all of the Capital Notes 1 registered in their name at 7:00pm on 17 November 2022 to be resold to the Capital Notes 1 Nominated Purchaser for $100 per Capital Note 1 and have their resale proceeds reinvested into Capital Notes 2 on the Reinvestment Date.

Once you have submitted an Application to reinvest your Capital Notes 1, a holding lock will be placed on those Capital Notes 1. You will not be able to deal with those Capital Notes 1 until they are released from the holding lock. The holding lock will be released:

- on any Capital Notes 1 not successfully reinvested into Capital Notes 2 as soon as practicable after the Issue Date; or
- as soon as practicable if IAG decides not to proceed with the Offer.

Any Participating Capital Notes 1 resold to the Capital Notes 1 Nominated Purchaser under the Reinvestment Offer will be redeemed by IAG in accordance with the Capital Notes 1 Terms on the Issue Date once those Participating Capital Notes 1 are held by the Capital Notes 1 Nominated Purchaser.

3.1.3 What is the purpose of the Reinvestment Offer?

The Reinvestment Offer will enable IAG to refinance Capital Notes 1 as well as offer Eligible Capital Note 1 Holders the opportunity to reinvest their Capital Notes 1 in Capital Notes 2.

3.1.4 Am I eligible to participate in the Reinvestment Offer?

To participate in the Reinvestment Offer, you must be an Eligible Capital Note 1 Holder. This means you must:

- have been a registered holder of Capital Notes 1 at 7:00pm on 17 November 2022 and shown on the Capital Notes 1 register as having an address in Australia;
- not be in the United States or acting as a nominee for, or for the account or benefit of, a person in the United States or are not otherwise prevented from receiving the invitation to participate in the Reinvestment Offer or receiving Capital Notes 2 under the laws of any jurisdiction; and
- be an Institutional Investor or a client of a Syndicate Broker who is either a Wholesale Client or a Retail Investor who has received personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market.

3.1.5 Who is the Capital Notes 1 Nominated Purchaser?

UBS (or a permitted successor).

3.1.6 How do I apply to participate in the Reinvestment Offer?

All Applications under the Reinvestment Offer must be submitted through a Syndicate Broker. A list of the appointed Joint Lead Managers and Co-Manager who are Syndicate Brokers to the Offer can be found on the front cover and in the Corporate Directory of this Prospectus.

Applications under the Reinvestment Offer will only be accepted from investors who satisfy the eligibility requirements in accordance with the TMD. You should contact your Syndicate Broker to obtain more information on whether you meet the eligibility requirements.

See Section 4.2 for details on how to apply to participate in the Reinvestment Offer.

3.1.7 What distributions will I receive as a Capital Note 1 Holder?

Holders of Capital Notes 1 can expect to receive the scheduled distribution of $1.4295 per Capital Note 1 on 15 December 2022, subject to the Capital Notes 1 Terms.

The Capital Notes 1 Distribution scheduled to be paid on 15 March 2023 has been split into two distributions to facilitate the Reinvestment Offer – the First Pro Rata Distribution and the Second Pro Rata Distribution.

The First Pro Rata Distribution is scheduled to be paid on all Capital Notes 1 on the Issue Date of Capital Notes 2 (which is expected to be 22 December 2022). It will be calculated in accordance with the Capital Notes 1 Terms using the bank bill rate on 15 December 2022 and the franking percentage applicable on the Reinvested Capital Notes 1 Reinvestment Date. It will be paid in respect of the period from (and including) 15 December 2022 to (but excluding) the Reinvested Capital Notes 1 Reinvestment Date.

If you hold Capital Notes 1 on the record date for the First Pro Rata Distribution (which is expected to be 16 December 2022), then you will receive the First Pro Rata Distribution irrespective of whether your Capital Notes 1 participate in the Reinvestment Offer or not (subject to this Prospectus not being withdrawn, the payment conditions in the Capital Notes 1 Terms and IAG's absolute discretion).

The First Pro Rata Distribution is a separate distribution payment from IAG and does not form part of the resale price.

The Second Pro Rata Distribution is scheduled to be paid on all Capital Notes 1 outstanding on 15 March 2023 (that is Capital Notes 1 which have not been resold as part of the Reinvestment Offer). It will be calculated using the same bank bill rate as that used to calculate the First Pro Rata Distribution and the franking percentage applicable on 15 March 2023. It will be paid in respect of the period from (and including) the Reinvested Capital Notes 1 Reinvestment Date to (but excluding) 15 March 2023.

If you hold Capital Notes 1 on the record date for the Second Pro Rata Distribution (which is expected to be 7 March 2023), then you will receive the Second Pro Rata Distribution (subject to the payment conditions in the Capital Notes 1 Terms and IAG's absolute discretion). You will not receive the Second Pro Rata Distribution in respect of any Participating Capital Notes 1 as those Participating Capital Notes 1 will have been resold to the Capital Notes 1 Nominated Purchaser before the record date for the Second Pro Rata Distribution.

Any payment of the Pro Rata Distribution will be made via direct credit in accordance with your existing Capital Notes 1 payment instructions. If you have not provided direct credit details, IAG will deal with any payment in accordance with the Capital Notes 1 Terms.

3.1.8 Can I elect to reinvest the First Pro Rata Distribution in Capital Notes 2?

No. The First Pro Rata Distribution will be paid to Eligible Capital Note 1 Holders in respect of their Reinvested Capital Notes 1 via direct credit on the Reinvested Capital Notes 1 Reinvestment Date, in accordance with your existing Capital Notes 1 payment instructions. If you wish to change your Capital Notes 1 payment instructions for the payment of any Pro Rata Distribution you must provide updated instructions to the Registry by 5:00pm on the relevant Record Date for that Pro Rata Distribution.

3.1.9 Do I need to apply for a minimum number of Capital Notes 2?

There is no minimum number of Capital Notes 1 that you must hold to be able to participate in the Reinvestment Offer.

However, if you are an Eligible Capital Note 1 Holder and held 50 Capital Notes 1 or fewer at 7:00pm on 17 November 2022, you must apply to reinvest all your Capital Notes 1 in Capital Notes 2 if you wish to participate in the Reinvestment Offer.

If you are an Eligible Capital Note 1 Holder and held more than 50 Capital Notes 1 at 7:00pm on 17 November 2022, you may apply:

- to reinvest all your Capital Notes 1 in Capital Notes 2; or
- for the number of Capital Notes 1 of your choosing, subject to a minimum number of 50 Capital Notes 2 ($5,000).

3.1.10 What happens if I have sold or purchased Capital Notes 1 since 7:00pm on 17 November 2022?

If you have sold any Capital Notes 1 you held at 7:00pm on 17 November 2022, you cannot apply to have those Capital Notes 1 reinvested in Capital Notes 2.

Additionally, if you have purchased any Capital Notes 1 since 7:00pm on 17 November 2022, you cannot apply to have those Capital Notes 1 reinvested in Capital Notes 2.

3.1.11 Can I sell my Capital Notes 1 after I have submitted my Application under the Reinvestment Offer?

No. If you apply to have your Capital Notes 1 reinvested in Capital Notes 2, it is your responsibility to ensure that you do not sell or dispose of any of those Capital Notes 1 that you wish to reinvest, other than as part of the Reinvestment Offer. If you do sell or dispose of any of those Capital Notes 1 before the Closing Date for the Reinvestment Offer, the maximum number of Capital Notes 2 that you may be Allocated will be the number of Capital Notes 1 registered in your name on the Closing Date for the Reinvestment Offer. By submitting an Application to reinvest your Capital Notes 1, you will indemnify IAG for all costs or losses it incurs as a result of you selling or disposing of the Capital Notes 1 the subject of your Application.

An Application to participate in the Reinvestment Offer is irrevocable once submitted and will be effective so long as the Offer proceeds.

3.1.12 What are the tax implications of having my Capital Notes 1 reinvested and will any brokerage or stamp duty be payable?

A general outline of the taxation implications for certain investors who are Australian residents for tax purposes participating in the Reinvestment Offer can be found in the Australian taxation summary in Section 8.

No brokerage or stamp duty is payable on the reinvestment of your Capital Notes 1 or on your Application for Capital Notes 2 under the Reinvestment Offer provided that no person obtains, either alone or with associates, an interest of 90% or more in IAG. In some circumstances interests of persons who are not associates can be aggregated together in determining whether that threshold is met or exceeded.

3.1.13 What will happen to my Capital Notes 1 if I do not apply for them to be reinvested under the Reinvestment Offer or the Reinvestment Offer does not proceed?

Your Capital Notes 1 will remain on issue in accordance with their terms. Under the Capital Notes 1 Terms, IAG may elect to exchange Capital Notes 1 on 15 June 2023, subject to APRA's prior written approval, further conditions and IAG's absolute discretion. No decision to exchange Capital Notes 1 on 15 June 2023 has yet been made.

Following the Reinvestment Offer, it is expected that the number of Capital Notes 1 on issue will be significantly reduced, which may impact on the liquidity of the Capital Notes 1 while they remain on issue.

3.1.14 Can I continue to sell my Capital Notes 1 on market?

Yes. You may choose to sell your Capital Notes 1 on market through your broker at the prevailing market price. To do this, you should contact your broker.

If you elect to sell your Capital Notes 1 on market, you:

- may have to pay brokerage and may receive a price greater or less than the issue price of $100 per Capital Note 1; and
- have the option to use the sale proceeds of the Capital Notes 1 you sell to apply to subscribe for Capital Notes 2.

3.1.15 Why have the Capital Notes 1 Terms been amended?

IAG has amended the Capital Notes 1 Terms to facilitate the Reinvestment Offer. In particular, the amendments enable:

- the resale of the Participating Capital Notes 1 to the Capital Notes 1 Nominated Purchaser for $100 per Participating Capital Note 1;
- the redemption of the Participating Capital Notes 1 on the Issue Date once they are held by the Capital Notes 1 Nominated Purchaser; and
- the payment of the First Pro Rata Distribution.

The amendments have been made under clause 19.1 of the Capital Notes 1 Terms.

3.2 What are the key similarities and differences between Capital Notes 2 and Capital Notes 1?

A comparison of some of the key features of Capital Notes 2 and Capital Notes 1 is set out in summary form below, with some of the key differences highlighted. These comparisons are not exhaustive.

Feature	Capital Notes 2	Capital Notes 1
Issue date	22 December 2022	22 December 2016
Legal form	Unsecured subordinated note	Unsecured subordinated note
Issuer	IAG	IAG
ASX code	Expected to be "**IAGPE**"	IAGPD
Issue price	$100 per Capital Note 2	$100 per Capital Note 1
Amount to be issued/ currently on issue	$500 million with the ability to raise more or less	$404 million
Margin	3.50% per annum, as determined under the Bookbuild	4.70% per annum
Distribution rate	Floating	Floating
Distribution payment dates	Quarterly	Quarterly
Impact of franking	Distribution is reduced by an amount reflecting the level of franking	Distribution is reduced by an amount reflecting the level of franking
Distribution payment conditions	Yes, subject to IAG's absolute discretion and certain payment conditions	Yes, subject to IAG's absolute discretion and certain payment conditions
Dividend restrictions if distributions are not paid	IAG must, unless approved by Special Resolution, not declare or determine to pay or pay a dividend or distribution on Ordinary Shares or buy back or reduce the capital on Ordinary Shares until and including the next quarterly Distribution Payment Date, unless the Distribution on Capital Notes 2 is paid in full within three Business Days	IAG must, unless approved by Special Resolution, not declare or determine to pay or pay a dividend or distribution on Ordinary Shares or buy back or reduce the capital on Ordinary Shares until and including the next quarterly distribution payment date, unless the distribution on Capital Notes 1 is paid in full within three Business Days
Mandatory conversion	Yes	Yes
Mandatory conversion date	15 March 2032, or the first Distribution Payment Date after that on which the Mandatory Conversion Conditions are satisfied	16 June 2025, or the first distribution payment date after that on which the mandatory conversion conditions are satisfied
Conversion discount	1.00%	1.00%

About the Reinvestment Offer continued

Feature	Capital Notes 2	Capital Notes 1
Non-viability trigger event	Yes. As a result, all (or in some cases, some) of Capital Notes 2 must be Converted and, if not Converted within five Business Days, those Capital Notes 2 must be Written-Off, in which case the Capital Note 2 Holders' rights in respect of the relevant Capital Notes 2 are terminated	Yes. As a result, all (or in some cases, some) of Capital Notes 1 must be converted and, if not converted within five business days, those Capital Notes 1 must be written-off, in which case the Capital Note 1 Holders' rights in respect of the relevant Capital Notes 1 are terminated
Exchange	IAG may elect (with APRA's prior written approval) to: • Exchange all or some Capital Notes 2 on an Optional Exchange Date, or following a Tax Event or Regulatory Event; or • Convert all (but not some only) Capital Notes 2 following a Potential Acquisition Event Subject to conditions, all Capital Notes 2 must be Converted following an Acquisition Event Capital Note 2 Holders have no right to request an Exchange Capital Note 2 Holders should not assume that APRA's approval will be given if requested	IAG may elect (with APRA's prior written approval) to: • exchange all or some Capital Notes 1 on the optional exchange date, or following a tax event or regulatory event; or • convert all (but not some only) Capital Notes 1 following a potential acquisition event Subject to conditions, all Capital Notes 1 must be converted following an acquisition event Capital Note 1 Holders have no right to request an exchange Capital Note 1 Holders should not expect that APRA's approval will be given if requested
Exchange method	Conversion, Redemption, Resale or a combination of Conversion, Redemption and/or Resale	Conversion, redemption, resale or a combination of conversion, redemption and/or resale
Ranking in a winding-up	Rank ahead of Ordinary Shares, equally with Equal Ranking Instruments (including Capital Notes 1), but behind all Senior Ranking Creditors Return in a winding-up may be adversely affected on account of a Non-Viability Trigger Event	Rank ahead of Ordinary Shares, equally with equal ranking instruments (including Capital Notes 2), but behind all Senior Ranking Creditors Return in a winding-up may be adversely affected on account of a non-viability trigger event
Voting rights	No right to vote at general meetings of Shareholders	No right to vote at general meetings of Shareholders
Capital classification	Additional Tier 1 Capital	Additional Tier 1 Capital

3.3 What are the options available to Eligible Capital Note 1 Holders?

If you are an Eligible Capital Note 1 Holder you have the options set out below:

Option	What should Eligible Capital Note 1 Holders do?
Option 1 – apply to reinvest your Capital Notes 1 in Capital Notes 2 through your Syndicate Broker	• If you are an Eligible Capital Note 1 Holder you may apply for Capital Notes 2 through your Syndicate Broker. • You may apply to reinvest all or some of the Capital Notes 1 registered in your name at 7:00pm on 17 November 2022 in Capital Notes 2. You may also choose to apply for more Capital Notes 2. • If you apply to reinvest your Capital Notes 1, you will not be required to make a separate Application Payment. • If you apply to reinvest your Capital Notes 1, you are applying to have those Capital Notes 1 resold to the Capital Notes 1 Nominated Purchaser and are directing the Capital Notes 1 Nominated Purchaser to repay the resale proceeds to IAG as the Application Payment for the corresponding number of Capital Notes 2. • You may also choose to apply for more Capital Notes 2 than the number of Capital Notes 1 registered in your name at 7:00pm on 17 November 2022. If you apply for more Capital Notes 2 you will be required to make a separate Application Payment in respect of those additional Capital Notes 2 applied for. • You should contact your Syndicate Broker for instructions on how to submit an Application and, if applicable, an Application Payment.
Option 2 – take no action	• You are not required to participate in the Reinvestment Offer and as such you are not required to take any action. • If you take no action, your Capital Notes 1 will remain on issue in accordance with their terms. • Under the Capital Notes 1 Terms, IAG may elect to exchange Capital Notes 1 on 15 June 2023, subject to APRA's prior written approval, further conditions and IAG's absolute discretion. No decision to exchange Capital Notes 1 has yet been made.
Option 3 – purchase Capital Notes 2 under the New Money Offer	• If you satisfy the eligibility requirements set out in Section 4.2.2 you can separately apply for Capital Notes 2 under the New Money Offer, whether or not you apply to participate in the Reinvestment Offer.

3.4 What are the risks associated with participating in the Reinvestment Offer?

If you are an Eligible Capital Note 1 Holder and you apply under the Reinvestment Offer, you may receive an Allocation of Capital Notes 2. As such, you will be subject to the risks associated with an investment in Capital Notes 2 and in IAG, many of which are outside the control of IAG and its Directors. These risks are outlined in Section 7 and should be considered before you apply under the Reinvestment Offer.

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Section 4
About the Offer and how to apply

This section provides information about the Offer, including how to apply. The key dates in relation to the Offer are outlined on page 4.

Section 4

About the Offer and how to apply

4.1 The Offer

4.1.1 Overview

The Offer

The Offer is for the issue of Capital Notes 2 with an Issue Price of $100 per Capital Note 2 to raise $500 million with the ability to raise more or less.

The Offer comprises:

- a New Money Offer made to eligible clients of the Syndicate Brokers and Institutional Investors wishing to make new investments in Capital Notes 2; and
- a Reinvestment Offer made to clients of the Syndicate Brokers and Institutional Investors, who are Eligible Capital Note 1 Holders wishing to reinvest some or all of their Capital Notes 1 in Capital Notes 2.

The final size of the Offer will depend on the outcome of the Bookbuild and the volume of Applications received and accepted under the Reinvestment Offer. IAG reserves the right to scale back Applications or increase the final size of the Offer if there is excess demand.

All Capital Notes 2 issued will be allotted under and subject to the disclosure in the Prospectus.

Applications

All Applications must be submitted through a Syndicate Broker. A list of the appointed Joint Lead Managers and Co-Manager who are Syndicate Brokers to the Offer can be found on the front cover and in the Corporate Directory of this Prospectus.

Applications (under both the New Money Offer and Reinvestment Offer) will only be accepted from investors who satisfy the eligibility requirements in accordance with the TMD. You should contact your Syndicate Broker to obtain more information on whether you satisfy the eligibility requirements.

As there is no general public offer or securityholder offer, no Applications can be made directly to IAG.

4.1.2 Obtaining a Prospectus

During the Exposure Period, an electronic version of the Original Prospectus was available to eligible investors at **www.iag.com.au**.

During the Offer Period, an electronic version of this Prospectus will be available to eligible investors through **www.iag.com.au** and may be available through your Syndicate Broker.

Electronic access to this Prospectus

The following conditions apply if this Prospectus is accessed electronically:

- you must download and read the entire Prospectus; and
- you must access and download or print the electronic copy of the Prospectus in Australia.

4.2 How to apply

4.2.1 Apply through a Syndicate Broker

Who may apply	• Applications under the Offer will only be accepted from clients of Syndicate Brokers who are either a Wholesale Client, or a Retail Investor who has first received personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market.
When to apply	• Applications will only be accepted during the Offer Period, which commenced on 29 November 2022. • The Closing Date for the Offer is expected to be 5:00pm on 15 December 2022. Your completed Application and Payment (if applicable) must be received by your Syndicate Broker in accordance with arrangements made between your Syndicate Broker and you.
How to apply	• Contact your Syndicate Broker for instructions on how to apply.
Minimum application amount	• Your Application must be for a minimum of 50 Capital Notes 2 ($5,000). However, applications from Eligible Capital Note 1 Holders under the Reinvestment Offer may be smaller in certain circumstances. • Your Syndicate Broker will inform you of your Allocation.

As there is no general public offer or securityholder offer, all investors that would like to apply for Capital Notes 2 will need to apply through a Syndicate Broker. No Applications can be made directly to IAG.

4.2.2 Capital Notes 2 Target Market

IAG has made the TMD for Capital Notes 2 in accordance with its obligations under the DDO Regime. The TMD is available at **www.iag.com.au/tmd**.

The TMD describes, among other things, the class of Retail Investors that comprise the target market for Capital Notes 2 ("**Capital Notes 2 Target Market**") being Retail Investors who:

- are seeking to acquire an investment product to generate income;
- are able to bear the risks associated with an investment in Capital Notes 2 (which are summarised in Section 1.4 and detailed in Section 7, in particular, the lack of certainty as to payment of distributions and potential loss of some or all of the capital investment in Capital Notes 2);
- do not require certainty as to repayment of capital invested within a specific timeframe; and
- seek the ability to dispose of Capital Notes 2 by sale on a licensed securities exchange, at the price available on the exchange.

If you are a Retail Investor and wish to apply for Capital Notes 2, you must obtain personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market and if the investment in Capital Notes 2 is suitable for you in light of your particular investment objectives, financial situation and needs.

If you have any questions about the Offer, Capital Notes 2, or the Capital Notes 2 Target Market, you should contact your Syndicate Broker or seek personal advice from a qualified financial adviser who is licensed by ASIC to give that advice.

4.3 Other information

4.3.1 Is any brokerage, commission or stamp duty payable?

No brokerage, commission or stamp duty is payable on your Application provided that no person obtains, either alone or with associates, an interest of 90% or more in IAG. In some circumstances, interests of persons who are not associates can be aggregated together in determining whether that threshold is met or exceeded. You may have to pay brokerage, but will not have to pay any stamp duty on any later sale of your Capital Notes 2 on market after Capital Notes 2 have been quoted on ASX.

4.3.2 How will refunds (if any) be made?

In the event that the Offer, or any part of it, does not proceed for any reason, all Applicants will have their Application Payments refunded (without interest) as soon as practicable.

4.3.3 Do I need to provide my TFN or ABN?

You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, in respect of Capital Note 2 Holders, IAG will be required to withhold Australian tax at the maximum marginal tax rate plus the Medicare levy (with the current withholding rate being 47%) on any unfranked part of a Distribution unless the Capital Note 2 Holder provides a TFN or, in certain circumstances, an ABN or exemption details.

The collection and quotation of TFNs and ABNs are authorised, and their use and disclosure are strictly regulated, by tax laws and the Privacy Act.

Successful Applicants who do not have an address in Australia registered with the Registrar, or who direct the payment of any Distribution to an address outside Australia, may have an amount deducted for Australian withholding tax from any Distribution paid, to the extent that the Distribution is not fully franked.

4.3.4 Bookbuild

The Bookbuild is a process that was conducted by the Joint Lead Managers before the Opening Date to determine the Margin and firm allocations of Capital Notes 2 to Bookbuild participants, by agreement with IAG. In this process, the Bookbuild participants were invited to lodge bids for a number of Capital Notes 2. The Bookbuild was conducted in the manner contemplated in the Original Prospectus and otherwise on the terms and conditions agreed to by IAG and the Joint Lead Managers in the Offer Management Agreement.

4.3.5 Allocation policy

Allocations to Syndicate Brokers and Institutional Investors under the Bookbuild were determined by agreement of IAG and the Joint Lead Managers following completion of the Bookbuild.

Allocations to Applicants by a Syndicate Broker (including in respect of Applications under the Reinvestment Offer) are at the discretion of that Syndicate Broker. However, priority is intended to be given to Applicants applying to reinvest their Capital Notes 1 over other Applicants.

It is possible for Applications to be scaled back by a Syndicate Broker. IAG takes no responsibility for any Allocation, scale back or rejection that is decided by a Syndicate Broker.

No assurance is given that any Applicant (including an Applicant under the Reinvestment Offer) will receive an Allocation of Capital Notes 2.

4.3.6 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, Capital Notes 2 or the Offer or otherwise to permit a public offering of Capital Notes 2 in any jurisdiction outside Australia.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus (including an electronic copy) may not be distributed or released, in whole or in part, in the United States. Neither Capital Notes 2 nor the Ordinary Shares have been or will be registered under the US Securities Act or the securities laws of any state of the United States, and they may not be offered or sold in the United States. Capital Notes 2 are being offered and sold in the Offer solely outside the United States pursuant to Regulation S under the US Securities Act.

Any offer, sale or resale of Capital Notes 2 in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

Each person submitting an Application Form will be deemed to have acknowledged that they are aware of the restrictions referred to in this Section 4.3.6 and to have represented and warranted that they are able to apply for and acquire Capital Notes 2 in compliance with those restrictions.

4.3.7 Application to ASX for quotation of Capital Notes 2

IAG has applied to ASX for Capital Notes 2 to be quoted on ASX. If ASX does not grant permission for Capital Notes 2 to be quoted within three months after the date of the Original Prospectus, Capital Notes 2 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

4.3.8 CHESS and issuer sponsored holdings

IAG has applied for Capital Notes 2 to participate in CHESS. No certificates will be issued for Capital Notes 2. IAG expects that Holding Statements will be despatched to successful Applicants by 28 December 2022.

4.3.9 ASX settlement trading and selling Capital Notes 2 on market

It is expected that Capital Notes 2 will begin trading on ASX on a normal settlement basis on 23 December 2022 under ASX code "IAGPE".

You are responsible for confirming your holding before trading in Capital Notes 2. If you are a successful Applicant and sell your Capital Notes 2 before receiving your Holding Statement, you do so at your own risk.

You may call your Syndicate Broker after the Issue Date to enquire about your Allocation.

4.3.10 Provision of bank account details for Distributions

IAG's current policy is that Distributions and any other amount payable in connection with Capital Notes 2:

- will be paid by direct credit to a bank account maintained in Australia with a financial institution specified by the Capital Note 2 Holder; and
- where no account is specified by a Capital Note 2 Holder, may not be paid to the Capital Note 2 Holder, but will be held by or on behalf of IAG for the Capital Note 2 Holder in accordance with the Capital Notes 2 Terms.

4.3.11 Discretion regarding the Offer

IAG reserves the right not to proceed with the Offer (and may withdraw the Offer) at any time before the issue of Capital Notes 2 to successful Applicants.

If the Offer, or any part of it, does not proceed, all relevant Application Payments will be refunded (without interest).

IAG and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Capital Notes 2 than applied or bid for. This is at IAG's discretion, and IAG is under no obligation to exercise that discretion in any particular case.

Investors should also note that no cooling off rights (whether by law or otherwise) apply to an investment in Capital Notes 2. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted, except as permitted by the Corporations Act.

4.3.12 Enquiries

You can view the Offer website at **www.iag.com.au** or call the IAG Capital Notes 2 Offer information line on 1300 360 688 (within Australia) or +61 3 9415 4210 (outside Australia) (Monday to Friday – 8:30am to 5:00pm Sydney time) if you:

- have further questions on how to apply for Capital Notes 2; or
- have any other questions about the Offer.

You should call your Syndicate Broker if you have further questions about your Application.

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Section 5
About IAG

This section sets out information about IAG and the Group.

Section 5
About IAG

5.1 About IAG

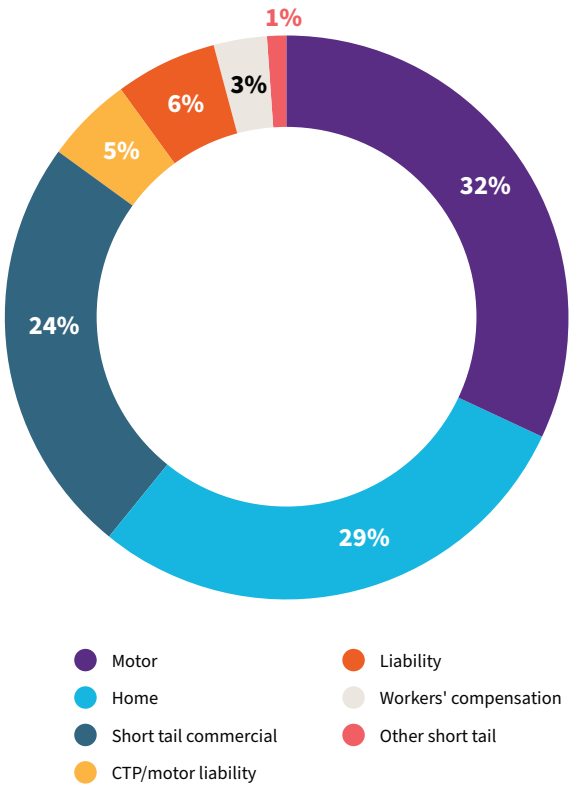
- IAG is the parent company of a general insurance group with operations primarily in Australia and New Zealand. IAG is listed on ASX with ordinary shares trading under ASX code IAG. IAG is authorised as a non-operating holding company of general insurance companies under the Insurance Act and is subject to prudential supervision by APRA. IAG is not a licensed insurer in Australia, New Zealand or in any other jurisdiction.
- The financial position of IAG as at 30 June 2022 on a consolidated and standalone basis is outlined in Section 6.
- This Prospectus contains information on IAG and the Group because:
  - IAG's subsidiaries conduct substantially all of the insurance and other business of the Group and, accordingly, the subsidiaries generate the revenues that are distributed to IAG in order for IAG to meet its liabilities, including in respect of Capital Notes 2;
  - substantially all the assets of IAG are made up of shares in, or other claims on, IAG's subsidiaries and, accordingly, the claims of Capital Note 2 Holders against IAG will be limited to the value of IAG's residual claims to the net assets (if any) of the subsidiaries, after all liabilities, including to policyholders, have been discharged or provided for; and
  - returns on Capital Notes 2 can be affected by the financial position and performance of members of the Group.

5.2 Overview of the business of the Group

- From its beginnings as a motor vehicle insurer in New South Wales, Australia, the Group has grown to become a diversified general insurance group operating throughout Australia and New Zealand. Its 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 renamed Insurance Australia Group Limited in 2002. The Group grew organically and through acquisitions primarily in its home market of Australia, and in New Zealand.
- The Group underwrote over $13 billion of gross written premium ("**GWP**") and generated $347 million of net profit after tax[1] in the financial year ended 30 June 2022, by selling insurance under many leading and established brands in Australia and New Zealand including:
  - NRMA Insurance, CGU, SGIO, SGIC, RACV[2] and WFI in Australia; and
  - State, NZI and AMI in New Zealand.
- More information about the Group's performance can be found in Section 6 and at **www.iag.com.au/results-and-reports**.

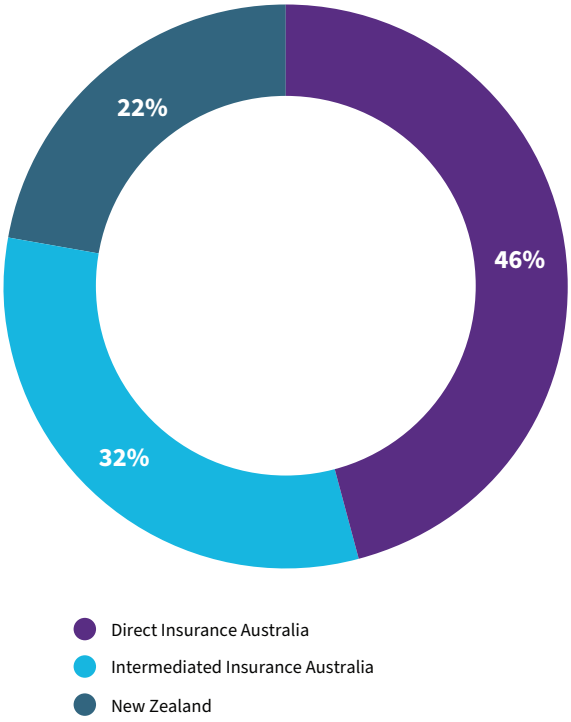
Group's classes of business

% of GWP contribution by class of business for the financial year ended 30 June 2022



Group's operating divisions

% of GWP contribution by operating division for the financial year ended 30 June 2022



1. Net profit after tax attributable to shareholders of IAG.
2. The Group'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 which is 70% owned by IAG and 30% owned by RACV.

5.3 Business structure

IAG's operating model has three core insurance divisions, with each division aligned to the insurance needs of specific customers, and the way those customers want to engage with us. The operating model provides clarity on roles and responsibilities and is aligned to the Group's brands and customer propositions.

Direct Insurance Australia is a leader in direct personal insurance in Australia, with products sold through brands including NRMA Insurance, RACV, SGIO, SGIC and ROLLiN'.

Intermediated Insurance Australia is a leading provider of general insurance products sold through a network of intermediaries to businesses and individuals across Australia. Commercial insurance is sold under the CGU and WFI brands, and the business has a significant share of the small-to-medium enterprise market and a leading presence in rural areas. Intermediated Insurance Australia also provides personal insurance primarily through broker and partner channels, including a leading retailer and a number of financial institution partnerships.

IAG New Zealand Limited is the largest general insurer in New Zealand, whose brands include State, NZI and AMI. IAG New Zealand Limited sells products through a combination of direct and intermediated channels. Its Consumer Division sells products directly to customers mainly under the State and AMI brands, and distributes products through various banking partners in New Zealand. The Business Division distributes products through a nationwide network of qualified and experienced brokers including under the NZI brand.

5.4 Strategic Priorities

The Group's trusted brands, supply chain scale, data assets and financial strength are key attributes that provide competitive advantage.

Four strategic pillars provide focus, inform the Group's operating model and underpin IAG's three-to-five-year strategy to "create a stronger, more resilient IAG": growing with its customers, building better businesses, creating value through digital services and offerings, and managing its risks.

5.5 Reinsurance

Reinsurance is an important part of the Group's approach to capital management. Reinsurance is a form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all or a share of certain claims incurred by the insurance company.

Through the Group's businesses in Australia and New Zealand, the Group insures assets worth approximately A$2.3 trillion. A high proportion of the assets insured in Australia are concentrated in capital cities which are exposed to multiple types of natural perils (bushfire, cyclone, earthquake, hail and storms). This is similar to the position in New Zealand, except the natural peril exposure is dominated by earthquakes. Reinsurance is used by the Group to limit exposure to large single claims or an accumulation of claims that arise from the same event (such as a cyclone or an earthquake). In addition to limiting exposure to losses, reinsurance can also stabilise earnings, protect capital resources and ensure efficient control and spread of underwritten risks.

The Group enters into reinsurance arrangements with numerous reinsurers, which typically renew on an annual or multi-year basis or through longer-term "quota share" arrangements with a smaller group of reinsurers.

A description of the current reinsurance arrangements is provided in Section 6.2.

A description of the risks relating to the Group's reinsurance arrangements can be found in Section 7.2.2.

5.6 Investments

The Group maintains investment portfolios for funds set aside to pay expected future claims (technical reserves) and capital provided to the Group (shareholders' funds).

The Group's investment philosophy is to:

- manage the assets backing technical reserves and shareholders' funds separately;
- invest the assets backing technical reserves, wherever possible, in securities with interest rate sensitivities that align to the underlying insurance liabilities;
- invest shareholders' funds to maximise the return on risk-based capital, consistent with the Group's risk appetite and flexibility requirements; and
- invest the Group's assets so that the contribution of investment risk to earnings volatility should not dominate the contribution from insurance risk.

The Group's investments totalled $11.8 billion as at 30 June 2022, excluding investments held in joint ventures and associates, with $7.7 billion in the technical reserves portfolio and the balance in shareholders' funds.

The technical reserves portfolio supports associated insurance liabilities and is invested entirely in fixed interest and cash. The Group's allocation to growth assets (equities and alternatives) was around 32% of shareholders' funds as at 30 June 2022.

Section 6
Financial information

The summary financial information (other than the pro forma information) presented in this section has been extracted from the Group's audited financial statements for the financial year ended 30 June 2022.

The information has, except as otherwise noted, been prepared in accordance with the measurement and recognition requirements, but not the disclosure requirements, of the Australian Accounting Standards and other mandatory reporting requirements in Australia.

Investors should note that past performance is not a reliable indicator of future performance.

The Group's financial performance and position is critical to understanding IAG's ability to meet its obligations, including those owed to you. If you do not understand this sort of financial information, IAG strongly recommends that you seek personal advice from a qualified financial adviser which takes into account your particular investment objectives, financial situation and needs.

Further information on the Group's audited financial statements can be found in the Group's 2022 Annual Report, which is available at **www.iag.com.au/results-and-reports**.

Section 6
Financial information

6.1 Selected financial information for the Group and IAG

The financial information set out in the tables below shows the summary financial performance and financial position of the Group, including the Group's regulatory capital position.

Balance sheet and regulatory capital information is presented both on a reported basis as at 30 June 2021 and 30 June 2022 and on a pro forma basis as at 30 June 2022 to illustrate the impact of the issuance of Capital Notes 2 and the redemption of Capital Notes 1 with the pro forma information assuming the Offer and redemption of Capital Notes 1 completed at this date.

The columns headed "Pro forma 30 June 2022" reflect the impact of adjusting for the below assumptions:

- $500 million is raised through the Offer (Capital Notes 2), and external issue costs of $8 million being incurred;
- the instrument is to be eligible for recognition as Additional Tier 1 Capital; and
- the redemption of all $404 million of Capital Notes 1, either as a result of the Reinvestment Offer or on the upcoming exchange date for Capital Notes 1, being 15 June 2023, currently eligible for recognition as Additional Tier 1 Capital.

Under the Capital Notes 1 Terms, IAG may elect to exchange Capital Notes 1 on 15 June 2023, subject to APRA's prior written approval. IAG will consider a redemption of the outstanding Capital Notes 1 on that date, subject to a number of factors including satisfactory completion of the Offer and market conditions closer to 15 June 2023. Although no decision to make an election has yet been made the redemption of Capital Notes 1 is reflected in the financial information set out below. The Offer may raise more or less than $500 million and, consequently, the external issue transaction costs may be more or less than $8 million. Additionally, all of the $404 million of Capital Notes 1 may not be redeemed, either as part of the Reinvestment Offer or on the exchange date on 15 June 2023. In any of these scenarios, the pro forma adjustments will be impacted accordingly.

The pro forma adjustments do not include movements in the Group's balance sheet from 30 June 2022 to the date of lodgement of this Prospectus with ASIC, including corporate activities that completed post 30 June 2022. The pro forma adjustments do not adjust for the impact of the sale of the Group's 49% interest in AmGeneral Insurance Berhad or the reduction in the Group's business interruption provision following the High Court's decision to deny special leave to appeal the decision of the Full Court of the Federal Court of Australia in the second business interruption test case (see Section 6.4 for further information).

6.1.1 Reported financial performance for the Group

(Financial year ended 30 June)	Reported 30 June 2021 $m	Reported 30 June 2022 $m
Gross written premium ("GWP")	**12,545**	**13,317**
Movement in unearned premium liability	(257)	(345)
Gross earned premium ("GEP")	**12,288**	**12,972**
Reinsurance expense	(4,868)	(5,063)
Net earned premium	**7,420**	**7,909**
Net claims expense	(5,957)	(5,015)
Commission expense	(1,007)	(1,020)
Underwriting expense	(2,152)	(2,024)
Reinsurance commission revenue	1,125	1,162
Underwriting profit/(loss)	**(571)**	**1,012**
Investment income on technical reserves	139	(238)
Insurance profit/(loss)	**(432)**	**774**
Investment income on shareholders' funds	319	(97)
Fee and other income	165	132
Share of net profit of associates	35	17
Finance costs	(89)	(93)
Fee-based, corporate and other expenses	(386)	(169)
Net loss attributable to non-controlling interests in unitholders' funds	(1)	—
Profit/(loss) before income tax from continuing operations	**(389)**	**564**
Income tax expense	125	(140)
Profit/(loss) after income tax from continuing operations	**(264)**	**424**
Non-controlling interests	(150)	(77)
Profit/(loss) attributable to IAG shareholders from continuing operations	**(414)**	**347**
Net profit/(loss) after tax from discontinued operations	(13)	—
Profit/(loss) attributable to IAG shareholders	**(427)**	**347**

Financial information continued

6.1.2 Reported and pro forma financial position for the Group

(As at 30 June)	Reported 30 June 2021 $m	Reported 30 June 2022 $m	Pro forma adjustments for the Offer[1] $m	Pro forma 30 June 2022 $m
Assets				
Cash held for operational purposes	326	350		350
Investments	12,417	11,813	88	11,901
Investments in joint ventures and associates	30	31		31
Trade and other receivables	4,354	4,580		4,580
Reinsurance and other recoveries on outstanding claims	7,272	7,886		7,886
Deferred insurance expenses	3,601	3,834		3,834
Goodwill and intangible assets	3,220	3,411		3,411
Assets held for sale	348	342		342
Other assets	1,881	1,836		1,836
Total assets	**33,449**	**34,083**	**88**	**34,171**
Liabilities				
Outstanding claims	13,312	13,964		13,964
Unearned premium	6,527	6,831		6,831
Interest bearing liabilities	1,987	2,055	88	2,143
Trade and other payables	2,975	3,013		3,013
Liabilities held for sale	19	—		—
Other liabilities	2,073	1,720		1,720
Total liabilities	**26,893**	**27,583**	**88**	**27,671**
Net assets	**6,556**	**6,500**	**—**	**6,500**
Equity				
Equity attributable to holders of ordinary shares	6,246	6,163		6,163
Non-controlling interests	310	337		337
Total equity	**6,556**	**6,500**		**6,500**

1. Pro forma for the issuance of Capital Notes 2 and the redemption of Capital Notes 1. See Section 6.1 for further detail on the assumptions supporting the pro forma calculations.

6.1.3 Reported and pro forma financial information for IAG

IAG is the issuing entity for Capital Notes 2. It is a non-operating holding company and the ultimate parent company of the Group. IAG applies the amendments to the Corporations Act that removed the requirement to prepare separate parent entity financial statements. The disclosures in the tables below contain certain standalone financial information (as parent entity) extracted from the Group's audited consolidated financial report for the financial years ended 30 June 2021 and 30 June 2022. IAG's financial position is presented both on a reported basis as at 30 June 2021 and 30 June 2022 and on a pro forma basis as at 30 June 2022.

6.1.4 Reported financial performance for IAG

(Financial year ended 30 June)	Reported 30 June 2021 $m	Reported 30 June 2022 $m
Results of IAG		
Profit after tax for the year	145	769
Total comprehensive income for the year, net of tax	**145**	**769**

6.1.5 Reported and pro forma financial position for IAG

(As at 30 June)	Reported 30 June 2021 $m	Reported 30 June 2022 $m	Pro forma adjustments for the Offer[1] $m	Pro forma 30 June 2022 $m
Current assets	424	224	88	312
Total assets	**13,266**	**13,148**	**88**	**13,236**
Current liabilities	380	202		202
Total liabilities	**3,440**	**3,020**	**88**	**3,108**
Net assets	**9,826**	**10,128**	**—**	**10,128**
Total equity of IAG consists of:				
Share capital	7,386	7,386		7,386
Retained earnings	2,440	2,742		2,742
Total equity	**9,826**	**10,128**		**10,128**

1. Pro forma for the issuance of Capital Notes 2 and the redemption of Capital Notes 1. See Section 6.1 for further detail on the assumptions supporting the pro forma calculations.

6.2 Reinsurance programme

The Group currently purchases reinsurance cover to greater than the Australian (APRA) and New Zealand (RBNZ) regulatory requirements of covering a 1 in 200 year loss in Australia (all perils) or a 1 in 1,000 year loss in New Zealand (earthquake) and aims to limit its retained risk per event to a maximum of 4% of net earned premium ("**NEP**")[1]. Subject to the overall limits on reinsurance cover, the Group's retained risk is below the maximum 4% limit. The "Group Reinsurance Management Strategy" is reviewed and approved annually by the Board and submitted to APRA. In determining the limit of protection purchased, the Group uses its extensive data, natural perils experience and independent catastrophe modelling software. The cover purchased meets the requirements of the Group's regulators, rating agencies and shareholders.

Since 2015, the Group has increased its use of reinsurance capital via whole of account quota shares. Quota share reinsurers collectively receive an amount equal to 32.5% of the Group's gross earned premium ("**GEP**") and pay 32.5% of the Group's claims, pay 32.5% of gross expenses, including underwriting expenses and acquisition costs, and also pay a commission in recognition of the value of accessing the Group's strong core franchise. These quota share arrangements deliver benefits such as reduced earnings volatility (as insurance risk is effectively exchanged for a more stable fee income stream), a lower requirement for catastrophe reinsurance, reduced exposure to volatility in associated reinsurance costs and a reduction in the Group's regulatory capital needs. There is no cap under the quota share arrangements on the amount of claims that the Group may recover from quota share reinsurers.

The Group's main catastrophe reinsurance program is placed on a calendar year basis and covers all territories in which the Group operates. The Group's calendar year 2022 catastrophe reinsurance program is similar to prior years, with an upper limit of A$/NZ$10 billion[2] (A$/NZ$9.75 billion of cover, with a gross excess of A$/NZ$250 million), of which 67.5% is provided through the catastrophe reinsurance market and the remaining 32.5% is provided under the quota share arrangements described above. An excess applies to the cover provided by the catastrophe reinsurance market, whereas the quota share arrangements cover 32.5% of all claims payments with no excess.

As a consequence, the gross excess of A$/NZ$250 million effectively is reduced by the amount of the quota share arrangements (32.5%) with the effect that the Group's retained risk under the program for a catastrophe event as at 1 January 2022 was A$169 million. If the loss exceeds the upper limit of A$/NZ$10 billion, then the Group would continue to be covered for additional claims under the quota share arrangements which are not capped. However, 67.5% of the amount in excess of the upper limit, plus the amount of the retained risk for a catastrophe event, would need to be met by the Group.

A description of the risks relating to the Group's reinsurance arrangements can be found in Section 7.2.2.

6.3 Capital management strategy and capital ratios

6.3.1 Capital adequacy

For regulatory purposes, the capital of the Group is classified as follows:

- Common Equity Tier 1 Capital, broadly comprising accounting equity with adjustments for intangible and deferred tax assets and regulatory reserves;
- Additional Tier 1 Capital, comprising certain hybrid capital instruments with "equity-like" qualities (such as the Capital Notes 2); and
- Tier 2 Capital, comprising certain securities recognised as Tier 2 Capital.

The Group's total regulatory capital is the sum of Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital.

APRA prescribes a minimum level of capital which is intended to take account of the full range of risks to which a regulated institution is exposed, known as the Prescribed Capital Amount ("**PCA**"). The Group currently has a long-term capital benchmark of 1.6 to 1.8 times APRA's minimum PCA.

APRA prescribes a minimum level of Common Equity Tier 1 Capital, being 0.6 times PCA. The Group currently has a long-term Common Equity Tier 1 Capital benchmark of 0.9 to 1.1 times PCA.

1. NEP is gross earned premium ("GEP") less reinsurance expense. GEP is the amount recognised in the income statement as it is earned. The insurer estimates the pattern of the incidence of risk over the period of the contract for direct business, or over the period of indemnity for reinsurance business, and the premium revenue is recognised in the income statement in accordance with this pattern.
2. Claims in Australia are recovered in A$; claims in New Zealand are recovered in NZ$, and the aggregate limit for all claims is $10 billion in either currency with no exchange rate adjustment.

6.3.2 Capital management and funding

IAG's capital management strategy aims to achieve an amount and mix of capital that is appropriate for its business needs, risk appetite and delivery of sustainable and attractive returns to Shareholders. The Group's Internal Capital Adequacy Assessment Process ("**ICAAP**") provides the framework to ensure that the Group is capitalised to meet internal and external requirements. The target level of capitalisation for the Group is assessed taking into account, among other factors:

- the probability of IAG (or another member of the Group) becoming insolvent over the next one to three years;
- the probability of the IAG Level 2 Insurance Group failing to hold the minimum amounts of regulatory capital required by APRA over the next one to three years;
- the views of other relevant parties on the Group's capitalisation, including capital models of rating agencies, and associated ratings; and
- Australian and international industry levels of capitalisation.

The ICAAP is reviewed annually and, where appropriate, adjustments are made to reflect changes in economic conditions and risk characteristics of the Group's business activities.

6.3.3 Pro forma regulatory capital position

The PCA multiple is calculated based on the APRA requirements for a Level 2 Insurance Group and remains at or above the Group's long-term capital benchmark of 1.6 to 1.8 times APRA's minimum PCA. The following table sets out the Group's reported and pro forma regulatory capital position as at 30 June 2022.

(Financial year ended 30 June)	Reported 30 June 2022 $m	Pro forma adjustments for the Offer[1] $m	Pro forma 30 June 2022 $m
Common Equity Tier 1 Capital	2,364	(8)	2,356
Additional Tier 1 Capital	404	96	500
Total Tier 1 Capital	2,768	88	2,856
Tier 2 Capital	1,612		1,612
Total regulatory capital	**4,380**	**88**	**4,468**
Total PCA	2,439	1	2,440
PCA multiple	**1.80x**		**1.83x**
Common Equity Tier 1 multiple	**0.97x**		**0.97x**

1. Pro forma for the issuance of Capital Notes 2 and redemption of Capital Notes 1. See Section 6.1 for further detail on the assumptions supporting the pro forma calculations.

6.4 Events subsequent to 30 June 2022

On 28 July 2022, the Group completed the sale of AmGeneral Insurance Berhad, the Malaysian business in which it held a 49% interest, to Liberty Insurance Berhad (announced on 19 July 2021). The Group's share of the sale proceeds was approximately $344 million, received in cash and subject to post-close adjustments. Completion of the sale contributed an improvement in the Group's regulatory capital position of around $150 million.

The High Court on Friday 14 October 2022 denied special leave to appeal the decision of the Full Court of the Federal Court of Australia in the second business interruption test case handed down in February 2022. In previous statements to the market, IAG foreshadowed that it would refine the Group's business interruption provision as the legal position becomes more certain. The High Court's decision in relation to the special leave applications has resulted in the Group reducing the provision from $975 million to $615 million and IAG has commenced buying back up to $350 million of its Ordinary Shares on-market. As further information becomes available, the Group will review the provision and make adjustments accordingly. This may occur in phases over a period of time.

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Section 7
Investment risks

Capital Notes 2 are complex and involve more risks than simple debt or ordinary equity instruments. This section describes some of the potential risks associated with an investment in the Capital Notes 2 and in IAG.

The selection of risks has been based on an assessment of a combination of the probability of a risk occurring and the impact of the risk if it did occur. It is not an exhaustive statement of all risks that might emerge, they are not listed in order of likelihood of occurrence or impact and there is no guarantee or assurance that the significance of different risks will not change or that other risks will not arise over time.

Investors should carefully consider these risk factors (together with the other information in this Prospectus) before deciding whether to invest in Capital Notes 2.

Before applying for Capital Notes 2, IAG strongly recommends that you seek personal advice from a qualified financial adviser, which takes into account your particular objectives, financial situation and needs before you make an investment decision.

Section 7
Investment risks

7.1 Risks associated with investing in the Capital Notes 2

7.1.1 Distributions may not be paid

There is a risk that Distributions will not be paid. The Capital Notes 2 Terms do not oblige IAG to pay Distributions.

The payment of a Distribution is subject to the Distribution Payment Tests, namely that payment is in IAG's absolute discretion and that no Payment Condition exists in respect of the Distribution on the relevant Distribution Payment Date (see Section 2.1). A Payment Condition would exist to prevent payment if:

- unless APRA otherwise approves, paying the Distribution would result in the Group not complying with APRA's capital adequacy requirements;
- payment of a Distribution would result in IAG becoming, or being likely to become, insolvent; or
- APRA objects to the payment of the Distribution.

IAG could exercise its discretion not to pay Distributions at any time for any (or no) reason. A Payment Condition may exist for reasons outside IAG's control.

The Capital Notes 2 Terms contain no events of default and accordingly, failure to pay a Distribution when scheduled will not constitute an event of default. Further, in the event that IAG does not pay a Distribution when scheduled, a Capital Note 2 Holder:

- has no right to apply for IAG to be wound up or placed in administration, or to cause a receiver or a receiver and manager to be appointed in respect of IAG merely on the grounds that IAG does not pay a Distribution when scheduled; and
- will have no right of set-off and no offsetting rights or claims on IAG.

Distributions are non-cumulative, and therefore if a Distribution is not paid Capital Note 2 Holders will have no recourse whatsoever to payment from IAG and will not receive payment of those Distributions.

However, if IAG does not pay a Distribution in full on a Distribution Payment Date, then the Distribution Restriction applies to IAG unless the Distribution is paid in full within three Business Days of that date. However, the Distribution Restriction may be less extensive than the corresponding distribution restriction in IAG's other securities and the duration for which it applies may be shorter than the corresponding distribution restriction in IAG's other securities – see further detail in Section 2.9.

IAG may also be prevented from paying Distributions by the terms of other securities if a dividend or other distribution has not been paid on those securities. If such a constraint applies, IAG may not be able to pay Distributions without the approval of the holders of those other securities.

Changes in regulations applicable to IAG may impose additional requirements which prevent IAG from paying a Distribution in additional circumstances.

7.1.2 Changes in Distribution Rate

There is a risk that the rate of return in respect of Capital Notes 2 may become less attractive when compared to rates of return available on comparable securities issued by IAG or other entities. The Distribution Rate is calculated for each Distribution Period by reference to the Bank Bill Rate, which is influenced by a number of factors, varies over time and the methodology used to calculate the Bank Bill Rate may change. The Distribution Rate will fluctuate over time (both increasing and decreasing) as a result of movements in the Bank Bill Rate and the Bank Bill Rate may become negative – see Section 2.1.

If IAG determines that a Rate Disruption Event has occurred then, subject to APRA's prior written approval, IAG shall use as the Bank Bill Rate an alternative reference rate that it considers appropriate as it may determine and shall make such adjustments to the Terms as it determines are reasonably necessary to calculate Distributions in accordance with such an alternative reference rate (see Section 2.1).

Capital Note 2 Holders should note that APRA's approval may not be given for any alternative reference rate it considers to have the effect of increasing the rate of Distributions contrary to applicable prudential standards.

There is a risk that the alternative reference rate that is used following a Rate Disruption Event may not coincide with Capital Note 2 Holders' preferences.

7.1.3 Market price of Capital Notes 2

There is a risk that the market price of Capital Notes 2 may fluctuate due to various factors, including but not limited to:

- investor perceptions;
- Australian and worldwide economic conditions;
- interest rates and credit spreads;
- movements in foreign exchange rates;

- movements in the market price of Ordinary Shares or senior or subordinated debt;
- the occurrence or potential occurrence of a Non-Viability Trigger Event or factors resulting in IAG deciding or not being permitted to make payments on Capital Notes 2;
- the effect of any Exchange or Write-Off on the amount outstanding (if any) of Capital Notes 2 on issue;
- the risk of early Exchange following a Tax Event or Regulatory Event; and
- factors that may affect the Group's financial performance, position and creditworthiness.

Capital Notes 2 may trade at a market price below the Issue Price, depending upon a number of factors including prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of IAG and the Group. There is no guarantee that Capital Notes 2 will remain continuously quoted on ASX or will not be suspended from trading. ASX has broad powers to suspend Capital Notes 2, including because IAG has not complied with the ASX Listing Rules.

The market price of Capital Notes 2 may be more sensitive than that of Ordinary Shares to changes in interest rates and credit spreads. Increases in relevant interest rates or IAG's credit spread may adversely affect the market price of Capital Notes 2. In recent years, markets have been more volatile at times. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

You should carefully consider this additional volatility risk before deciding whether to make an investment in Capital Notes 2.

Capital Note 2 Holders should note that, unlike Ordinary Shares, Capital Notes 2 do not provide a material exposure to growth in IAG's business.

The Ordinary Shares issued on Conversion will rank equally with existing Ordinary Shares and their ongoing value will reflect the market price of Ordinary Shares after the Mandatory Conversion Date or other date on which Capital Notes 2 are Converted. That market is also subject to the factors outlined above and in Section 7.1.6 may also be volatile.

7.1.4 Suitability

Capital Notes 2 are a complex investment and may be difficult to understand, even for experienced investors. You should ensure that you understand the Capital Notes 2 Terms and risks of investing in Capital Notes 2 and consider whether it is an appropriate investment for your particular circumstances.

If you are a Retail Investor and you wish to participate in the Offer, you must obtain personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market and if an investment in Capital Notes 2 is suitable given your particular investment objectives, financial situation and needs.

For more information on the Capital Notes 2 Target Market see Section 4.2.2.

7.1.5 Liquidity

There is a risk that there may be no liquid market for Capital Notes 2. Although IAG intends to have Capital Notes 2 quoted on ASX, there is no guarantee that a liquid market will develop for Capital Notes 2. The market for Capital Notes 2 may be less liquid than the market for Ordinary Shares or comparable securities issued by IAG or other entities and may be volatile. The market price of Capital Notes 2 is likely to fluctuate and, if Capital Note 2 Holders wish to sell or otherwise transfer their Capital Notes 2 prior to Exchange, they may be unable to do so at a price acceptable to them, or at all, if insufficient liquidity exists in the market for Capital Notes 2.

Capital Notes 2 are expected to Convert into Ordinary Shares on 15 March 2032 (subject to certain conditions being satisfied) unless Capital Notes 2 are otherwise Exchanged on or before that date. Where Capital Notes 2 are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities, at the time of Conversion.

7.1.6 Fluctuation in Ordinary Share price

There is a risk that the market price of the number of Ordinary Shares received per Capital Note 2 on Conversion will be less than the Issue Price of the Capital Note 2, and may fluctuate afterwards.

Where Capital Notes 2 are Converted other than on account of a Non-Viability Trigger Event, the number of Ordinary Shares issued per Capital Note 2 is calculated to have a value of approximately $101 per Capital Note 2 (calculated on the VWAP basis provided in the Capital Notes 2 Terms). But the market price of the Ordinary Shares issued upon Conversion will likely be different from the VWAP used in the Conversion calculations, and will also fluctuate due to various factors, including investor perceptions, Australian and worldwide economic conditions and IAG and the Group's financial performance and position (see Section 6.1), and could be less than the Issue Price. Where Capital Notes 2 are Converted on account of a Non-Viability Trigger Event, the number of Ordinary Shares issued could be worth less than $101 per Capital Note 2 and, in addition, the Non-Viability Trigger Event is likely to be accompanied by

a deterioration in the market price of the Ordinary Shares. In relation to Conversion on account of a Non-Viability Trigger Event – see further detail in Section 7.1.10.

Other events and conditions may affect the ability of Capital Note 2 Holders to trade or dispose of the Ordinary Shares issued on Conversion; for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, whether ASX has suspended trading in Ordinary Shares, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time, or laws of general application, including securities law and laws relating to the holding of shares and other interests in financial institutions, which limit a person's ability to acquire or dispose of Ordinary Shares. The ASX has broad powers to suspend Ordinary Shares, including because IAG has not complied with the ASX Listing Rules.

7.1.7 Mandatory Conversion may not occur on the Scheduled Mandatory Conversion Date or at all

There is a risk that Mandatory Conversion may not occur on the Scheduled Mandatory Conversion Date or at all. Capital Notes 2 are expected to Convert into Ordinary Shares on 15 March 2032 (subject to certain conditions being satisfied, unless Exchanged or Written-Off prior to that date). However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due, for example, to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or where a Delisting Event applies. The Ordinary Share price may be affected by transactions affecting the share capital of IAG, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. The Issue Date VWAP is adjusted only for transactions by way of the pro rata bonus issues of Ordinary Shares and consolidation, division or reclassification of Ordinary Shares as described in clauses 8.4 to 8.7 of the Capital Notes 2 Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends. The Capital Notes 2 Terms do not limit the transactions which IAG may undertake with respect to its share capital (except in limited circumstances where a Distribution has not been paid in full on a scheduled Distribution Payment Date) and any such action may affect whether Conversion will occur and may adversely affect the position of Capital Note 2 Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, then Mandatory Conversion would occur on the next Distribution Payment Date on which all of the Mandatory Conversion Conditions are satisfied unless Capital Notes 2 are otherwise Exchanged or Written-Off on or before that date. If Mandatory Conversion does not occur on a possible Mandatory Conversion Date and Capital Notes 2 are not otherwise Exchanged or Written-Off, Distributions may continue to be paid on Capital Notes 2, subject to IAG's discretion and to no Payment Condition existing in connection with the relevant Distribution Payment Date.

Capital Notes 2 are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers or a Delisting Event continues to subsist, it is possible that the Mandatory Conversion Conditions will never be satisfied and, if this occurs, Capital Notes 2 will never Convert under the Mandatory Conversion provisions.

7.1.8 Availability and use of franking credits

There is a risk that IAG will not have sufficient franking credits in the future to frank Distributions to any extent.

IAG's ability to frank Distributions on Capital Notes 2 is affected by the level of available franking credits and IAG's distributable profits. IAG's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which the Group makes profits and pays tax, the applicable Australian corporate tax rate and the amount of other frankable distributions. IAG's distributable profits may also be impacted by a wide range of factors, including its level of earnings and other distributions it makes. IAG may derive franking credits primarily in connection with income tax paid by the IAG tax consolidated group, or from franked distributions derived from investments in entities outside of the IAG tax consolidated group. IAG expects Distributions to be franked at the same rate as dividends on IAG's Ordinary Shares.

The effect of the Distributions being franked is to reduce the cash amount received by Capital Note 2 Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. This payment is subject to no Payment Condition existing in connection with the relevant Distribution Payment Date.

The value and availability of franking credits to a Capital Note 2 Holder will differ depending on the Capital Note 2 Holder's particular tax circumstances. Capital Note 2 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Capital Note 2 Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the tax position of each Capital Note 2 Holder. Capital Note 2 Holders should also refer to the Australian taxation summary in Section 8 and seek professional advice in relation to their tax position.

The variation in the amount of cash Distribution paid due to the level of franking may not coincide with the preferences of Capital Note 2 Holders.

IAG has no obligations to gross-up or otherwise compensate Capital Note 2 Holders for any other tax, including a FATCA Withholding.

7.1.9 Exchange and the Exchange Method are at IAG's option

There is a risk that Exchange may occur on dates not previously contemplated by Capital Note 2 Holders, or using an Exchange Method which may be disadvantageous in light of market conditions or Capital Note 2 Holders' individual circumstances and preferences.

IAG may (subject to APRA's prior written approval) elect to Exchange some or all Capital Notes 2 on any Optional Exchange Date or on the occurrence of a Tax Event or a Regulatory Event and may elect to Convert all (but not some) Capital Notes 2 after a Potential Acquisition Event. Capital Note 2 Holders should not assume that APRA's approval will be given if requested (see further Section 7.1.12). In addition, IAG must (subject to certain conditions) Convert all Capital Notes 2 on the occurrence of an Acquisition Event. Capital Note 2 Holders have no right to request or require an Exchange. The Capital Notes 2 Terms contain no events of default.

Any Exchange at IAG's option may occur on dates not previously contemplated by Capital Note 2 Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Capital Note 2 Holders will be entitled to the benefit of the rights attaching to Capital Notes 2 (such as Distributions) is unknown.

Subject to certain conditions, IAG also has discretion to elect which Exchange Method or combination of Exchange Methods will apply to an Exchange and where a combination of Exchange Methods is selected, to which Capital Notes 2 and Capital Note 2 Holders the Exchange Method will apply (see Section 2.4). The method chosen by IAG may be disadvantageous to Capital Note 2 Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

Capital Note 2 Holders will only receive a cash payment for their Capital Notes 2 where IAG chooses to Redeem or Resell Capital Notes 2. For example, if APRA approves an election by IAG to Redeem or Resell the Capital Notes 2, Capital Note 2 Holders will receive cash equal to $100 per Capital Note 2 rather than Ordinary Shares and accordingly, they will not benefit from any subsequent increases in the Ordinary Share price after the Exchange occurs. In addition, where Capital Note 2 Holders receive cash on Redemption or Resale, the rate of return at which they could reinvest their funds may be lower than the Distribution Rate at the time. Where Capital Note 2 Holders receive Ordinary Shares on Conversion, they will have the same rights as other holders of Ordinary Shares, which are different to the rights attaching to Capital Notes 2.

7.1.10 Conversion on account of a Non-Viability Trigger Event

There is a risk that a Non-Viability Trigger Event will occur, in which case IAG must Convert Capital Notes 2 into Ordinary Shares. This could be at any time. If a Non-Viability Trigger Event occurs, a Capital Note 2 Holder may suffer a significant loss as they may receive Ordinary Shares worth significantly less than approximately $101 per Capital Note 2 and if for any reason Conversion of Capital Notes 2 has not been effected within five Business Days after the relevant Trigger Event Date the Capital Notes 2 will be Written-Off.

A Non-Viability Trigger Event means APRA has provided a written determination to IAG that:

- conversion or write-off of Relevant Securities (including Capital Notes 2) is necessary because, without it, APRA considers that IAG would become non-viable; or
- without a public sector injection of capital (or equivalent support), IAG would become non-viable.

Non-Viability Trigger Event

Where a Non-Viability Trigger Event occurs because APRA determines that without a public sector injection of capital (or equivalent support) IAG would become non-viable, all Capital Notes 2 will be Converted.

If APRA makes a determination that only some Capital Notes 2 are required to be Converted, IAG must endeavour to treat Capital Note 2 Holders and holders of other Relevant Securities on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of Capital Notes 2 and Relevant Securities and other logistical considerations. Accordingly, should a Non-Viability Trigger Event occur and APRA makes a determination that only some Capital Notes 2 be Converted, not all Capital Note 2 Holders may have their Capital Notes 2 Converted to Ordinary Shares.

Capital Note 2 Holders should be aware that:

- if APRA does not require all Relevant Securities and Tier 2 Capital instruments to be Converted or Written-Off, Relevant Securities such as Capital Notes 2 will be Converted or Written-Off before any Tier 2 Capital instruments are Converted or Written-Off;
- IAG has no Relevant Securities on issue other than Capital Notes 1; and

- IAG has no obligation to maintain on issue any Relevant Securities and does not, and may never, have on issue Relevant Securities which require them to be Converted or Written-Off before Capital Notes 2.

APRA has not provided guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of IAG's financial position; however, it is possible that APRA's definition of non-viable may not necessarily be constrained to solvency measures or capital measures and APRA's position on these matters may change over time. In the context of banks, APRA has indicated that it may regard non-viability as occurring well before a bank is at risk of becoming insolvent. As the occurrence of a Non-Viability Trigger Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that might give rise to this event.

Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of IAG. For instance, systemic and non-systemic macro-economic, environmental and operational factors, globally and in Australia and New Zealand, may affect the viability of IAG.

Effect of a Non-Viability Trigger Event

If a Non-Viability Trigger Event occurs, IAG must Convert all (or some) Capital Notes 2 on issue (as specified in APRA's determination) into the Conversion Number of Ordinary Shares. Where a Non-Viability Trigger Event occurs because APRA determines that without a public sector injection of capital (or equivalent support) IAG would become non-viable, all Capital Notes 2 will be Converted. Conversion on the occurrence of a Non-Viability Trigger Event is not subject to the Mandatory Conversion Conditions being satisfied. The number of Ordinary Shares a Capital Note 2 Holder will receive on Conversion following a Non-Viability Trigger Event is calculated in accordance with the Conversion Number formula which provides for a calculation based on a discounted five Business Day VWAP but cannot be more than the Maximum Conversion Number. Accordingly, this may result in a Capital Note 2 Holder receiving Ordinary Shares worth significantly less than approximately $101 per Capital Note 2 and suffering loss as a result. This is because:

- the number of Ordinary Shares is limited to the Maximum Conversion Number and this number of Ordinary Shares may have a value of less than $101;
- where the number of Ordinary Shares is calculated by reference to the five Business Day VWAP, the VWAP during the five Business Days before the Trigger Event Date may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be quoted or may not be able to be sold at prices representing their value based on the VWAP. In particular, if Ordinary Shares are suspended from trading during the VWAP Period, VWAPs may be based wholly or partly on trading days which occurred before the Trigger Event Date. The ASX has broad powers to suspend Ordinary Shares from trading, including because IAG has not complied with the ASX Listing Rules; and
- as noted in Section 2.5, the Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including, for example, rights issues, returns of capital, buy-backs or special dividends. The Capital Notes 2 Terms do not limit the transactions that IAG may undertake with respect to its share capital and any such action may increase the risk that Capital Note 2 Holders receive only the Maximum Conversion Number and so may adversely affect the position of Capital Note 2 Holders.

IAG may also seek a trading halt to prevent further trading in Capital Notes 2 on ASX and, if ASX permits, may refuse to register transfers of Capital Notes 2. This may result in disruption or failures in trading or dealing in Capital Notes 2 and Capital Note 2 Holders may suffer loss as a result.

Write-Off if Conversion does not occur

If, following a Non-Viability Trigger Event, Conversion of Capital Notes 2 has not been effected within five Business Days after the relevant Trigger Event Date for any reason (including an Inability Event), those Capital Notes 2 will not be Converted but will instead be Written-Off, in which case all rights in relation to those Capital Notes 2 will be terminated (and Capital Note 2 Holders will not get their capital back). This means that, for example, unlike Shareholders, if Capital Notes 2 are Written-Off, Capital Note 2 Holders will have no right to participate in a surplus of assets on a winding-up of IAG.

The laws under which an Inability Event may arise include laws relating to the insolvency, winding-up or other external administration of IAG. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of Capital Notes 2 may change and may be adverse to the interests of Capital Note 2 Holders and the change may increase the risk of Capital Notes 2 being Written-Off.

7.1.11 Conversion on an Acquisition Event

There is a risk that Capital Notes 2 may be affected by merger and acquisition activity affecting IAG. Capital Notes 2 are issued by IAG, which, as an ASX-listed company, may be acquired by, or merged with, another company or group of companies, potentially resulting in a change of control. The outcome for Capital Note 2

Holders of such activity may be uncertain, they may suffer loss or face increased risks in holding Capital Notes 2.

Where this corporate activity constitutes an Acquisition Event, as defined in the Capital Notes 2 Terms, IAG is required, subject to satisfaction of certain conditions, to Convert all Capital Notes 2 in accordance with clause 7 of the Capital Notes 2 Terms. Where this corporate activity constitutes a Potential Acquisition Event, as defined in the Capital Notes 2 Terms, IAG may (but is not required to) elect, subject to satisfaction of certain conditions, to Convert all Capital Notes 2 in accordance with clause 5 of the Capital Notes 2 Terms. Conversion may occur on dates not previously contemplated by Capital Note 2 Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Capital Note 2 Holders will be entitled to the benefit of the rights attaching to Capital Notes 2 (such as Distributions) is unknown. Where Capital Note 2 Holders receive Ordinary Shares on Conversion, they will have the same rights as other holders of Ordinary Shares, which are different to the rights attaching to Capital Notes 2.

There is a risk that Conversion may not occur on the Acquisition Conversion Date or at all because one of the restrictions on when Conversion is required or restrictions on completing a Conversion in connection with an Acquisition Event apply, for example, due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or where a Delisting Event applies. The Ordinary Share price may be affected by many factors, including transactions affecting the share capital of IAG as described in Section 7.1.6.

If Conversion does not occur on the Acquisition Conversion Date, then Conversion will occur on the following Distribution Payment Date for which the restrictions do not apply unless Capital Notes 2 are otherwise Exchanged or Written-Off on or before that date. If Conversion does not occur on a possible Acquisition Conversion Date and Capital Notes 2 are not otherwise Exchanged or Written-Off, Distributions may continue to be paid on Capital Notes 2, subject to IAG's discretion and to no Payment Condition existing in connection with the relevant Distribution Payment Date.

Capital Notes 2 are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers or a Delisting Event continues to subsist, it is possible that the restrictions on Conversion will continue to apply and, if this occurs, unless Capital Notes 2 are otherwise Exchanged, Capital Notes 2 will never Convert.

Not all corporate activities that have the effect of a change of control of IAG or its business operations will be an Acquisition Event. In particular, it would not be an Acquisition Event if APRA were to require the compulsory transfer of the Group's insurance business. Where the corporate activity is not an Acquisition Event, IAG is not obliged to Convert Capital Notes 2. Therefore, the outcomes for Capital Note 2 Holders arising from that corporate activity will be uncertain and Capital Note 2 Holders may suffer loss or face increased or different risks in holding Capital Notes 2.

7.1.12 Optional Exchange by IAG is subject to certain events occurring

There is a risk that IAG may be unable to make an optional Exchange. If IAG elects to Exchange Capital Notes 2 by way of Conversion (other than where it is obliged to Convert), Redemption or Resale, APRA's prior written approval is required. Capital Note 2 Holders should not assume that APRA will give its approval to any Exchange if requested.

If IAG wishes to Exchange Capital Notes 2 by Converting them, there are two types of restrictions which apply:

- **restrictions on choosing to Convert** – IAG may not elect to Convert Capital Notes 2 as the Exchange Method if, on the second Business Day before the date on which an Exchange Notice is to be sent:
  - the VWAP is less than or equal to 23.0000% of the Issue Date VWAP; or
  - a Delisting Event applies.

  If any of the above conditions apply, IAG is not permitted to choose Conversion as the Exchange Method; and
- **restrictions on completing the Conversion** – further, if IAG has given notice that it has elected to Convert Capital Notes 2, IAG may not proceed to Convert Capital Notes 2 if, on the Exchange Date specified in the Exchange Notice:
  - the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) that date is less than or equal to 20.2020% of the Issue Date VWAP; or
  - a Delisting Event applies.

If the above requirements for Conversion on the Exchange Date are not satisfied, IAG will notify Capital Note 2 Holders and the Conversion will be deferred until the next Distribution Payment Date on which the requirements for Conversion would be satisfied if that Distribution Payment Date were a possible Mandatory Conversion Date.

The choice of Redemption as the Exchange Method is subject to the condition that:

- Capital Notes 2 which are the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of Capital Notes 2 is done under

conditions that are sustainable for IAG's income capacity; or

- APRA is satisfied that having regard to the capital position of the Group, IAG does not have to replace Capital Notes 2 the subject of the Redemption.

A weakening in the Group's regulatory capital position may make it less likely that APRA would approve a Redemption of the Capital Notes 2.

In addition, APRA has recently stated that, consistent with its prudential requirements, where it considers any replacement capital to be more expensive (including because of higher credit margins), APRA may not approve a Redemption unless IAG satisfies it as to the economic and prudential rationale for the Redemption and that the Redemption will not create an expectation that other regulatory capital instruments will be redeemed in similar circumstances.

The matters to which APRA may have regard in considering whether to give its approval are not limited and may change.

IAG is not permitted to elect to Redeem or Resell Capital Notes 2 on account of an Acquisition Event or a Potential Acquisition Event.

7.1.13 Conversion into Ordinary Shares

There is a risk that Capital Notes 2 will Convert into Ordinary Shares which may be disadvantageous in light of market conditions or not suit individual circumstances and preferences. The only conditions to Conversion are, in the case of Mandatory Conversion, the Mandatory Conversion Conditions and, in the case of an Exchange at IAG's option or following an Acquisition Event, the conditions expressly applicable to such Conversion under clauses 4, 5 and 7 of the Capital Notes 2 Terms. No other conditions will affect the Conversion except as expressly provided by the Capital Notes 2 Terms.

Although one condition to Conversion is that a Delisting Event does not apply (other than in connection with a Conversion on account of a Non-Viability Trigger Event, which is not subject to conditions), other events and conditions may affect the ability of Capital Note 2 Holders to trade or dispose of the Ordinary Shares issued on Conversion, e.g. the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for quotation or any practical issues which affect that quotation, whether ASX has suspended trading in Ordinary Shares, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time.

7.1.14 Restrictions on rights and ranking in a winding-up of IAG

There is a risk that if IAG is wound-up a Capital Note 2 Holder may not receive a return of their investment. Capital Notes 2 are issued by IAG under the Capital Notes 2 Terms. A Capital Note 2 Holder has no claim on IAG in respect of Capital Notes 2 except as provided in the Capital Notes 2 Terms and has no claim on any other member of the Group. Capital Notes 2 are not policy liabilities of any member of the Group or protected policies under the Insurance Act and are not guaranteed or insured by any government, government agency, compensation scheme or any other person. Capital Notes 2 are unsecured.

Claims in respect of Capital Notes 2 are subordinated in a winding-up of IAG, so as to rank senior to Ordinary Shares as set out in the Capital Notes 2 Terms. Capital Notes 2 are also subordinated to most other creditors of IAG.

In the event of a winding-up of IAG, and assuming Capital Notes 2 have not been Exchanged and are not required to be Converted or Written-Off due to a Non-Viability Trigger Event, Capital Note 2 Holders shall be entitled to prove for the Redemption Price in respect of a Capital Note 2 (being an amount equal to the Issue Price of the Capital Note 2) only subject to, and contingent upon, the prior payment in full of the Senior Ranking Creditors. The Capital Note 2 Holders' claim for payment of the Redemption Price ranks ahead of the claims of Shareholders, equally with, and shall be paid in proportion to, the claims of holders of Equal Ranking Instruments, but behind all Senior Ranking Creditors.

If, following a Non-Viability Trigger Event, Capital Notes 2 are Converted into Ordinary Shares, Capital Note 2 Holders will have claims as Shareholders. If, following a Non-Viability Trigger Event, Capital Notes 2 are Written-Off, those Capital Notes 2 will never be Converted or Exchanged, all rights in relation to those Capital Notes 2 will be terminated and Capital Note 2 Holders will not have their capital repaid.

If there is a shortfall of funds on a winding-up of IAG to pay all amounts ranking senior to and equally with Capital Notes 2, there is a significant risk that Capital Note 2 Holders will not receive all (or any part of) an amount equal to the Redemption Price in a winding-up of IAG. Although Capital Notes 2 may pay a higher rate of distribution than that on comparable securities and instruments which are not subordinated, there is a significant risk that Capital Note 2 Holders will lose all or some of their investment should IAG become insolvent.

IAG is a non-operating holding company and substantially all its assets are made up of shares in, or other claims on, IAG's subsidiaries. Accordingly, the claims of Capital Note 2 Holders against IAG will be limited to the value

of IAG's residual claims to the net assets (if any) of the subsidiaries, after all liabilities, including to policyholders, have been discharged or provided for.

7.1.15 Future issues or redemptions of securities by IAG

There is a risk that IAG may issue other securities that may affect the return that a Capital Note 2 Holder receives on their investment. Capital Notes 2 do not in any way restrict IAG from issuing further securities or from incurring further indebtedness. IAG's obligations under Capital Notes 2 rank subordinate and junior in a winding-up to IAG's obligations to holders of senior ranking securities and instruments, and all Senior Ranking Creditors, including subordinated creditors (other than creditors whose claims are subordinated to rank equally with or behind Capital Notes 2). Accordingly, IAG's obligations under Capital Notes 2 will not be satisfied unless it can satisfy in full all of its obligations ranking senior to Capital Notes 2.

The Capital Notes 2 Terms do not restrict IAG from issuing securities of any kind. IAG may in the future issue securities that:

- rank for dividends, distributions or return of capital (including on the winding-up of IAG) equally with, behind or ahead of Capital Notes 2;
- have the same or different dividend, interest or distribution rates as those for Capital Notes 2;
- have payment conditions and distribution restrictions or other covenants which affect Capital Notes 2 (including by restricting circumstances in which Distributions can be paid or Capital Notes 2 can be Redeemed); or
- have the same or different terms and conditions as Capital Notes 2.

IAG may incur further indebtedness and may issue further securities including further Tier 1 Capital securities before, during or after the issue of Capital Notes 2.

An investment in Capital Notes 2 carries no right to participate in any future issue of securities (whether equity, Tier 1 Capital, subordinated or senior debt or otherwise) by IAG.

No prediction can be made as to the effect, if any, which the future issue of securities by IAG may have on the market price or liquidity of Capital Notes 2 or of the likelihood of IAG making payments on Capital Notes 2.

Similarly, Capital Notes 2 do not restrict IAG from redeeming or otherwise repaying its other securities it may have on issue from time to time, including other securities which rank equally with or junior to Capital Notes 2 (other than to the extent the Distribution Restriction applies).

An investment in Capital Notes 2 carries no right to be redeemed or otherwise repaid at the same time as IAG redeems or otherwise repays other securities (whether equity, Tier 1 Capital, subordinated or senior debt, or otherwise).

No prediction can be made as to the effect, if any, which the future redemption or repayment by IAG of other securities may have on the market price or liquidity of Capital Notes 2 or on IAG's financial position or performance.

7.1.16 Distributions on Capital Notes 2 may be restricted by the terms of other similar securities

There is a risk that the terms of IAG's other outstanding and future securities could limit IAG's ability to make payments on Capital Notes 2. If IAG does not make payments on other securities, IAG may not be able to make payments in respect of Capital Notes 2.

The tests governing when payments may or must be made in respect of other securities (whether currently outstanding or issued in the future) that are not Additional Tier 1 Capital will be different to the Distribution Payment Tests and may in the future be different for those that are Additional Tier 1 Capital and may be applied at different times in respect of different periods.

If distribution restrictions arising from the terms of another security apply to payments on Capital Notes 2, IAG may not be able to pay Distributions when scheduled to do so under the Capital Notes 2 Terms and may not be able to Redeem Capital Notes 2. IAG is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities to additional or different payment tests or distribution restrictions (see Section 2.1).

7.1.17 The Distribution Restriction is limited

There is a risk that payments can be made on other instruments ranking equally with Capital Notes 2, or in some cases Ordinary Shares, when payments on Capital Notes 2 have not been made. If a Distribution is not paid on Capital Notes 2, the Dividend Restriction will apply to limit IAG's ability to pay dividends on, buy back, and reduce capital in respect of Ordinary Shares, subject to certain exceptions. The Distribution Restriction may be less extensive than the corresponding distribution restriction in IAG's other securities. It applies only in relation to Ordinary Shares and not in relation to securities ranking equally with Capital Notes 2 (other than Ordinary Shares). Accordingly, a failure to make a scheduled payment on Capital Notes 2 may not restrict the making of payments in respect of instruments ranking equally with Capital Notes 2 (including, for so long as they are on issue, Capital Notes 1).

Further, the restriction in Capital Notes 2 only applies until the next Distribution Payment Date. The dates for distribution with respect to Ordinary Shares are determined by IAG in its discretion and do not bear a fixed relationship to the quarterly Distribution Payment Dates for Capital Notes 2. Accordingly, as soon as the Distribution Restriction ceases to apply (as will be the case if the next scheduled Distribution on Capital Notes 2 is paid), IAG will not be restricted from making a distribution on its Ordinary Shares.

7.1.18 Changes to credit ratings

IAG's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings (including any long-term credit ratings or the ratings assigned to any class of its securities). Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though Capital Notes 2 will not be rated, such changes could adversely affect the market price, liquidity and performance of Capital Notes 2 or Ordinary Shares received on Conversion. A rating of IAG or any member of the Group is not a rating of Capital Notes 2.

7.1.19 Regulatory classification and prudential supervision

There is a risk that the position of Capital Note 2 Holders may be adversely affected due to Capital Notes 2 being eligible as regulatory capital. Capital Notes 2 are eligible for inclusion as Additional Tier 1 Capital of the Group. As a result the Capital Notes 2 Terms contain features which may have adverse consequences for Capital Note 2 Holders. For example, IAG is required to Convert Capital Notes 2 on the occurrence of a Non-Viability Trigger Event, the ability of IAG to pay Distributions is subject to APRA's capital adequacy requirements, APRA not objecting to the payment, and the Exchange of Capital Notes 2 at IAG's option is subject to APRA approval.

However, if APRA subsequently determines that some or all Capital Notes 2 do not qualify as Additional Tier 1 Capital, IAG may decide that a Regulatory Event has occurred. Following a Regulatory Event, IAG may elect, at its option, to Exchange all or some Capital Notes 2 on issue, subject to APRA's prior written approval (Capital Note 2 Holders should not assume that APRA's approval will be given if requested). A Regulatory Event will not have occurred if the change in regulatory treatment was expected by IAG at the Issue Date.

Any such Exchange at IAG's option may occur on dates not previously contemplated by Capital Note 2 Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Capital Note 2 Holders will be entitled to the benefit of the rights attaching to Capital Notes 2 (such as Distributions) is unknown.

The Exchange Method chosen by IAG may be disadvantageous to Capital Note 2 Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

APRA's powers with respect to IAG also include the ability for APRA to direct IAG not to pay Distributions.

7.1.20 Prudential regulation

There is a risk that the position of Capital Note 2 Holders may be adversely affected due to IAG being subject to prudential regulation. As a prudentially regulated authorised non-operating holding company, IAG is subject to the requirements of, among other things, the Insurance Act and the Prudential Standards. The Insurance Act includes certain powers that APRA may exercise in a manner that may be adverse to the interests of Capital Note 2 Holders, including powers to direct IAG not to pay or transfer any amount to any person (including in respect of any Capital Notes 2) or not to issue Ordinary Shares in connection with a Conversion of Capital Notes 2 or not to pay a dividend in respect of any Ordinary Shares. The Prudential Standards may also restrict the payment of dividends or other distributions in respect of Ordinary Shares in particular circumstances.

In addition, in certain circumstances APRA may appoint a statutory manager (an Insurance Act statutory manager) to take control of the business of an authorised non-operating holding company of a general insurer, such as IAG.

Those circumstances are defined in the Insurance Act to include, among other things, where a statutory manager has taken control of a general insurer which is a subsidiary of the non-operating holding company (or APRA intends that this occur) and APRA either:

- considers that the non-operating holding company provides services or conducts business essential to the capacity of the general insurer to maintain its operations; or
- considers that this is necessary to facilitate the resolution of the general insurer or one or more of its related bodies corporate.

The grounds on which APRA may appoint a statutory manager to the general insurer include:

- where a statutory manager has taken control of a body related to the general insurer (including any related ADI under the Banking Act or life insurer under the Life Insurance Act);
- where the general insurer's financial position is deteriorating rapidly, or is likely to deteriorate rapidly, and failure to respond quickly to the deterioration would be likely to prejudice the interests of policyholders of the general insurer;

- where it is likely that the general insurer will be unable to carry on insurance business in Australia consistently with the stability of the financial system in Australia; or
- an external administrator has been appointed to a holding company of the general insurer and the appointment poses a significant threat to the operation or soundness of the general insurer, the interests of its policyholders or the stability of the financial system.

The powers of an Insurance Act statutory manager include the power to alter a non-operating holding company's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the non-operating holding company and to vary or cancel rights or restrictions attached to shares in a class of shares in the non-operating holding company. An Insurance Act statutory manager is authorised to use such powers despite the Corporations Act, the non-operating holding company's constitution, any contract or arrangement to which the non-operating holding company is party or the ASX Listing Rules. The Insurance Act statutory manager may also dispose of the whole or part of a non-operating holding company's business.

If an Insurance Act statutory manager is appointed to IAG in the future, these broad powers may be exercised in a way which adversely affects the rights attaching to Capital Notes 2 and the position of Capital Note 2 Holders.

APRA may, in certain circumstances, require IAG (or a general insurer of which IAG is the parent entity) to transfer all or part of its business to another entity under the *Financial Sector (Transfer and Restructure) Act 1999* (Cth) (FSTR Act).

A transfer under the FSTR Act overrides anything in any contract or agreement to which IAG is party and therefore may have an adverse effect on IAG's ability to comply with its obligations under Capital Notes 2 and the position of Capital Note 2 Holders.

In addition, Capital Note 2 Holders should be aware that secrecy obligations may apply to action taken by APRA. This means that information about action taken by APRA (including in exercise of its powers under the Insurance Act) may not be publicly disclosed.

These powers of APRA may be exercised in a way which adversely affects the ability of IAG to comply with its obligations in respect of Capital Notes 2 (including in connection with the Exchange of Capital Notes 2), and this may adversely affect the position of Capital Note 2 Holders. Similar laws may exist in other jurisdictions in which the Group carries on business.

As a result of the exercise of the regulatory powers described above, Capital Note 2 Holders may suffer loss or face increased or different risks in holding Capital Notes 2.

7.1.21 Australian tax consequences

There is a risk that the position of Capital Note 2 Holders may be adversely affected if a change is made in Australian tax law, or an administrative pronouncement or ruling. A general outline of the tax consequences of investing in Capital Notes 2 for certain potential investors who are Australian residents for tax purposes is set out in the Australian taxation summary in Section 8. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor.

Accordingly, potential investors should seek independent advice concerning their own tax position.

If a change is made in Australian tax law, or an administrative pronouncement or ruling, and that change leads to a more than insubstantial risk that:

- IAG would be exposed to more than a de minimis increase in costs in relation to Capital Notes 2;
- any Distribution in respect of Capital Notes 2 would not be a frankable distribution or would give rise to an additional franking debit; or
- Australian tax resident Capital Note 2 Holders generally would not be entitled to franking credits in respect of Distributions,

IAG may be entitled to Exchange all or some Capital Notes 2, subject to APRA's prior written approval where required (Capital Note 2 Holders should not assume that APRA's approval will be given if requested) – see Section 7.1.9.

If the corporate tax rate was to change, the cash amount of Distributions and the amount of any franking credit would change.

7.1.22 Accounting standards

There is a risk that a change in accounting standards by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of IAG in future financial periods. This may adversely affect the ability of IAG to pay Distributions.

7.1.23 Shareholding limits

There is a risk that a Capital Note 2 Holder may, by acquiring any Capital Notes 2 (taking into account any Ordinary Shares into which they may Convert), breach applicable restrictions on ownership. Laws including the *Financial Sector (Shareholdings) Act 1998* (Cth) may restrict ownership by people (together with their associates) of general insurer holding companies, such as IAG, to a 20% stake. A shareholder may apply to the Australian Treasurer to extend their ownership beyond 20%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 20% is in the national interest.

Mergers, acquisitions and divestments of Australian public companies listed on ASX (such as IAG) are regulated by detailed and comprehensive legislation and the rules and regulations of ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian listed companies by foreign interests are subject to review and approval by the Treasurer. In addition, Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market.

Capital Note 2 Holders should take care to ensure that, by acquiring any Capital Notes 2 (taking into account any Ordinary Shares into which they may Convert), Capital Note 2 Holders do not breach any applicable restrictions on ownership and Capital Note 2 Holders should seek professional guidance from their solicitor, accountant or other independent qualified professional adviser in relation to their obligations.

7.1.24 Amendment of the Capital Notes 2 Terms and Trust Deed

There is a risk that either or both the Capital Notes 2 Terms and the Trust Deed may be amended in a way that the Capital Note 2 Holder does not agree with.

IAG may, with APRA's prior written approval in certain circumstances amend the Capital Notes 2 Terms or the Trust Deed without the approval of Capital Note 2 Holders or the Trustee. These may include necessary or desirable amendments which may affect the rights of Capital Note 2 Holders, including:

- amendments of a formal, technical or minor nature, or made to cure any ambiguity or correct any manifest error;
- changes to dates or time periods necessary or desirable to facilitate a Mandatory Conversion, Non-Viability Conversion or Exchange;
- changes that enable Capital Notes 2 to be quoted on ASX or sold or to comply with applicable laws or listing rules;
- amendments made to align the Terms with any subsequently issued Additional Tier 1 Capital instrument;
- amendments made in accordance with IAG's adjustment rights in relation to VWAP and Issue Date VWAP in clause 8 of the Terms; and
- any other change that, in IAG's opinion, will not be materially prejudicial to the interests of Capital Note 2 Holders as a whole.

IAG may also, with APRA's prior written approval, amend the Capital Notes 2 Terms if the amendment has been approved by a Special Resolution. Amendments under these powers are binding on all Capital Note 2 Holders despite the fact that a Capital Note 2 Holder may not agree with the amendment.

APRA's prior written approval to amend the Terms is required only where the amendment may affect the eligibility of Capital Notes 2 as Additional Tier 1 Capital.

7.1.25 No rights to vote

There is a risk that Capital Note 2 Holders may be affected by corporate decisions made by IAG. Capital Note 2 Holders have no voting or other rights in relation to Ordinary Shares until Ordinary Shares are issued to them. In addition, Capital Notes 2 do not confer on Capital Note 2 Holders any right to subscribe for new securities in IAG or to participate in any bonus issue of securities. The rights attaching to Ordinary Shares if Ordinary Shares are issued will be the rights attaching to Ordinary Shares at that time. Capital Note 2 Holders have no right to vote on or otherwise to approve any changes to the Constitution in relation to the Ordinary Shares that may in the future be issued to them. Therefore, Capital Note 2 Holders will not be able to influence decisions that may have adverse consequences for them.

7.1.26 Issuance of Ordinary Shares to a nominee

If Capital Notes 2 are to be Converted, the Capital Notes 2 Terms contemplate certain situations in which Ordinary Shares issued as a result of that Conversion are not issued to the Capital Note 2 Holder, but to an Eligible Nominee (who may not be IAG or a Related Entity of IAG) — see Section 2.8.5. If Ordinary Shares are to be issued to the Eligible Nominee, they will be issued on terms that the Eligible Nominee will sell the Ordinary Shares and pay a cash amount equal to the net proceeds to the relevant Holder.

The sale of Ordinary Shares is beyond the control of the Capital Note 2 Holder, and may not coincide with the individual preferences of the Capital Note 2 Holder or their intended investment outcomes. The amount received in respect of this sale may be less than the investment of the Capital Note 2 Holder. The issue of Ordinary Shares to the Eligible Nominee satisfies IAG's obligations in connection with the Conversion, and IAG and the Eligible Nominee do not owe any duty in relation to the price or terms on which the Ordinary Shares are sold or the timing of the sale and have no liability for any loss suffered as a result of any such sale of Ordinary Shares. The situation in which Ordinary Shares are to be issued to an Eligible Nominee may include where you are a Foreign Capital Note 2 Holder. IAG will treat you as a Foreign Capital Note 2 Holder if your address in the Register is a place outside of Australia or IAG otherwise believes you may not be a resident of Australia.

It may not be possible for IAG to appoint an Eligible Nominee within any required timeframe, or at all. If Conversion is occurring because of the occurrence of a Non-Viability Trigger Event and IAG is unable to appoint an Eligible Nominee or issue Ordinary Shares to that Eligible Nominee within five days after the Conversion Date for any reason (including an Inability Event), then the relevant Capital Notes 2 will be Written-Off.

7.1.27 FATCA Withholding

It is possible that, in order to comply with FATCA, IAG (or, if Capital Notes 2 are held through another non-U.S. financial institution, such other financial institution) may be required (pursuant to an agreement with the U.S. Internal Revenue Service (IRS) or under an applicable law, including a non-U.S. law implementing an intergovernmental approach to FATCA) to request certain information from Capital Note 2 Holders or beneficial owners of Capital Notes 2, which information may be provided to the IRS and to withhold, at the rate of 30%, on all or a portion of payments made with respect to Capital Notes 2 if (i) such information is not provided; or (ii) if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS or are otherwise exempt from FATCA Withholding. There are certain exclusions to FATCA Withholding.

If IAG is required to withhold amounts under or in connection with FATCA from any payments made in respect of Capital Notes 2, or from the issue of Ordinary Shares on Conversion of Capital Notes 2, Capital Note 2 Holders and beneficial owners of Capital Notes 2 will not be entitled to receive any gross up or additional amounts to compensate them for such withholding, and any issue of Ordinary Shares on Conversion of Capital Notes 2 will be made net of FATCA Withholding.

For further information on FATCA, see Section 9.12.1. FATCA is particularly complex legislation. Capital Note 2 Holders should obtain their own advice about how the requirements of FATCA and the Australian IGA may apply to them under Capital Notes 2.

7.1.28 Common Reporting Standard

Capital Note 2 Holders may be required to report information regarding Capital Notes 2 to their local tax authority and follow related due diligence procedures due to the legislation implementing the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information in Tax Matters (**"CRS"**). For further information on the CRS, see Section 9.12.2. Capital Note 2 Holders should obtain their own advice about how the requirements of CRS may apply to them under the Capital Notes 2.

7.2 Risks associated with IAG and the Group

This section explains the key risks which could materially and adversely impact IAG's and the Group's financial performance, position and creditworthiness. They are relevant to investing in Capital Notes 2 as the value of any such investment will depend on IAG's and the Group's financial performance, position and creditworthiness. The Group has a Risk Management Framework whereby it can reduce or avoid some of these risks. There is a possibility that the Risk Management Framework does not effectively identify, assess or manage a risk faced by the Group, now or in the future. Accordingly, IAG gives no assurances or guarantees of future performance, profitability, distributions, or returns of capital.

7.2.1 Insurance Risk

7.2.1.1 Catastrophes

As a provider of general insurance, the Group is subject to the risk of large-scale claims arising out of catastrophic events. These may include, although are not limited to, cyclones, earthquakes, tsunamis, wind, hail, floods, fire or volcanic activity, which are inherently unpredictable with regard to incidence and severity. There is also a risk that the frequency and/or the severity of catastrophes may increase over time due to climate change. Claims arising out of catastrophes can be substantial, and can adversely affect the Group's financial performance, position and creditworthiness both in the short and/or longer term. Reinsurance is used extensively by the Group to mitigate the short-term financial impacts of catastrophes (e.g. due to cash outflows for potential claims arising from catastrophes).

7.2.1.2 Uncertainty of Future Liabilities and Latent Claims

The Group's provisions for future claims are calculated using actuarial and statistical methods based on known facts and circumstances and estimates of future trends. While they are maintained to a high probability of adequacy, there is a risk that they will fall short of the ultimate liability of the policies underwritten by the Group. This could result from underestimating the number or cost of future claims (e.g. due to an unexpected rise in the cost of goods or services for repairs). The uncertainty of future policy liabilities can expose the Group to losses and increased costs and can materially and adversely impact the Group's financial performance, position and creditworthiness.

Certain product classes offered by the Group may be subject to the emergence of new types of latent claims. A historical example includes claims arising from asbestos, or more recently, silicosis. Latent claims can materially and adversely impact the Group's financial performance, position and creditworthiness. The Group carefully considers latent claims when determining the level of

policy cover and claims provisions for those product classes. Reinsurance and policy exclusions are also used to reduce the financial impact of these risks where possible.

7.2.1.3 Price Competition

The Group's position as a leading general insurance group in Australia and New Zealand is an important factor in it being able to achieve strong and sustainable insurance margins. There is a risk that the Group could lose market share or be forced to reduce prices to compete effectively with existing or new competitors, impacting the Group's financial performance, position and creditworthiness. This may occur for example, if industry participants engage in aggressive growth strategies or severe price discounting, or if the industry is subject to material disruption from new market entrants or technologies.

7.2.2 Reinsurance Risk

7.2.2.1 Reinsurance Coverage Risk

The Group enters into a significant number of reinsurance contracts to limit its risk exposure to any one claim, class of business or occurrence of specific events or series of events. The Group's reinsurance contracts typically renew on an annual basis.

There is a risk that the Group's reinsurance coverage is not adequate, that it does not match the underlying risks assumed, that it may not be available at adequate premium rates or levels in the future, or that increases in reinsurance costs will not be recovered through premium rates. Any losses exceeding the Group's reinsurance limits would be borne by the Group, impacting its financial performance, position and creditworthiness. This risk could arise, for instance, if the Group's reinsurance coverage is not appropriately adjusted for an increase in the frequency and/or severity of catastrophes due to climate change. There is a risk that a sustained and prolonged period of significant events could reduce reinsurers' appetite to participate in the Group's reinsurance program, and this could adversely impact the Group's capacity to write new business. The Group's reinsurance arrangements are detailed in Section 5.5.

In addition, reinsurance contracts are generally subject to change in control clauses which means there may be adverse consequences for the Group (such as termination) if the ownership of IAG changes during the term of the relevant reinsurance contract.

7.2.2.2 Reinsurance Counterparty Credit Risk

The Group is exposed to the counterparty credit risk that its reinsurers may default on their obligation to pay claims. Additionally, there is risk that it may take a long time for the Group to collect reinsurance monies that are owed to it, and reinsurers may dispute their liability to pay, even if the Group has a valid claim.

The Group Credit Risk Policy and the Group Reinsurance Management Strategy ("**ReMS**") set out the minimum credit requirements of reinsurers selected to participate in the reinsurance program, the process for selecting reinsurers, and the subsequent management of the credit risk in relation to those reinsurers. Through the application of the Group Credit Risk Policy and ReMS, the Group ensures that the reinsurance program is supported by counterparties of sound credit quality.

Despite the credit quality of the Group's reinsurance partners, there remains the risk that one or more reinsurance counterparties may default. As the Group is primarily responsible to policyholders, this may lead to adverse impacts on the Group's financial performance, position and creditworthiness.

More information about credit risk is provided in Section 7.2.5.4.

7.2.3 Strategic Risk

Strategic risk is the risk that internal or external factors disrupt the assumptions underpinning the Group's strategy or compromise the Group's ability to set and execute an appropriate strategy. There are a number of factors and sources of risk that have the potential to impact the Group's strategy development and execution.

7.2.3.1 Operating Environment

There is a risk of the Group's financial performance, position and creditworthiness being materially and adversely impacted by its operating environment. The Group's business is concentrated in Australia and New Zealand, which respectively accounted for 78% and 22% of the Group's reported GWP for the financial year ended 30 June 2022. This means the Group's performance is largely dependent on the performance of the insurance sector in these countries.

There is a strategic risk associated with the competitive positioning of the Group's businesses, and the Group's ability to respond in a timely manner to changes in its competitive landscape and protect the value of its brands. Examples of strategic risks include new and existing competitors, a change in distribution or business models, digital disruption, new technologies and changing customer preferences.

Customer preferences continue to change rapidly in the financial services environment, driven in particular by advances in technology and competitive dynamics. The failure of the Group to adapt its capabilities and operating model in order to remain relevant to customers, within a rapidly changing environment, may impact new business and retention of existing business, resulting in lower than anticipated revenues and profits.

Talent acquisition and retention risk has recently risen in prominence across the Group and the financial services industry. The market for skilled and experienced staff remains extremely competitive and, while the Group has measures in place to manage this risk, there is a possibility the Group cannot attract or retain the staff it needs to fully deliver on its strategy.

More broadly, there is a risk that the Group's financial performance, position and creditworthiness is impacted by changes and events in investment markets and economic, social and political conditions both globally and in Australia and New Zealand. An example of this risk materialising is COVID-19 and government responses to the pandemic, which impacted travel, trade, health systems, business, working arrangements, employment levels and consumption. Moreover, future changes in interest rates, reduced liquidity, or a continued slowdown in Australian, New Zealand or global economic conditions, may adversely affect the Group's businesses. The extent of the impact is largely dependent on future developments, which are highly uncertain and unpredictable. Extreme market volatility may leave the Group unable to react to market events in a prudent manner consistent with historical practices in dealing with more orderly markets.

7.2.3.2 Transformation and change programs across the Group may not deliver some or all of their anticipated benefits

There is a risk that implementation of transformation and change programs across the Group may not realise some or all of the anticipated benefits which may adversely impact the Group's financial performance, position and creditworthiness.

IAG has invested significantly in simplification initiatives across the Group. The Group also continues to pursue business process improvement initiatives and investment in technology in order to achieve its strategic objectives, meet ongoing customer expectations and respond to competitive pressures. As these changes are being undertaken in an environment of economic uncertainty and increased regulatory activity and scrutiny, operational and compliance risks are also increased.

7.2.3.3 Climate Change and Environmental, Social and Governance ("ESG") Risks

The Group, through its operations, is exposed to the impacts of natural peril events including, but not limited to, cyclones, wind, hail, floods and fire which are inherently unpredictable with regards to frequency and severity. There is a risk that the frequency and/or the severity of such events may continue to increase over time due to climate change. Claims arising out of such natural peril events can be substantial and can adversely affect the Group's financial performance, position and creditworthiness.

Additionally, climate change can impact the Group's insurance value chain in a number of ways, which can ultimately impact the Group's financial performance, position and creditworthiness. The potential impacts are not limited to but could affect the Group's distribution channels, pricing levels and approach to underwriting and application of exclusions. Specifically, the increased level of claims experienced due to increased frequency and/or severity of catastrophes drives increased costs and therefore higher prices for insurance. This impacts affordability of insurance in general and price increases can be most significant in areas where insurance is most needed by customers who are sometimes also economically disadvantaged (e.g. in areas with flood plains).

There is also a risk that the Group does not meet its ESG commitments. These include commitments around gender equity and pay parity, Aboriginal and Torres Strait Islander employment, LGBTIQ+ inclusion, workplace accessibility, reducing carbon emissions, shifting to renewable energy, responsible underwriting and investment, and sustainable procurement. Should the Group not honour any of these commitments, its reputation and social licence to operate could be compromised, in turn impacting its financial performance, position and creditworthiness.

7.2.3.4 Mergers, acquisitions and divestments

There is a risk the Group fails to adequately manage the risks associated with any mergers, acquisitions or divestments which could have a material adverse effect on its financial performance, position and creditworthiness. The Group regularly examines its portfolio of businesses and a range of corporate and other opportunities with a view to pursuing merger, acquisition or divestment activities which are designed to improve its strategic and/or market position and performance over the medium to long term. Any merger, acquisition or divestment activities which are pursued could, for a variety of reasons, have a material impact on the financial performance, position and creditworthiness of the Group including diversion of management resources, dilution of focused effort or loss on divestment.

Any acquisitions may require assimilation of new operations and new personnel and may cause dilution of the Group's management resources. Changes in ownership and management may result in impairment of relationships with employees and customers of the acquired businesses. Depending on the type of transaction, it could take a substantial period of time for the Group to realise the financial benefits of the transaction, if any. During the period immediately following this type of transaction, the Group's operating results may be adversely affected.

As a potential target in any future merger or acquisition activity, potentially resulting in a change of control transaction, the issues identified above may also be relevant to the Group. In particular, some of the commercial contracts, joint ventures, partnerships or alliances to which IAG or its subsidiaries are a party, contain change of control clauses which may enable one or more parties to those contracts to terminate or vary the terms of the contracts upon a change of control. For a discussion of the consequences of an Acquisition Event on Capital Notes 2, see Section 7.1.11.

Where the Group decides to divest a business or asset, this may involve a loss against book value, particularly of any goodwill or intangible assets.

7.2.4 Regulatory and Compliance Risk

7.2.4.1 Regulatory Obligations and Change

There is a risk that the Group fails to meet its corporate, industry, licensing, market conduct or prudential obligations. This risk is amplified by the significant volume of regulatory change that has impacted the Australian and New Zealand general insurance industry in recent years. If this risk materialised it could result in fines, remediation activity which necessarily diverts management attention away from strategic priorities, and/or regulatory intervention, potentially including a requirement to hold additional capital. This could, in turn, materially and adversely impact the Group's financial performance, position and creditworthiness.

One example of a recent legislative change affecting the general insurance industry is the DDOPIP Legislation enacted in April 2019, which imposes additional obligations on the Group regarding the design and distribution of certain financial products offered to retail investors (including hybrid securities). This legislation grants ASIC the power to intervene if it believes that a financial product will, or is likely to, result in significant detriment to retail investors. It is uncertain whether ASIC would perceive there to be any significant detriment in relation to Capital Notes 2 or similar securities. While the legislation has not been tested in the context of an instrument like Capital Notes 2, there is a risk it could be adverse to the issue, distribution, and reinvestment of financial products in the future, including instruments like Capital Notes 2, impacting the liquidity of such products.

Other recent examples include legislative changes relating to add-on insurance (ASIC Regulatory Guide 275), anti-hawking (ASIC Regulatory Guide 38), claims as a financial service, amendments to unfair contract terms, the cyclone reinsurance pool and compensation scheme of last resort, and the proposed implementation of resolution planning requirements (CPS 900) and financial contingency planning (CPS 90).

In New Zealand, recent changes relate to financial institutions' / insurers' conduct (Financial Markets (Conduct of Institutions) Amendment Act 2022 and Fair Insurance Code 2020), natural hazards (Natural Hazard Insurance Bill) and increase to the Earthquake Commission cap. Additionally, the Reserve Bank of New Zealand is currently reviewing the Insurance (Prudential Supervision) Act 2010 which covers insurers' prudential obligations.

Any future legislation and regulatory change in any jurisdiction where the Group carries on business may affect the insurance and finance sectors and adversely affect the Group. This could include changes to capital requirements, accounting standards, taxation laws, and prudential regulatory requirements, and may affect the likelihood of IAG being able to make payments on Capital Notes 2 or a Non-Viability Trigger Event occurring.

Government and agency inquiries and reviews relating to general insurance arise from time to time, such as following certain natural perils and weather-related events, or a periodic review of the performance of insurance schemes where coverage and pricing are regulated by government. It is possible that industry changes arising from these inquiries and reviews may result in increased costs and have an adverse effect on the financial performance, position and creditworthiness of the Group.

7.2.4.2 Litigation and regulatory proceedings

There is a risk that the outcome of legal and regulatory proceedings from time to time may have a material adverse effect on the Group. The Group, like other entities in the insurance or finance sectors, is exposed to the risk of litigation and regulatory proceedings brought by or on behalf of policyholders, reinsurers, shareholders, government agencies or other potential claimants. In addition, the Group, in the ordinary course of business, is regularly involved in legal proceedings relating to policies underwritten by entities within the Group or arising from operations generally. Refer to the 'Notes to the Financial Statements' Note 2.2(B) 'Claims and Reinsurance and other Recoveries on Outstanding Claims: Net Outstanding Claims Liability' ("**Note 2.2(B)**"), Note 5.3(D) 'Provisions' and Note 7.1 'Contingencies' in the Group's 2022 Annual Report for details in relation to claims and litigation relating to trade credit policies sold through BCC Trade Credit, the ASIC civil penalty proceedings in the Federal Court of Australia and shareholder representative proceeding filed in the Supreme Court of Victoria (which the Group is currently subject to). In relation to the business interruption matters disclosed in Note 2.2(B) of the Group's 2022 Annual Report and other IAG public announcements, the High Court on Friday 14 October 2022 denied special leave to appeal the decision of the Full Court of the Federal Court of Australia in the second test case in February 2022. The Group continues to defend the policyholder representative class action filed in the Federal Court of Australia which was adjourned pending conclusion of the test cases.

7.2.5 Market, Liquidity and Credit Risk

7.2.5.1 Investment performance

There is a risk of adverse performance of the Group's investment assets impacting the Group's financial performance, position and creditworthiness. The Group has substantial investment portfolios made up of funds set aside to meet future claims payments and the investment of capital provided to the Group. As a consequence, investment performance can significantly affect the Group's financial performance, position and creditworthiness.

The Group invests in a range of different funds and markets and so is exposed to risk and volatility in those markets generally, and in the securities and other assets in which it invests. Those risks include, but are not limited to:

- counterparty default;
- fluctuations in market prices, interest rates and exchange rates; and
- investment instruments becoming illiquid.

These risks can be more extreme during periods of high volatility and financial market disruption, such as that which occurred in the wake of the COVID-19 global pandemic.

7.2.5.2 Adverse foreign exchange rate movements

There is a risk of the Group sustaining losses through adverse movements in foreign exchange rates. Such movements can impact the Group's financial performance, position and creditworthiness and the level of capital supporting the Group's businesses. From an operational perspective, the Group faces exposure to foreign exchange risks through direct foreign income and expenses, the settlement of foreign currency denominated assets and liabilities and the translation of the net investment and earnings of certain subsidiaries. Foreign exchange losses can also impact the Group's investment portfolios, which in turn can affect the Group's financial performance, position and creditworthiness.

7.2.5.3 Insufficient liquidity to meet obligations

There is a risk that liquidity issues could prevent the Group from meeting its financial obligations as they fall due. This would impact IAG's ability to make payments on Capital Notes 2. The Group seeks to hold a sufficient level of high quality liquid assets to ensure that there is adequate liquidity to meet expected claim payments and dividends, with an added buffer to absorb unforeseen events. Whilst noting that liquidity is rarely a concern in a general insurance company, there still remains a risk that liquidity issues could adversely impact IAG's ability to make payments on Capital Notes 2 and the Group's financial performance, position and creditworthiness.

7.2.5.4 Credit Risk

In addition to reinsurance counterparty credit risk (see Section 7.2.2.2), the Group is exposed to credit risk from other counterparties, the most significant being investments and premium debtors (particularly brokers). While the Group sets counterparty credit quality and concentration limits and has processes to manage its exposures, there is a risk of a counterparty failing to meet its obligations to the Group, materially and adversely impacting the Group's financial performance, position and creditworthiness.

7.2.6 Capital Risk

7.2.6.1 Change in IAG's credit rating

There is a risk that a downgrade or potential downgrade to IAG's credit rating may reduce access to capital and wholesale debt markets, leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with it.

The Group's credit ratings have an impact on both its access to, and cost of, capital and wholesale funding. Credit ratings may be withdrawn, qualified, revised or suspended by credit rating agencies at any time. The methodologies by which they are determined may also be revised in response to legal or regulatory changes or market developments or for any other reason. The Group's credit rating may also be affected by a change in IAG's risk appetite.

In addition, the ratings of individual securities (including, but not limited to, certain Tier 1 Capital and Tier 2 Capital securities) issued by the Group (and other financial institutions globally) could be impacted from time to time by changes in the ratings methodologies used by rating agencies.

Credit ratings are not a recommendation by the relevant rating agency to invest in securities offered by the Group.

7.2.6.2 Structural subordination

There is a risk that IAG may not be able to make payments on Capital Notes 2 because its subsidiaries or joint ventures (together, referred to in this Section 7.2.6.2 as "subsidiaries") will not be in a position to make funds available to IAG. There is also a risk that Capital Note 2 Holders may not receive a return on their investment if IAG or its subsidiaries are wound up. IAG is a holding company which owns or holds interests in a group of insurance companies in Australia and New Zealand. In the event a subsidiary is wound up, recovery by IAG would be limited to the net assets (if any) of that subsidiary after all prior ranking liabilities, including to policyholders, have been discharged or provided for.

Investment risks continued

In addition, IAG is reliant on the continued receipt of dividends or other funding from its subsidiaries to make payments on its securities, including Capital Notes 2. The ability of IAG's subsidiaries to pay dividends or distributions or otherwise make funds available to IAG may in certain circumstances be subject to regulatory, contractual or legal restrictions in addition to its economic performance.

7.2.7 Operational Risk (including information security)

There is a risk the Group's financial performance, position and creditworthiness is materially and adversely impacted by losses arising from inadequate or failed internal processes, people and systems. These operational risks include the failure to either identify or remediate in a timely manner issues regarding: cybersecurity, information technology, fraud and corruption, employment practices and workplace safety, data, business disruption, project delivery and change, process execution, financial crime, suppliers and service providers, and physical assets.

There is a risk that process failures are more frequent and/or severe due to increased organisational complexity. A primary driver of this complexity is legacy systems that are increasingly demanding to manage and adapt to support the pace and scale of organisational change. As noted in Section 7.2.3.2, the Group is undertaking a number of strategic initiatives to reduce this risk by simplifying its business and investing in modern technology capability.

Operational risks can be heightened because of environmental factors outside of the Group's direct control. A recent example is the COVID-19 pandemic and government responses which triggered the Group to enact its business continuity plan. This displaced the majority of employees and partners from normal working conditions which required the adoption of widespread remote work capability, increasing workplace health and safety and cybersecurity risks.

More broadly, information security risks (including cyber attacks and data security breaches) have heightened in recent years reflecting the Group's increased use of information technology and the growing sophistication and activities of organised crime. While the Group has systems and measures in place to detect cyber attacks and protect the confidentiality, integrity and availability of its information, these may not be successful in all circumstances.

There is a risk that cyber attacks and other organisational failures lead to material privacy breaches. These breaches can impact customer, staff and regulator confidence in the Group and can lead to litigation and/or significant financial penalties.

7.2.8 Organisational Conduct and Customer Risk

There is a risk the Group's financial performance, position and creditworthiness is materially and adversely impacted by behaviour or action taken by entities and employees associated with the Group that may have negative outcomes for its customers, staff, communities, and markets in which it operates. This includes the risk that the Group's products are designed, priced, distributed or managed in a way that does not meet the reasonable needs, expectations and objectives of its customers. While the Group has policies and processes to manage employee, contractor and external service provider misconduct, these may not always be effective.

7.2.9 Model Risk

There is a risk the Group's financial performance, position and creditworthiness is materially and adversely impacted by decisions based on incorrect, misapplied or misused model outputs and reports. The Group uses models in a broad range of activities, including underwriting, valuing exposures, pricing, measuring risk, claim response, and determining capital and reserve adequacy. These expose the Group to model risk. While the Group has policies and processes to manage model risk, these may not always be effective.

Section 8
Australian taxation summary

Section 8

Australian taxation summary

8.1 Introduction

The following is a summary of the main Australian tax consequences under the Tax Act for Capital Note 1 Holders who are residents of Australia for Australian taxation law purposes and subscribe for Capital Notes 2 under the Prospectus and hold them on capital account, and for investors who are not Capital Note 1 Holders and who subscribe under the Offer, who are residents of Australia for Australian tax law purposes and hold their Capital Notes 2 on capital account.

The summary is not exhaustive and does not consider the Australian tax consequences for all Capital Note 1 Holders and Capital Note 2 Holders. In particular, it does not consider the Australian tax consequences for:

- Capital Note 1 Holders and Capital Note 2 Holders who are not residents of Australia for Australian taxation law purposes;
- Capital Note 1 Holders and Capital Note 2 Holders who carry on business at or through a permanent establishment outside Australia; or
- Capital Note 1 Holders and Capital Note 2 Holders who hold Capital Notes 2 as assets used in carrying on a business of share trading, banking or investment or otherwise hold Capital Notes 2 on revenue account or as trading stock.

This summary does not constitute legal or taxation advice and is of a general nature only. If you are considering investing in Capital Notes 2 you should obtain independent legal and taxation advice relevant to your particular circumstances.

This summary is based on Australian tax legislation, interpretations of that legislation and administrative practice as at the date of this Prospectus.

8.2 Class ruling sought on Capital Notes 2

IAG has applied for a class ruling from the Commissioner of Taxation requesting confirmation of the Commissioner's views of the income tax consequences of receiving Distributions on and disposing of or Converting Capital Notes 2. As at the date of this taxation summary, the class ruling has not yet been published. It is expected that the Commissioner will publish a favourable class ruling on the income tax consequences of receiving Distributions on and disposing of or Converting Capital Notes 2 as discussed below, although publication may not occur until after the date that the Capital Notes 2 are issued. Capital Note 2 Holders should refer to the class ruling once it is issued.

8.3 Certain income tax consequences for Capital Note 1 Holders

Under the Reinvestment Offer, Eligible Capital Note 1 Holders may apply for some or all of the Capital Notes 1 registered in their name at 7:00pm on 17 November 2022 to be resold to the Capital Notes 1 Nominated Purchaser for $100 per Capital Note 1 with resale proceeds to be reinvested in Capital Notes 2 on the Reinvestment Date. In addition, those Eligible Capital Note 1 Holders will also receive the First Pro Rata Distribution for their Reinvested Capital Notes 1, subject to the payment tests in the Capital Notes 1 Terms.

As a general matter, the income tax implications for each Capital Note 1 Holder in respect of the transfer to the Capital Notes 1 Nominated Purchaser on 22 December 2022 and the receipt of the First Pro Rata Distribution should be as follows:

- a CGT event will happen to a Capital Note 1 Holder upon transfer of their Capital Notes 1 to the Capital Notes 1 Nominated Purchaser on 22 December 2022. Assuming that the Capital Note 1 Holder is dealing at arm's length with the Capital Notes 1 Nominated Purchaser, the transfer proceeds should be treated as consideration for capital gains tax purposes. This means that a capital gain would arise if the transfer proceeds exceed the cost base of the Capital Notes 1 to the Capital Note 1 Holder. A capital loss may arise if the transfer proceeds were less than the reduced cost base for the Capital Notes 1.

  If a Capital Note 1 Holder acquired Capital Notes 1 upon issue by IAG (as opposed to a Capital Note 1 Holder who acquired Capital Notes 1 from a previous Capital Note 1 Holder), their cost base would include the $100 issue price of the Capital Notes 1, and certain non-deductible incidental costs such as brokerage fees (if any).

  If the Capital Note 1 Holder derives a capital gain upon transfer of their Capital Notes 1, the 50% CGT discount may be available in circumstances where the Capital Note 1 Holder acquired the Capital Notes 1 at least 12 months prior to the transfer. The CGT discount is not available to Capital Note 1 Holders which are companies, and will be available only at a 33⅓% rate for complying superannuation entities. Investors should monitor any changes to the law relating to the availability of the CGT discount; and

- the First Pro Rata Distribution will be included in the Capital Note 1 Holder's assessable income as a distribution. To the extent that the First Pro Rata Distribution is franked, the Capital Note 1 Holder will also be required to include in their assessable income the attached franking credits.

  Subject to the comments below at Section 8.6.2 regarding Qualified Persons, a Capital Note 1 Holder who is an individual or a complying superannuation entity may be entitled to tax offsets based on franking credits attached to the First Pro Rata Distribution, or to a tax refund to the extent that the tax offsets exceed the tax that is otherwise payable by the Capital Note 1 Holder.

  If a Capital Note 1 Holder is a company, a franking credit should arise in its franking account to the extent that the First Pro Rata Distribution is franked, subject to the comments in Section 8.6.2 regarding Qualified Persons.

  The application of the Qualified Person rules will depend upon the particular circumstances of each Capital Note 1 Holder. Accordingly, Capital Note 1 Holders should obtain independent tax advice as to whether they will be treated as a Qualified Person in relation to the First Pro Rata Distribution.

The discussion above may be affected by the application of the taxation of financial arrangements ("**TOFA**") rules where an investor is subject to TOFA and has elected to apply the fair value and/or the financial reports elections under TOFA. Please also see Section 8.7.2 below.

8.4 Goods and services tax ("GST")

No Australian GST should be payable on the issue, disposal or redemption of Capital Notes 2 as the supply of Capital Notes 2 should be a "financial supply" and is therefore input taxed. Further, the Conversion of Capital Notes 2 to Ordinary Shares will not constitute a taxable supply and no GST will be payable on this event.

8.5 Stamp duty

No stamp duty should be payable on the issue, transfer or disposal of Capital Notes 2 as long as no Capital Note 2 Holder (alone or with associates) will acquire or hold a 90% or more interest in IAG.

Further, the conversion of Capital Notes 2 to Ordinary Shares will not be subject to duty as long as IAG is listed, all of its shares are quoted on ASX and no person alone or with associates obtains an interest of 90% or more in IAG.

In some circumstances, interests of persons who are not associates can be aggregated together in determining whether those thresholds are met or exceeded.

8.6 Distributions on Capital Notes 2

8.6.1 General treatment

Capital Notes 2 should be characterised as equity interests for income tax purposes.

Accordingly, Distributions paid on Capital Notes 2 will be frankable. Such Distributions may be franked, unfranked or only partially franked.

The amount of the cash Distribution payable will be determined by the Distribution Rate, the calculation of which takes into account the level of franking credits attached and changes in the corporate tax rate.

A Capital Note 2 Holder will be required to include in their assessable income the amount of any Distribution that they receive on their Capital Notes 2. To the extent that a Distribution is franked, a Capital Note 2 Holder will be required to include in their assessable income the franking credits attached to that Distribution.

Subject to the comments in Section 8.6.2 regarding Qualified Persons, a Capital Note 2 Holder who is an individual or a complying superannuation entity may be entitled to tax offsets based on the franking credits attached to a distribution, or to a tax refund to the extent that the tax offsets exceed the tax that is otherwise payable by the Capital Note 2 Holder.

If a Capital Note 2 Holder is a company, a franking credit should arise in its franking account to the extent that the distribution is franked, subject to the comments in Section 8.6.2 regarding Qualified Persons.

8.6.2 Qualified Persons

A Capital Note 2 Holder must be a Qualified Person regarding a Distribution paid on their Capital Notes 2 before they will be entitled to the benefit of the tax offsets that flow from receiving franked Distributions.

A Capital Note 2 Holder will be a Qualified Person in respect of their Capital Notes 2 if they have held their Capital Notes 2 at risk for a continuous period of at least 90 days (excluding the days of acquisition and disposal) during:

- where neither the Capital Note 2 Holder nor an associate has made, is under an obligation to make, or is likely to make, a Related Payment in respect of the Distribution (which has the effect of passing on the Distribution to other entities) – the primary qualification period, being the period beginning the day after the Capital Note 2 Holder acquired the Capital Notes 2 and ending on the 90th day after the day on which the Capital Notes 2 became ex-Distribution; or

- where a Capital Note 2 Holder, or an associate, has made, is under an obligation to make, or is likely to make a Related Payment – the secondary qualification period, being the period beginning on the 90th day before and ending on the 90th day after the day on which the Capital Notes 2 became ex-Distribution.

A Capital Note 2 Holder that is an individual and who will not claim tax offsets in excess of $5,000 in any one year will be taken to be a Qualified Person in relation to all Distributions paid during that income year, provided that the Capital Note 2 Holder has not made, is not likely to make or under an obligation to make a Related Payment in respect of the Distributions.

8.6.3 Anti-avoidance rules

In certain circumstances, the Commissioner has the power to apply a range of anti-avoidance rules to deny the benefit of franking credits to holders, the most significant of which is section 177EA of the Tax Act.

Section 177EA of the Tax Act is an anti-avoidance provision that applies to schemes in respect of which, having regard to objective factors, it would be concluded that the person, or persons, who entered into or carried out the scheme or any part of the scheme did so for a purpose (whether or not the dominant purpose but not including an incidental purpose) of enabling the relevant taxpayer to obtain an imputation benefit.

It is expected that neither section 177EA nor any of the other anti-avoidance rules will apply to the issue of Capital Notes 2 by IAG.

Capital Note 2 Holders should also refer to the class ruling (once published by the ATO) discussed at Section 8.2 above.

8.7 Disposal of Capital Notes 2

8.7.1 Disposal other than through Conversion

The Commissioner is likely to issue the class ruling on the basis that Capital Notes 2 are not traditional securities and accordingly, to the extent to which the proceeds of disposal exceed the cost base for the Capital Notes 2, a capital gain should arise. Conversely, if the proceeds of disposal are less than the reduced cost base for the Capital Notes 2, a capital loss will arise.

For investors who acquire Capital Notes 2 under this Prospectus, the first element of the cost base of a Capital Note 2 will be $100. Other costs incurred in relation to the acquisition or later disposal of the Capital Notes 2, e.g. broker fees, may also be included in the cost base.

These issues are being addressed in the ATO class ruling requested by IAG. Capital Note 2 Holders should refer to the class ruling once it is published. It is also recommended that investors seek professional advice referable to their own circumstances in relation to any disposal of Capital Notes 2.

8.7.2 Taxation of financial arrangements

Division 230 of the Tax Act contains tax-timing rules for certain taxpayers in relation to recognising gains and losses from "financial arrangements". Capital Notes 2 will be "equity interests" for income tax purposes and will therefore be "financial arrangements" for the purposes of Division 230.

Division 230 does not apply to certain taxpayers. It generally does not apply to Capital Note 2 Holders who are individuals, or to certain other entities (e.g. superannuation funds and managed investment schemes) which meet various turnover or asset thresholds, unless they elect for Division 230 to apply to all of their "financial arrangements".

Furthermore, gains and losses made from equity interests will only be subject to Division 230 in limited circumstances. More specifically, if Division 230 applies to a Capital Note 2 Holder, Division 230 provides that the accruals, realisation, foreign exchange retranslation and, generally, the hedging financial arrangement methods do not apply to gains or losses from a financial arrangement that is an equity interest, such as the Capital Notes 2. Therefore, only the fair value or the financial reports elective methods may potentially apply to an investment in the Capital Notes 2, but this will depend upon the Capital Note 2 Holder's individual circumstances, including whether the Capital Note 2 Holder has made a relevant election.

8.7.3 Disposal via Conversion

Each Capital Note 2 will also be a "CGT asset" for Capital Note 2 Holders under the capital gains tax provisions of the Tax Act. The Capital Notes 2 Terms provide that, on Conversion of each Capital Note 2, IAG will issue a number of Ordinary Shares in respect of each Capital Note 2.

The Capital Note 2 Holders' rights in relation to each Capital Note 2 being Converted will be terminated for an amount equal to the Issue Price of that Capital Note 2, and IAG will apply that amount to the holder's subscription for Ordinary Shares.

The Capital Notes 2 are an interest issued by IAG that gives its holder a right to be issued with an equity interest in IAG. Where Conversion occurs, any capital gain or loss made by the holder from that Conversion is disregarded.

The Capital Note 2 Holder's cost base in the Ordinary Shares acquired on Conversion will be determined by reference to their cost base in the Capital Notes 2 which were Converted.

The Capital Note 2 Holder will be taken to acquire the Ordinary Shares at the time of Conversion. In order to be eligible for the CGT discount on the sale of the Ordinary Shares, the Capital Note 2 Holder will need to (among other things) hold the Ordinary Shares for at least 12 months from the time of Conversion.

8.8 Provision of TFN or ABN

Unless and until you provide your TFN or, in certain circumstances, your ABN or proof of some other exception, IAG will be required to withhold Australian tax at the maximum marginal tax rate plus the Medicare levy (with the current withholding rate being 47%) from any unfranked part of a Distribution payment, and remit the amount withheld to the Australian Taxation Office. A Capital Note 2 Holder should generally be entitled to claim a tax credit/refund (as applicable) in respect of such tax withheld on a Distribution payment in their Australian income tax returns.

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Section 9
Additional information

Section 9
Additional information

9.1 Interests and benefits

9.1.1 Directors

The Directors as at 16 November 2022 had the following relevant interests in issued securities of IAG:

Director	Number of Ordinary Shares
Nicholas (Nick) Hawkins[1]	415,534
Thomas (Tom) Pockett	106,092
Simon Allen	50,000
David Armstrong	45,650
Jonathan (Jon) Nicholson	35,961
Helen Nugent AC	38,167
Scott Pickering	29,615
George Sartorel	20,000
George Savvides AM	46,917
Michelle Tredenick	37,815

1. Nicholas (Nick) Hawkins also holds 124,000 deferred award rights and 1,739,700 executive performance rights.

Other than as set out in this Prospectus, no Director or proposed Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of IAG;
- the Offer; or
- any property acquired or proposed to be acquired by IAG in connection with the formation or promotion of IAG or the Offer.

Other than as set out in this Prospectus, at the time of lodgement of this Prospectus with ASIC, no amount (whether in cash, Ordinary Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any Director or proposed Director:

- to induce a person to become, or qualify as, a Director; or
- for services provided by a Director or proposed Director in connection with the formation or promotion of IAG or the Offer.

9.1.2 Directors' fees

The Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the non-executive Directors are paid an amount of remuneration determined by the Board, subject to a maximum annual aggregate amount determined by Shareholders in a general meeting ("**NED Fee Pool**"). The maximum annual aggregate NED Fee Pool amount has been set at $3,500,000 (as approved by Shareholders at the 2013 Annual General Meeting). Each non-executive Director may also be paid additional remuneration for performance of additional services and is entitled to reimbursement of reasonable out-of-pocket expenses. The remuneration of the Managing Director and Chief Executive Officer (which is not included within, or subject to, the NED Fee Pool) is fixed by the Board. The remuneration of the Managing Director and Chief Executive Officer may be by way of salary or commission or participation in profits or by all or any of those modes, but must not be a commission or percentage of operating revenue.

9.1.3 Participation in the Offer

The Directors (and certain related persons) may collectively acquire up to 0.2% of Capital Notes 2 offered under the Offer without Shareholder approval (subject to certain conditions).

9.1.4 Professionals

UBS has acted as the Arranger for the Offer, and each of UBS, ANZ, CBA, Morgans, NAB and Westpac have acted as Joint Lead Managers to the Offer, in respect of which they will receive fees from IAG. The estimated aggregate fees payable by IAG to the Joint Lead Managers are approximately $7.22 million (exclusive of GST), making certain assumptions as to the allocations of the Capital Notes 2. The aggregate fees include a structuring fee payable to UBS and a joint lead manager fee split equally among the Joint Lead Managers.

The Joint Lead Managers are responsible for paying all selling fees and other commissions payable to the Syndicate Brokers. IAG reserves the right to pay select institutional investors a cornerstone fee.

King & Wood Mallesons has acted as IAG's Australian legal and tax adviser in relation to the Offer, has prepared the Australian taxation summary in Section 8 and has performed corporate advisory work in connection with the Offer (including the Reinvestment Offer). In respect of this work, King & Wood Mallesons will be paid approximately $710,000 (excluding disbursements and GST) for work performed by it until the date of the Original Prospectus. Further amounts may be paid to King & Wood Mallesons in accordance with its time-based charges.

KPMG Transaction Services has acted as IAG's accounting adviser and provided due diligence services on certain financial disclosures in relation to the Offer. In respect of this work, KPMG Transaction Services will be paid approximately $150,000 (excluding disbursements and GST) for work performed by it up until the date of the Original Prospectus. Further amounts may be paid to KPMG Transaction Services in accordance with its time-based charges.

Except as set out in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- Joint Lead Manager or Co-Manager,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of IAG;
- the Offer; or
- any property acquired or proposed to be acquired by IAG in connection with the formation or promotion of IAG or the Offer,

nor has anyone paid or agreed to pay or given or agreed to give any benefit to such persons in connection with the formation or promotion of IAG or the Offer.

The Joint Lead Managers and their respective affiliates are involved in a wide range of financial services and businesses in respect of which they may receive fees and other benefits and out of which conflicting interests or duties may arise. These services and businesses may include securities trading, brokerage activities or the provision of finance, including in respect of securities of, or loans to, Group entities. In the ordinary course of these activities, each of the Joint Lead Managers and their respective affiliates may at any time hold long or short positions and may trade or take or enforce security, for its own account or the accounts of investors.

The Trust Company (Australia) Limited is acting as trustee for Capital Note 2 Holders under the Trust Deed.

The Trust Company (Australia) Limited, and its directors, employees, officers, affiliates, agents, advisers, intermediaries and related bodies corporate:

- have not been involved in the preparation, authorised or caused the issue or distribution of this Prospectus and do not make any statement or purport to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based;
- do not assume any responsibility for or make representations as to the information contained in this Prospectus, or the accuracy or completeness of any information contained in this Prospectus;
- to the maximum extent permitted by law, expressly disclaim all liability in respect of, make no representation or any statement regarding, and take no responsibility for, any part of this Prospectus, or any statements in, or omissions from, this Prospectus, other than in the case of the Trustee, only references to its name;
- in the case of the Trustee only, has given, and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- have solely relied on IAG for the accuracy of the contents of this Prospectus;
- are not, subject to the Trustee's obligations under the Corporations Act, responsible for monitoring IAG's business; and
- do not make any representation or warranty as to the performance of Capital Notes 2, the payment of distributions or Exchange of Capital Notes 2, or the value of any Ordinary Shares issued on Conversion (or their proceeds of sale).

9.2 Expenses of the Offer

Assuming the Offer raises $500 million, then the net proceeds of the Offer are expected to be $492 million and the total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer and an allowance for possible cornerstone investor fees) are expected to be $8 million. All of these expenses have been, or will be, borne by IAG.

9.3 Consents

This Prospectus is authorised by each Director who consents, and has not withdrawn their consent, to the lodgement of this Prospectus with ASIC.

Except as set out below, each of the parties referred to in the following table:

- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based other than as specified in the fourth bullet point in this Section 9.3;
- does not cause or authorise the issue of this Prospectus, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name and/or any statement or report included in this Prospectus with the consent of that party; and
- in the case of King & Wood Mallesons, has given and has not, before the lodgement of this Prospectus with ASIC withdrawn its written consent to the inclusion of Section 8 in the form and context in which it appears in this Prospectus.

Role	Consenting party
Arranger	UBS
Joint Lead Managers	UBS ANZ CBA Morgans NAB Westpac
Co-Managers	Crestone
Australian legal adviser	King & Wood Mallesons
Australian tax adviser	King & Wood Mallesons
Registrar	Computershare Investor Services Pty Limited
Auditor	KPMG
Accounting adviser	KPMG Transaction Services
Trustee	The Trust Company (Australia) Limited

9.4 ASX relief

9.4.1 The Offer

ASX has classified Capital Notes 2 as “equity securities” and “convertible debt securities” for the purposes of the ASX Listing Rules and has confirmed that:

- ASX Listing Rules 3.20.2 and 3.20.5 will not apply to the Conversion of Capital Notes 2 following the occurrence of a Non-Viability Trigger Event;
- the Capital Notes 2 Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- Capital Notes 2 are not preference securities for the purposes of ASX Listing Rules 6.4 to 6.7;

- the APRA constraints on the payment of a Distribution, potential exercise of the limited amendment powers, and a Write-Off following a Non-Viability Trigger Event would not amount to a removal of a right to a distribution for the purposes of ASX Listing Rule 6.10;
- Conversion, Redemption, Resale or Write-Off by IAG as provided in the Capital Notes 2 Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.12;
- IAG should count the maximum number of Ordinary Shares into which Capital Notes 2 can be Converted in accordance with ASX Listing Rules 7.1B.1(e) and the Issue Date VWAP is to be used to calculate the maximum number of Ordinary Shares to be issued on Conversion of the Capital Notes 2;
- the issue of Ordinary Shares on Conversion of the Capital Notes 2 would fall within ASX Listing Rule 10.12 (exception 7);
- ASX Listing Rule 10.11 has been waived to the extent necessary to permit Directors (and their associates) to participate in the Offer, without Shareholder approval, up to a maximum of 0.2% of the total number of Capital Notes 2 issued under the Offer collectively provided that:
  - the participation of the Directors (and their associates) in the Offer is on the same terms and conditions as applicable to other subscribers for Capital Notes 2;
  - IAG releases the terms of the waiver to the market when it announces the Offer; and
  - when Capital Notes 2 are issued, IAG announces to the market the total number of Capital Notes 2 issued to the Directors (and their associates) in aggregate; and
- the timetable for the Offer is acceptable.

9.4.2 The Reinvestment Offer

ASX has confirmed in relation to the Reinvestment Offer that:

- the amendments to the Capital Notes 1 Terms are appropriate and equitable;
- amending the Capital Notes 1 Terms to provide for payment of the First Pro Rata Distribution and the Second Pro Rata Distribution is permitted under ASX Listing Rule 6.10;
- CHESS will apply a holding lock to any Capital Notes 1 the subject of an Application from a Capital Note 1 Holder Applicant; and
- the timetable for the Reinvestment Offer is acceptable.

9.5 ASIC Relief

IAG obtained relief from section 734(2) of the Corporations Act to enable it to provide its securityholders with details on the structure of the Offer before the release of this Prospectus.

9.6 Privacy

If you lodge an Application, IAG (or the Registrar as IAG's agent) and a Syndicate Broker will collect, use and disclose your personal information for the purposes of processing your Application, administering your Capital Notes 2 and keeping in touch with you about your investment. If you used a qualified financial adviser who recommended your investment in Capital Notes 2 (as indicated on your Application), IAG (or a Syndicate Broker) may disclose your personal information to your financial adviser.

IAG respects your right to privacy and is committed to privacy protection. The Privacy Act details the ways in which private sector companies may collect, hold, use and disclose personal information.

The Registrar and IAG may disclose your personal information to Syndicate Brokers, agents, related bodies corporate, contractors and service providers, including printers, mailing houses, call centres and general advisers and regulatory authorities and anyone to whom you authorise the Registrar and IAG to disclose it for the purposes of processing your Application, administering your Capital Notes 2 and keeping in touch with you about your investment. IAG and the Registrar may disclose your personal information to recipients outside Australia (including in New Zealand, Canada, the United Kingdom and the United States).

If you do not provide the information requested, IAG (or the relevant Syndicate Broker) may not be able to process your Application efficiently, if at all, administer your Capital Notes 2 or make payments to you.

You may request access to or correction of any personal information that you have provided in relation to your Application by contacting IAG or the Registrar. See also Section 4.3.3 regarding the consequences if you do not provide your TFN, in certain circumstances, your ABN or proof of an applicable exemption.

IAG's privacy policy is available at **www.iag.com.au/privacy-and-security** and contains information about the contact details of IAG, how you may access your personal information that is held by IAG, seek to correct this information or make a privacy related complaint, and how such a complaint will be dealt with, and the third parties in Australia, New Zealand and elsewhere to whom IAG may disclose your personal information.

9.7 Reporting and disclosure obligations

IAG is admitted to the official list of ASX and is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Broadly, these obligations require IAG to prepare both half-yearly and annual financial statements for the Group and to report on its operations during the relevant accounting period, and to obtain an audit or review report from its auditor.

Copies of documents lodged with ASIC in relation to IAG may be obtained from, or inspected at, an ASIC office. A copy of documents lodged with ASIC in relation to IAG may also be obtained from ASIC's website **www.asic.gov.au** (a fee may apply).

IAG has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

Subject to certain exceptions, IAG must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market.

9.8 Availability of documents

IAG will provide a copy of any of the following documents free of charge to any person upon their written request during the Offer Period:

- the latest Group annual financial report for the financial year ended 30 June 2022 released to ASX on 12 August 2022 by IAG;
- any continuous disclosure notices given by IAG to ASX in the period after the lodgement of the Group annual financial report for the financial year ended 30 June 2022 and before lodgement of the Original Prospectus with ASIC; and
- the Constitution.

The Group annual financial report for the financial year ended 30 June 2022 is available at **www.iag.com.au/results-and-reports**.

IAG's continuous disclosure notices lodged with ASX are available at **www.asx.com.au** or at **www.iag.com.au/newsroom**.

The Constitution is available at **www.iag.com.au/amended-constitution**.

All written requests for copies of the above documents should be addressed to IAG Investor Relations at the IAG address set out in the corporate directory at the end of this Prospectus or by email to **investor.relations@iag.com.au**.

9.9 Rights and liabilities attaching to Capital Notes 2

The rights and liabilities attaching to Capital Notes 2 are contained in the Trust Deed (which includes the Capital Notes 2 Terms). The Capital Notes 2 Terms are set out in Appendix A and the Trust Deed is incorporated by reference into this Prospectus as set out in Section 9.10. IAG must provide a copy of the Trust Deed to a Capital Note 2 Holder on request.

Rights and liabilities attaching to Capital Notes 2 may also arise under the Corporations Act, the ASX Listing Rules and other laws.

9.10 Incorporation by reference

The following documents are incorporated by reference into this Prospectus:

- a summary of the principal provisions of the Offer Management Agreement IAG has entered into with the Joint Lead Managers under which the Joint Lead Managers have agreed to manage the Offer, including the Bookbuild and the Allocation processes in relation to the Offer, for certain fees which are described in Section 9.1.4 ("**OMA Summary**"). The OMA Summary contains information on IAG's obligations in relation to the conduct of the Offer, the representations, warranties and undertakings provided by IAG under the Offer Management Agreement and the circumstances in which a Joint Lead Manager may terminate the Offer Management Agreement;
- a non-exhaustive summary of the key rights attaching to Ordinary Shares ("**Ordinary Share Summary**"). The Ordinary Share Summary contains, among other things, information on the rights of Shareholders:
  - to receive dividends;
  - to vote at IAG's general meetings;
  - to transfer Ordinary Shares; and
  - on winding-up.
- a summary of the principal provisions of the Trust Deed IAG has entered into with the Trustee ("**Trust Deed Summary**"). The Trust Deed Summary contains information on:
  - the appointment of the Trustee;
  - the undertakings and covenants of IAG;
  - enforcement of the Trust Deed;
  - the Trustee's liability;

- the fees and expenses payable to the Trustee by IAG;
- retirement and removal of the Trustee;
- meetings of Capital Note 2 Holders in relation to the Trust Deed;
- the Trustee's monitoring obligations; and
- receipt of money under the Trust Deed.

The OMA Summary, the Ordinary Share Summary and the Trust Deed Summary can be obtained free of charge during the Offer Period from **www.iag.com.au** or by making a written request addressed to IAG Investor Relations at the IAG address set out in the corporate directory at the end of this Prospectus or by email to **investor.relations@iag.com.au**.

9.11 Amendments to the Capital Notes 1 Terms

To facilitate the Reinvestment Offer, certain amendments have been made to the Capital Notes 1 Terms under clause 19.1 of those terms. Those amendments have been released to ASX.

The amendments include terms permitting the payment of the First Pro Rata Distribution and the Second Pro Rata Distribution in respect of each Capital Notes 1.

9.12 U.S. Foreign Account Tax Compliance Act and OECD Common Reporting Standard

9.12.1 FATCA

Under FATCA, a 30% withholding ("**FATCA withholding**") may be required if (i) (A) an investor does not provide information sufficient for IAG or any other non-US financial institution ("**FFI**") through which payments on the Capital Notes 2 are made to determine the Capital Note 2 Holder's status under FATCA, or (B) an FFI to or through which payments on the Capital Notes 2 are made is a "non-participating FFI"; and (ii) the Capital Notes 2 are treated as debt for US federal income tax purposes and the payment is made in respect of Capital Notes 2 issued or modified after the date that is six months after the date on which final regulations defining the term "foreign passthru payment" are filed with the US Federal Register, or the Capital Notes 2 are treated as equity for US federal income tax purposes or do not have a fixed term, whenever issued.

FATCA withholding is not expected to apply on payments made before the date that is two years after the date on which final regulations defining the term "foreign passthru payment" are filed with the US Federal Register.

Reporting Australian Financial Institutions ("**RAFI**") under the Australian IGA must comply with specific due diligence procedures. In general, these procedures seek to identify account holders and provide the Australian Taxation Office ("**ATO**") with information on financial accounts held by US persons and recalcitrant account holders. The ATO is required to provide such information to the US Internal Revenue Service. Consequently, Capital Note 2 Holders may be requested to provide certain information and certifications to IAG and to any other financial institutions through which payments on the Capital Notes 2 are made. A RAFI that complies with its obligations under the Australian IGA will not be subject to FATCA withholding on amounts it receives, and will not be required to deduct FATCA withholding from payments it makes, other than in certain prescribed circumstances.

In the event that any amount is required to be withheld or deducted from a payment on the Capital Notes 2, or an issue of Ordinary Shares on a Conversion, as a result of FATCA, pursuant to the terms and conditions of the Capital Notes 2, no additional amounts will be paid, and no additional Ordinary Shares will be issued, by IAG as a result of the deduction or withholding.

9.12.2 Common Reporting Standard

The CRS requires certain financial institutions to report information regarding certain accounts (which may include the Capital Notes 2) to their local tax authority and follow related due diligence procedures. Capital Note 2 Holders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed a CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian Government has enacted legislation amending, among other things, the *Taxation Administration Act 1953* of Australia to give effect to the CRS.

9.13 Acknowledgements

By submitting an Application, you, as Applicant, will be deemed to have:

- represented and warranted that you have read and understood this Prospectus (and any supplementary or replacement prospectus) and accompanying Application in full;
- declared that the Application has been completed and submitted according to this Prospectus and subject to the declarations, statements and acknowledgements in the Application;
- declared that you make the warranties, representations and acknowledgements contained in this Prospectus and the Application;
- represented and warranted that all details and statements on your Application are complete and accurate;
- declared that you (if a natural person) are at least 18 years old;

- declared that you (if you are a Retail Investor) have received personal advice from a qualified financial adviser in connection with the Offer;
- declared that you are not an individual residing in a member state of the European Union;
- declared that you are not in the United States or other place outside Australia and you are not a US Person, nor are you acting (including as a nominee) for the account or benefit of any US Person;
- represented and warranted that you have not distributed this Prospectus or any other materials concerning the Offer in the United States or to any US Person and have not accessed this Prospectus or any other materials concerning the Offer in the United States;
- declared that you understand that Capital Notes 2 have not been and will not be registered under the US Securities Act and may not be offered or sold, directly or indirectly, in the United States, or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies;
- declared that you are an Australian resident;
- represented and warranted that the laws of any other place do not prohibit you from being given this Prospectus or any supplementary or replacement prospectus or making an Application or being issued Capital Notes 2;
- provided authorisation to be registered as the holder of Capital Notes 2 issued to you and agreed to be bound by the Constitution, this Prospectus, the Trust Deed and the Capital Notes 2 Terms;
- upon Conversion in accordance with the Capital Notes 2 Terms, agreed to become a member of IAG and be bound by the Constitution;
- applied for the number of Capital Notes 2 set out in or determined in accordance with the Application and agreed to be allocated that number of Capital Notes 2 or a lesser number (or no Capital Notes 2 at all);
- authorised IAG and the Joint Lead Managers to do anything on your behalf necessary for Capital Notes 2 to be allocated to you, including to act on instructions received by the Registrar;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) and the Application is not investment advice or a recommendation that Capital Notes 2 are suitable for you, given your particular investment objectives, financial situation and needs (including financial and taxation issues);
- acknowledged that your Application to acquire Capital Notes 2 is irrevocable and may not be varied or withdrawn except as allowed by law;
- acknowledged that an Application may be rejected without giving any reason, including where the Application is not properly completed; and
- acknowledged that if you are not issued any Capital Notes 2 or issued fewer Capital Notes 2 than the number that you applied and paid for as a result of the scale back, all or some of your Application Payment (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date.

In addition, by applying to participate in the Reinvestment Offer, you, as Applicant, will be deemed to have:

- irrevocably agreed to sell the number of Capital Notes 1 specified in your Application Form under the Reinvestment Offer, on the terms set out in this Prospectus;
- represented and warranted to IAG that you are an Eligible Capital Note 1 Holder;
- represented and warranted to IAG that you have good title to the Capital Notes 1 the subject of your Application;
- offered to sell the number of Capital Notes 1 in your Application Form to the Nominated Purchaser for $100 per Capital Note 1;
- direct $100 per Capital Note 1 accepted under the Reinvestment Offer to be paid to IAG as the Application Payment for your Capital Notes 2;
- authorise the Joint Lead Managers (or any person acting on their behalf) to complete and execute any documents and take any other actions necessary to effect the sale of Participating Capital Notes 1 through the Reinvestment Offer, the reinvestment of the resale proceeds in Capital Notes 2 and the Allocation of Capital Notes 2;
- agree not to transfer or dispose of the Capital Notes 1 that you wish to be sold under the Reinvestment Offer and authorise IAG and its related bodies corporate and their respective officers to request the application of a holding lock to those Capital Notes 1; and
- authorise IAG to take all necessary steps to give effect to the sale of your Capital Notes 1 under the Reinvestment Offer and any reinvestment in Capital Notes 2.

Appendix A
Capital Notes 2 Terms

Appendix A
Capital Notes 2 Terms

1 Capital Notes 2

1.1 Constitution under Trust Deed

Capital Notes 2 (or "Notes") are perpetual, convertible, subordinated debt obligations in the form of unsecured notes issued by Insurance Australia Group Limited (**IAG**), constituted by, and owing under, the Trust Deed. They are issued, and may be Redeemed, Converted or Resold, according to these Capital Note 2 Terms.

1.2 Form

The Capital Notes 2 are in registered form and are issued by entry in the Register.

1.3 Issue Price

The Capital Notes 2 have a denomination and issue price of A$100 (**Issue Price**) and are issued fully paid.

1.4 CHESS

The Capital Notes 2 will be entered into and dealt with in CHESS. For so long as the Capital Notes 2 remain in CHESS, the rights of a person holding an interest in the Capital Notes 2 are subject to the ASX Settlement Operating Rules but this shall not affect any term which would cause the Capital Notes 2 to cease to be eligible for inclusion as Additional Tier 1 Capital.

1.5 ASX quotation

IAG must use all reasonable endeavours to ensure the Capital Notes 2 are, and until Redeemed, Converted, Resold or Written-Off remain, quoted on ASX.

2 Status and ranking

2.1 Status and ranking

The Capital Notes 2 constitute direct and unsecured subordinated obligations of IAG, ranking for payment of the Redemption Price in a winding-up of IAG:

(a) in priority to Ordinary Shares;

(b) equally among themselves and with all Equal Ranking Instruments; and

(c) behind claims of Senior Ranking Creditors.

2.2 No guarantee, not policies under Insurance Act

The Capital Notes 2 are not:

(a) policy liabilities for the purposes of the Insurance Act;

(b) protected policies for the purposes of the Financial Claims Scheme established under Part VC of the Insurance Act; or

(c) guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other party.

2.3 Unsecured notes

The Capital Notes 2 are unsecured notes for the purposes of section 283BH of the Corporations Act.

3 Distributions

3.1 Distributions

Subject to these Capital Note 2 Terms, IAG will pay interest on each Capital Note 2 in arrear on the relevant Distribution Payment Date (a **Distribution**) calculated according to the following formula:

$$\text{Distribution} = \frac{\text{Distribution Rate} \times \$100 \times N}{365}$$

where:

Distribution Rate (expressed as a percentage per annum) is calculated according to the following formula:

Distribution Rate = (Bank Bill Rate + Margin) × Franking Adjustment Factor

where:

(a) **Bank Bill Rate** means:

(i) subject to paragraph (ii):

(A) for a Distribution Period, the rate (expressed as a percentage per annum) designated "BBSW" in respect of prime bank eligible securities having a tenor of 3 months which ASX (or its successor as administrator of that rate) publishes through information vendors at approximately 10:30am Sydney time (or such other time at which such rate is accustomed to be so published) (the **Publication Time**):

(aa) in the case of the first Distribution Period, on the Issue Date; and

(ab) in the case of any other Distribution Period, on the first Business Day of that Distribution Period; or

(B) if IAG determines that such rate as is described in paragraph (A) above:

(aa) is not published by midday (or such other time that IAG considers appropriate on that day); or

(ab) is published, but is affected by an obvious error,

such other rate that IAG determines having regard to comparable indices then available; and

(ii) if IAG determines that a Rate Disruption Event has occurred, then, subject to APRA's prior written approval, IAG:

(A) shall use as the Bank Bill Rate such Replacement Rate as it may determine;

(B) shall make such adjustments to these Capital Note 2 Terms as it determines are reasonably necessary to calculate Distributions in accordance with such Replacement Rate; and

(C) in making the determinations under paragraphs (A) and (B) above:

(aa) shall act in good faith and in a commercially reasonable manner;

(ab) may consult with such sources of market practice as it considers appropriate; and

(ac) may otherwise make such determination in its discretion;

Capital Note 2 Holders should note that APRA's approval may not be given for any Replacement Rate it considers to have the effect of increasing the rate of Distributions contrary to applicable prudential standards.

For the purposes of the foregoing:

(A) **Rate Disruption Event** means that, in IAG's opinion, the rate described in paragraph (A) of the definition of "Bank Bill Rate":

(aa) has been discontinued or otherwise ceased to be calculated or administered; or

(ab) is no longer generally accepted in the Australian market as a reference rate appropriate to floating rate debt securities of a tenor and interest or distribution period comparable to that of the Capital Notes 2;

(B) **Replacement Rate** means a rate other than the rate described in paragraph (i) of the definition of "Bank Bill Rate" that is generally accepted in the Australian market as the successor to the Bank Bill Rate, or if IAG is not able, after making reasonable efforts, to ascertain such rate, or there is no such rate:

(aa) a reference rate that is, in IAG's opinion, appropriate to floating rate debt securities of a tenor and interest period most comparable to that of the Capital Notes 2; or

(ab) such other rate as IAG determines having regard to available comparable indices.

(b) **Franking Adjustment Factor** (expressed as a percentage) is calculated according to the following formula:

$$\frac{(1-T)}{1-[T \times (1-F)]}$$

where:

(i) **F** means the franking percentage, as defined under Part 3-6 of the Tax Act, for a Distribution as at the relevant Distribution Payment Date (expressed as a decimal);

(ii) **T** means the Australian corporate tax rate applicable to the franking account of IAG on the relevant Distribution Payment Date (expressed as a decimal);

(c) **Margin** (expressed as a percentage per annum) means the margin determined under the Bookbuild;

N means, for a Distribution Period, the number of days in that Distribution Period.

3.2 Payment of a Distribution

Each Distribution is subject to:

(a) IAG's absolute discretion; and

(b) no Payment Condition existing in respect of the relevant Distribution Payment Date.

3.3 Distributions are non-cumulative

Distributions are non-cumulative. If all or any part of a Distribution is not paid because of clause 3.2 or because of any applicable law, IAG has no liability to pay the unpaid amount of the Distribution and Capital Note 2 Holders have no claim or entitlement in respect of such non-payment and such non-payment does not constitute an event of default. No interest accrues on any unpaid Distributions and Capital Note 2 Holders have no claim or entitlement in respect of interest on any unpaid Distributions.

3.4 Distribution Payment Dates

Subject to this clause 3, Distributions in respect of a Capital Note 2 will be payable in arrear on the following dates (each a **Distribution Payment Date**):

(a) each 15 March, 15 June, 15 September and 15 December commencing on 15 March 2023 until (but not including) the date on which a Redemption or Conversion of that Capital Note 2 occurs in accordance with these Capital Note 2 Terms; and

(b) each date on which an Exchange of that Capital Note 2 occurs, other than a Conversion on a Trigger Event Date, in each case in accordance with these Capital Note 2 Terms.

If a Distribution Payment Date is a day which is not a Business Day, then the Distribution Payment Date will be the next day which is a Business Day.

3.5 Record Dates

A Distribution is only payable on a Distribution Payment Date to those persons registered as Capital Note 2 Holders at 7:00pm (Sydney time) (or such other time as may be prescribed by ASX or, if not prescribed by ASX, a time determined by IAG and notified to ASX) on the Record Date for that Distribution.

3.6 Restrictions in the case of non-payment

If for any reason a Distribution has not been paid in full on a Distribution Payment Date (the **Relevant Distribution Payment Date**), IAG must not, without approval of a Special Resolution, until and including the next Distribution Payment Date:

(a) declare or determine to pay or pay an Ordinary Share Dividend; or

(b) undertake any Buy-Back or Capital Reduction,

unless the Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date.

3.7 Exclusions from restrictions in case of non-payment

The restrictions in clause 3.6 do not apply to:

(a) Buy-Backs or Capital Reductions in connection with 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 IAG or any Controlled Entity; or

(b) the payment of an Ordinary Share Dividend or completion of a Buy-Back or Capital Reduction which IAG had become legally obliged to pay or complete at the time that the Distribution was not paid.

Nothing in these Capital Note 2 Terms prohibits IAG or a Controlled Entity from purchasing IAG Shares (or an interest therein) in connection with transactions for the account of customers of IAG or customers of its Controlled Entities or in connection with the distribution or trading of IAG Shares in the ordinary course of business. This includes (for the avoidance of doubt and without affecting the foregoing) any acquisition resulting from acting as trustee for another person where neither IAG nor any Controlled Entity has a beneficial interest in the trust (other than a beneficial interest that arises from a security given for the purposes of a transaction entered into in the ordinary course of business).

4 Mandatory Conversion

4.1 Mandatory Conversion

Subject to clause 5, clause 6 and clause 7, on the Mandatory Conversion Date IAG must Convert all (but not some) Capital Notes 2 on issue at that date into Ordinary Shares in accordance with clause 8 and this clause 4.

4.2 Mandatory Conversion Date

The **Mandatory Conversion Date** will be the earlier of:

(a) 15 March 2032 (the **Scheduled Mandatory Conversion Date**); and

(b) the first Distribution Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**),

(each a **Relevant Date**) on which the Mandatory Conversion Conditions are satisfied.

4.3 Mandatory Conversion Conditions

The Mandatory Conversion Conditions for each Relevant Date are:

(a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Date (the **First Test Date**, provided that if no trading in Ordinary Shares took place on that date, the First Test Date is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Date on which trading in Ordinary Shares took place) is greater than the First Test Date Percentage of the Issue Date VWAP (the **First Mandatory Conversion Condition**);

(b) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Relevant Date (the **Second Test Period**) is greater than the Conversion Test Date Percentage of the Issue Date VWAP (the **Second Mandatory Conversion Condition**); and

(c) no Delisting Event applies in respect of the Relevant Date (the **Third Mandatory Conversion Condition** and together with the First Mandatory Conversion

Condition and the Second Mandatory Conversion Condition, the **Mandatory Conversion Conditions**).

In these Terms:

Conversion Test Date Percentage	=	101.01% × Relevant Percentage
First Test Date Percentage	=	115% × Relevant Percentage

4.4 Non-Conversion Notices

If:

(a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, IAG will give notice to the Trustee and Capital Note 2 Holders between the 25th and the 21st Business Day before the Relevant Date; or

(b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, IAG will give notice to the Trustee and Capital Note 2 Holders on or as soon as practicable after the Relevant Date,

(each such notice a **Non-Conversion Notice**) that Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Date.

5 Optional Exchange by IAG

5.1 Optional Exchange by IAG

IAG may, with APRA's prior written approval, by notice to the Trustee and Capital Note 2 Holders (an **Exchange Notice**) elect:

(a) to Exchange all or some Capital Notes 2 on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event;

(b) to Exchange all or some Capital Notes 2 on any Optional Exchange Date; or

(c) to Convert all (but not some only) Capital Notes 2 on an Exchange Date following the occurrence of a Potential Acquisition Event.

An Exchange Notice under this clause 5:

(i) cannot be given in the period of 20 Business Days preceding (and not including) the Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that Mandatory Conversion Date; and

(ii) once given, subject to clause 6.3, is irrevocable.

5.2 When an Exchange Notice may be given

An Exchange Notice under this clause 5 may be given:

(a) in the case of Exchange on account of a Tax Event or a Regulatory Event, on any day following the occurrence of the Tax Event or Regulatory Event (as applicable) provided that an Exchange Notice cannot be given in the period of 20 Business Days preceding (and not including) a Mandatory Conversion Date where the First Mandatory Conversion Condition has been met in respect of that Mandatory Conversion Date;

(b) in the case of Exchange on an Optional Exchange Date, no earlier than 50 Business Days and no later than 10 Business Days (or 25 Business Days, where the Exchange Method elected is, or includes, Conversion) before the Optional Exchange Date to which it relates; and

(c) in the case of Exchange on account of a Potential Acquisition Event, on any day following the occurrence of the Potential Acquisition Event.

5.3 Contents of Exchange Notice

An Exchange Notice must specify:

(a) where Exchange is on account of a Tax Event, Regulatory Event or Potential Acquisition Event, the details of the Tax Event, Regulatory Event or Potential Acquisition Event to which the Exchange Notice relates;

(b) the date on which Exchange is to occur (the **Exchange Date**), which:

(i) in the case of Exchange on account of a Tax Event or a Regulatory Event, will be:

(A) the first scheduled quarterly Distribution Payment Date to occur immediately following the date on which the Exchange Notice was given by IAG provided that if such Distribution Payment Date is less than 20 Business Days following the date on which such notice was given then it shall be the immediately following Distribution Payment Date; or

(B) an earlier Exchange Date determined by IAG having regard to the best interests of Capital Note 2 Holders as a whole and the relevant event; or

(ii) in the case of Exchange on an Optional Exchange Date, is the relevant Optional Exchange Date; and

(iii) in the case of a Potential Acquisition Event, is:

(A) the Business Day prior to the date reasonably determined by IAG to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned;

(B) such other earlier date as IAG may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or

(C) such later date as APRA may require;

(c) the Exchange Method in accordance with clause 5.4;

(d) if less than all outstanding Capital Notes 2 are subject to Exchange, which Capital Notes 2 are subject to Exchange;

(e) whether any Distribution will be paid on the Exchange Date; and

(f) if the Exchange Notice specifies that any Capital Notes 2 are to be Resold, the identity of the Nominated Purchaser or Nominated Purchasers for that Resale.

5.4 Exchange Method

(a) If IAG elects to Exchange Capital Notes 2 in accordance with clause 5.1, it must, subject to clause 5.4(b) and clause 5.5 and subject to APRA's prior written approval, elect which of the following (or which combination of the following) it intends to do in respect of Capital Notes 2 (the **Exchange Method**):

(i) Convert Capital Notes 2 into Ordinary Shares in accordance with clause 8;

(ii) Redeem Capital Notes 2 in accordance with clause 9; or

(iii) Resell Capital Notes 2 in accordance with clause 10.

Capital Note 2 Holders should not assume that APRA's approval will be given for any Exchange of Capital Notes 2 under the Capital Note 2 Terms.

(b) The Exchange Method must not be Redemption:

(i) in the case of a Potential Acquisition Event; and

(ii) in the case of a Tax Event, Regulatory Event or Optional Exchange Date, unless either:

(A) the Capital Notes 2 the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the Capital Notes 2 is done under conditions that are sustainable for IAG's income capacity; or

(B) APRA is satisfied that, having regard to the capital position of the IAG Level 2 Insurance Group, IAG does not have to replace the Capital Notes 2 the subject of the Redemption.

(c) If IAG issues an Exchange Notice to Exchange only some Capital Notes 2, subject to clause 5.4(d) IAG must endeavour to treat Capital Note 2 Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations.

(d) In selecting a combination of Exchange Methods where all or some Capital Notes 2 are being Exchanged IAG may, subject to this clause 5:

(i) select either Exchange Method or a combination of Exchange Methods to apply to the Capital Notes 2 held by a Capital Note 2 Holder; and

(ii) a different Exchange Method or a combination of Exchange Methods to apply to Capital Notes 2 held by different Capital Note 2 Holders,

but nothing in this clause entitles a Capital Note 2 Holder to determine the Exchange Method.

5.5 Restrictions on election by IAG of Conversion as Exchange Method

IAG may not elect Conversion as the Exchange Method in respect of an Exchange under this clause 5 if:

(a) on the second Business Day before the date on which an Exchange Notice is to be sent by IAG (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the **Non-Conversion Test Date**) the VWAP on that date is less than or equal to the First Test Date Percentage of the Issue Date VWAP (the **First Optional Conversion Restriction**); or

(b) a Delisting Event applies in respect of the Non-Conversion Test Date (the **Second Optional Conversion Restriction** and together with the First Optional Conversion Restriction, the **Optional Conversion Restrictions**).

5.6 Conditions to Conversion occurring once elected by IAG

If IAG has given an Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Exchange Date were a Relevant Date for the purposes of clause 4, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Capital Note 2 Terms:

(a) the Exchange Date will be deferred until the first Distribution Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Distribution Payment Date were a Relevant Date for the purposes of clause 4 (the **Deferred Conversion Date**);

(b) IAG must Convert the Capital Notes 2 on the Deferred Conversion Date (unless the Capital Notes 2 are Exchanged earlier in accordance with these Capital Note 2 Terms); and

(c) until the Deferred Conversion Date, all rights attaching to the Capital Notes 2 will continue as if the Exchange Notice had not been given.

IAG will notify the Trustee and Capital Note 2 Holders on or as soon as practicable after an Exchange Date in respect of which this clause 5.6 applies that Conversion did not occur on that Exchange Date (a **Deferred Conversion Notice**).

6 Non-Viability Conversion

6.1 Non-Viability Trigger Event

A **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 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,

(such determination a **Non-Viability Determination**).

6.2 Conversion on Trigger Event Date

If a Non-Viability Trigger Event occurs:

(a) on the Trigger Event Date, subject only to clause 6.4, such number of Capital Notes 2 will immediately Convert 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, IAG would become non-viable, all Capital Notes 2 must be Converted; and

(ii) where clause 6.2(a)(i) does not apply and such Non-Viability Determination does not require all Relevant Securities to be converted or written-off, such number of Capital Notes 2 shall Convert as is sufficient (determined by IAG in accordance with clause 6.2(b)) to satisfy APRA that IAG is viable without further conversion or write-off;

(b) where IAG is required to Convert less than all Capital Notes 2 on account of a Non-Viability Trigger Event, in determining the number of Capital Notes 2 which must be Converted in accordance with this clause, IAG will:

(i) first, convert into Ordinary Shares or write-off Relevant Securities whose terms require or permit them to be converted into Ordinary Shares or written-off before Conversion of Capital Notes 2; and

(ii) secondly, if conversion into Ordinary Shares or write-off of the Relevant Securities described in clause 6.2(b)(i) is not sufficient to satisfy the requirements of clause 6.2(a):

(A) Convert Capital Notes 2; and

(B) convert into Ordinary Shares or write-off other Relevant Securities,

in each case on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of IAG, fair and reasonable (subject to such adjustment as IAG may determine to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and any Capital Notes 2 or other Relevant Securities remaining on issue) and, for the purposes of this clause 6.2(b)(ii), where the specified currency of the principal amount of Relevant Securities is not the same for all Relevant Securities, IAG may treat them as if converted into a single currency of IAG's choice at such rate of exchange for each such currency as, in each case, IAG in good faith considers reasonable,

provided that such determination does not impede the immediate Conversion of the relevant number of Capital Notes 2;

(c) on the Trigger Event Date IAG must determine the Capital Note 2 Holders whose Capital Notes 2 will be Converted at the time on that date that the Conversion is to take effect and in making that determination may make any decisions with respect to the identity of the Capital Note 2 Holders at that time and date as may be necessary or desirable to ensure Conversion occurs immediately in an orderly manner, including disregarding any transfers of Capital Notes 2 that have not been settled or registered at that time and provided that such determination does not impede the immediate Conversion of the relevant number of Capital Notes 2;

(d) IAG must give notice of that event (a **Trigger Event Notice**) as soon as practicable to the Trustee and Capital Note 2 Holders, which notice must specify:

(i) the Trigger Event Date;

(ii) the number of Capital Notes 2 Converted; and

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

(e) none of the following events shall prevent, impede or delay the Conversion of Capital Notes 2 as required by clause 6.2(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 failure or delay in quotation of Ordinary Shares to be issued on Conversion;

(iv) any decision as to the identity of Capital Note 2 Holders whose Capital Notes 2 are to be Converted;

(v) any obligation to treat Holders proportionately or to make the determinations or adjustments in accordance with clause 6.2(c); and

(vi) any requirement to select the number of Capital Notes 2 to be Converted in accordance with clause 6.2(b)(ii) or 6.2(c); and

(f) from the Trigger Event Date, subject to clause 6.4 and clause 12.1, IAG, the Trustee and the Registrar shall treat the Capital Note 2 Holder of any Capital Note 2 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.

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

6.3 Priority of Conversion obligations

(a) Conversion on account of the occurrence of a Non-Viability Trigger Event is not subject to the matters described in clause 4.3 as Mandatory Conversion Conditions.

(b) A Conversion required on account of a Non-Viability Trigger Event takes place on the date, and in the manner, required by clause 6.2, notwithstanding anything in clauses 4, 5 or 7.

(c) Where Capital Notes 2 are required to be Converted, if Conversion has not been effected within 5 Business Days after the relevant Trigger Event Date for any reason (including an Inability Event), Conversion of those Capital Notes 2 on account of the Non-Viability Trigger Event will not occur and those Capital Notes 2 shall be Written-Off in accordance with clause 6.4 and the provisions of clauses 6.2(b), 6.2(c) and 6.2(d) shall apply in respect of that Write-Off and those Capital Notes 2 as if each reference in those clauses to "Conversion" or "Convert" were a reference to "Write-Off".

6.4 Write-Off

Notwithstanding clause 17.1, if Conversion required in respect of a Capital Note 2 on account of a Non-Viability Trigger Event has not been effected within 5 Business Days after the relevant Trigger Event Date for any reason (including an Inability Event), each Capital Note 2 which, but for clause 6.3(c) and this clause 6.4, would be Converted, will be Written-Off with effect on and from the Trigger Event Date.

In this clause 6.4, **Written-Off** means that, in respect of a Capital Note 2 and a Trigger Event Date:

(a) the Capital Note 2 will not be Converted on that date and will not be Converted, Redeemed or Resold under these Capital Note 2 Terms on any subsequent date; and

(b) the relevant Capital Note 2 Holders' rights (including to payment of Distributions and Redemption Price) in relation to such Capital Note 2 are immediately and irrevocably terminated and written off,

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

7 Early Conversion on Acquisition Event

7.1 Notice of Acquisition Event

IAG must notify the Trustee and Capital Note 2 Holders of the occurrence of an Acquisition Event as soon as practicable after becoming aware of that event (an **Acquisition Event Notice**).

7.2 Conversion on occurrence of Acquisition Event

If an Acquisition Event occurs, IAG must give notice to the Trustee and Capital Note 2 Holders (an **Acquisition Conversion Notice**) and Convert all (but not some only) Capital Notes 2 on the Acquisition Conversion Date in accordance with this clause 7 and clause 8 or clause 9 (as the case may be).

7.3 Contents of Acquisition Conversion Notice

An Acquisition Conversion Notice must specify:

(a) the details of the Acquisition Event to which the Acquisition Conversion Notice relates;

(b) the date on which Conversion is to occur (the **Acquisition Conversion Date**), which must be the Business Day prior to the date reasonably determined by IAG to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as IAG may reasonably determine having regard to the timing for implementation of the bid or scheme concerned, or such later date as APRA may require; and

(c) whether any Distribution will be paid on the Acquisition Conversion Date.

7.4 Where Acquisition Conversion Notice not required

Notwithstanding any other provision of clause 7.2 or clause 7.3, if:

(a) on the second Business Day before the date on which an Acquisition Conversion Notice is to be sent by IAG (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the **Acquisition Non-Conversion Test Date**) the VWAP on that date is less than or equal to the First Test Date Percentage

of the Issue Date VWAP (the **First Acquisition Conversion Restriction**); or

(b) a Delisting Event applies in respect of the Acquisition Non-Conversion Test Date (the **Second Acquisition Conversion Restriction** and together with the First Acquisition Conversion Restriction, the **Acquisition Conversion Restrictions**),

IAG is not required to give an Acquisition Conversion Notice and the provisions of clause 7.5 will apply.

7.5 Deferred Conversion on Acquisition Event

If clause 7.4 applies or, if the Acquisition Conversion Date were a Relevant Date for the purposes of clause 4, the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Capital Note 2 Terms (but without limitation to the operation of clause 6.3):

(a) the Acquisition Conversion Notice, if given, is taken to be revoked and Conversion will not occur on the Acquisition Conversion Date specified in the Acquisition Conversion Notice;

(b) IAG will notify the Trustee and Capital Note 2 Holders as soon as practicable that Conversion will not (or, as the case may be, did not) occur (a **Deferred Acquisition Conversion Notice**); and

(c) IAG must, unless clause 7.4 then applies, give an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) on or before the 25th Business Day prior to the immediately succeeding Distribution Payment Date which is at least 25 Business Days after the date on which the Deferred Acquisition Conversion Notice was given.

The Acquisition Conversion Notice given in accordance with paragraph (c) above must otherwise comply with clause 7.3.

If this clause 7.5 applies but:

(i) clause 7.4 applies in respect of the Distribution Payment Date such that no Acquisition Conversion Notice (or, as the case may be, no new Acquisition Conversion Notice) is given under this clause 7.5; or

(ii) an Acquisition Conversion Notice (or, as the case may be, a new Acquisition Conversion Notice) is given under this clause 7.5 but, if the Acquisition Conversion Date specified in the Acquisition Conversion Notice were a Relevant Date for the purpose of clause 4, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date,

then this clause 7.5 will be reapplied in respect of each subsequent Distribution Payment Date until a Conversion occurs.

8 Conversion mechanics

8.1 Conversion

If IAG elects to Convert Capital Notes 2 or must Convert Capital Notes 2 in accordance with these Capital Note 2 Terms, subject to the remainder of this clause 8, the following provisions apply:

(a) IAG will allot and issue on the Mandatory Conversion Date, the Trigger Event Date, the Exchange Date or the Acquisition Conversion Date (as the case may be) a number of Ordinary Shares in respect of each Capital Note 2 held by the Capital Note 2 Holder equal to the Conversion Number, where the **Conversion Number** is a number calculated according to the following formula (subject always to the Conversion Number being no more than the Maximum Conversion Number):

$$\text{Conversion Number} = \frac{\text{Issue Price}}{99\% \times \text{VWAP}}$$

where:

VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period,

and where the **Maximum Conversion Number** means a number calculated according to the following formula:

Maximum Conversion Number

$$= \frac{\text{Issue Price}}{(\text{Issue Date VWAP} \times \text{Relevant Percentage})}$$

(b) each Capital Note 2 Holder's rights (including to payment of Redemption Price and Distributions other than the Distribution, if any, payable on a date (other than a Trigger Event Date) on which Conversion is required to occur) in relation to each Capital Note 2 that is being Converted will be immediately and irrevocably terminated in full for an amount equal to the Issue Price of that Capital Note 2 and IAG will apply that amount by way of payment for subscription for the Ordinary Shares to be allotted and issued under clause 8.1(a). Each Capital Note 2 Holder is taken to have irrevocably directed that any amount payable under this clause 8.1 is to be applied as provided for in this clause 8.1 and no Capital Note 2 Holder has any right to payment in any other way;

(c) if the total number of Ordinary Shares to be allotted and issued to a Capital Note 2 Holder in respect of that Capital Note 2 Holder's aggregate holding of Capital Notes 2 upon Conversion 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 5.00pm (Sydney time) on the Mandatory Conversion Date, the Exchange Date or the Acquisition Conversion Date (as the case may be) or, in the case of Conversion on the Trigger Event Date, the time at which such Conversion occurs on that date.

8.2 Adjustments to VWAP generally

For the purposes of calculating the VWAP in these Capital Note 2 Terms:

(a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Capital Notes 2 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 referable to the franking credit 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 entitlement that is not a dividend or other distribution for which an adjustment is made under clause 8.2(a)(i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX 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 ASX during the VWAP Period), the value of the entitlement as reasonably determined by IAG; and

(b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and Capital Notes 2 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.

8.3 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 (or consideration) to or by Ordinary Shareholders) (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 it 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 clause 8.3(a) will be effective and binding on Capital Note 2 Holders under these Capital Note 2 Terms and these Capital Note 2 Terms will be construed accordingly. Any such adjustment must be promptly notified to all Capital Note 2 Holders.

8.4 Adjustments to Issue Date VWAP generally

For the purposes of determining the Issue Date VWAP, adjustments to VWAP will be made in accordance with clause 8.2 and clause 8.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

(a) may be made in accordance with clauses 8.5 to 8.7 (inclusive); and

(b) if so made, will correspondingly affect the application of the Mandatory Conversion Conditions, the Optional Conversion Restrictions and the Acquisition Conversion Restrictions, and cause an adjustment to the Maximum Conversion Number.

8.5 Adjustments to Issue Date VWAP for bonus issues

(a) Subject to clauses 8.5(c) and 8.5(d), if 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:

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

where:

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

V_0 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) Any adjustment made by IAG in accordance with clause 8.5(a) will be effective and binding on Capital Note 2 Holders under these Capital Note 2 Terms and these Capital Note 2 Terms will be construed accordingly.

(c) For the avoidance of doubt, clause 8.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.

(d) For the purpose of clause 8.5(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.

(e) No adjustments to the Issue Date VWAP will be made under this clause 8.5 for any offer of Ordinary Shares not covered by clause 8.5(a), including a rights issue or other essentially pro rata issue.

(f) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 8.5(a) shall not in any way restrict IAG from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Capital Note 2 Holders or otherwise requiring any consent or concurrence of any Capital Note 2 Holders.

8.6 Adjustment to Issue Date VWAP for divisions and similar transactions

(a) If at any time after the Issue Date there is a change in the number of Ordinary Shares on issue as a result of a Reorganisation, IAG 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 clause 8.6(a) will be effective and binding on Capital Note 2 Holders under these Capital Note 2 Terms and these Capital Note 2 Terms will be construed accordingly.

(c) Any such adjustment must be promptly notified to all Capital Note 2 Holders.

(d) Each Capital Note 2 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 constituting a modification or variation of rights or privileges of Capital Note 2 Holders or otherwise requiring any consent or concurrence of any Capital Note 2 Holders.

8.7 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 8.5 and 8.6, 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.

8.8 Announcement of adjustments

IAG will notify the Trustee and Capital Note 2 Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this clause 8 within 10 Business Days of IAG determining the adjustment and the adjustment set out in the announcement will be final and binding.

8.9 Ordinary Shares

Each Ordinary Share issued upon Conversion ranks pari passu with all other fully paid Ordinary Shares.

8.10 Listing of Ordinary Shares issued on Conversion

IAG shall use all reasonable endeavours to list the Ordinary Shares issued upon Conversion of the Capital Notes 2 on ASX.

8.11 Issue to an Eligible Nominee

(a) Where Capital Notes 2 are required to be Converted and:

(i) the Capital Notes 2 are held by a Foreign Capital Note 2 Holder, unless IAG is satisfied that the laws of the Foreign Capital Note 2 Holder's country of residence permit the issue of Ordinary

Shares to the Foreign Capital Note 2 Holder, either unconditionally or after compliance with conditions which IAG in its absolute discretion regards as acceptable and not unduly onerous; or

(ii) the Capital Note 2 Holder has notified IAG that it does not wish to receive Ordinary Shares as a result of Conversion, which notice may be given by the Capital Note 2 Holder at any time on or after the Issue Date and no less than 15 Business Days prior to the Conversion Date,

the Ordinary Shares which the Capital Note 2 Holder is obliged to accept will be issued to a nominee (which must not be IAG or any Related Entity of IAG) (**Eligible Nominee**) but otherwise in accordance with clause 8.1 and on terms that, at the first reasonable opportunity to sell the Ordinary Shares, the Eligible Nominee will arrange for their sale and pay to the relevant Capital Note 2 Holder on a date determined by the Eligible Nominee a cash amount equal to the Attributable Proceeds of the relevant Capital Note 2 Holder.

(b) Where Capital Notes 2 are required to be Converted and a Tax Withholding or FATCA Withholding is required or permitted to be made in respect of Ordinary Shares issued on Conversion of the Capital Notes 2, the Ordinary Shares which the Capital Note 2 Holder is obliged to accept will be issued to the Capital Note 2 Holder only to the extent (if at all) that the issue is net of any such Tax Withholding or FATCA Withholding and IAG will issue the balance of the Ordinary Shares (if any) to an Eligible Nominee who will sell those Ordinary Shares and deal with any proceeds of their disposal in accordance with law or any agreement with a governmental authority or FATCA (as relevant).

(c) The issue of Ordinary Shares in accordance with clause 8.11(a) or clause 8.11(b) above (as applicable) will satisfy all obligations of IAG in connection with the Conversion, the Capital Notes 2 will be deemed Converted and will be dealt with in accordance with clause 8.1 and, on and from the issue of Ordinary Shares, the rights of a Capital Note 2 Holder the subject of clause 8.11(a) or clause 8.11(b) above are limited to its rights in respect of the Ordinary Shares or the Attributable Proceeds as provided in those clauses.

(d) Without prejudice to the express obligations of IAG and the Eligible Nominee under this clause 8.11:

(i) IAG has no duty to enquire into the law of a Foreign Capital Note 2 Holder's country of residence; and

(ii) neither IAG nor any Eligible Nominee owes any obligations or duties to Capital Note 2 Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Capital Note 2 Holder as a result of the sale of Ordinary Shares where required by this clause 8.11.

(e) If Conversion is occurring because of the occurrence of a Non-Viability Trigger Event and has not been effected within 5 days after the Conversion Date for any reason (including an Inability Event), then clause 6.4 will apply.

9 Redemption mechanics

9.1 Redemption mechanics to apply to Redemption

If, subject to APRA's prior written approval and compliance with clause 5.4(b), IAG elects to Redeem Capital Notes 2 in accordance with these Capital Note 2 Terms, the provisions of this clause 9 apply to that Redemption.

Capital Note 2 Holders should not assume that APRA's approval will be given for any Redemption of Capital Notes 2 under the Capital Note 2 Terms.

9.2 Redemption

(a) Capital Notes 2 will be Redeemed by payment on the Exchange Date of an amount equal to the Issue Price (the **Redemption Price**) to the Capital Note 2 Holder.

(b) Redemption may occur even if IAG, in its absolute discretion, does not pay a Distribution for the final (or any other) Distribution Period.

9.3 Effect of Redemption on Capital Note 2 Holders

On the Exchange Date the only right Capital Note 2 Holders will have in respect of Capital Notes 2 will be to obtain the Redemption Price payable in accordance with these Capital Note 2 Terms and upon the Redemption Price being paid (or being taken to be paid in accordance with clause 16), all other rights conferred, or restrictions imposed, by Capital Notes 2 will no longer have effect.

10 Resale mechanics

10.1 Resale mechanics to apply to Resale

If, subject to APRA's prior written approval, IAG elects to Resell Capital Notes 2 in accordance with these Capital Note 2 Terms, the provisions of this clause 10 apply to that Resale.

10.2 Appointment of Nominated Purchaser

(a) IAG must appoint one or more Nominated Purchasers for the Resale on terms agreed between IAG and the Nominated Purchasers (and, to the extent any such conditions may cause the Capital Notes 2 to cease to be Additional Tier 1 Capital of the IAG Level 2 Insurance Group, with the prior written approval of APRA) including:

(i) as to the conditions of any Resale, the procedures for settlement of such Resale and the circumstances in which the relevant Exchange Notice may be amended, modified, added to or restated;

(ii) as to the substitution of another entity (not being IAG or a Related Entity of IAG) as Nominated Purchaser if, for any reason, IAG is not satisfied that the Nominated Purchaser will perform its obligations under this clause 10; and

(iii) as to the terms (if any) on which any Capital Notes 2 acquired by a Nominated Purchaser may be Redeemed, Converted or otherwise dealt with.

(b) If IAG appoints more than one Nominated Purchaser for a Resale, all or any of the Capital Notes 2 held by a Capital Note 2 Holder which are being Resold may be purchased by one or a combination of the Nominated Purchasers, as determined by IAG, for the Resale Price.

(c) The obligation of a Nominated Purchaser to pay the Resale Price on the Exchange Date may be subject to such conditions as IAG may reasonably determine.

10.3 Identity of Nominated Purchasers

IAG may not appoint a person as a Nominated Purchaser unless that person:

(a) has agreed to acquire each Capital Note 2 the subject of the Resale from each relevant Capital Note 2 Holder for the Resale Price on the Exchange Date (which agreement may be on such terms and subject to such conditions as IAG reasonably determines);

(b) has a long-term counterparty credit rating from one of Standard & Poor's, Moody's or Fitch of not less than investment grade; and

(c) is not IAG or a Related Entity of IAG.

10.4 Irrevocable offer to sell Capital Notes 2

On the Exchange Date, each relevant Capital Note 2 Holder is taken irrevocably to offer to sell the Capital Notes 2 the subject of a Resale to the Nominated Purchaser or Nominated Purchasers on the Exchange Date for the Resale Price.

10.5 Effect of resale

Subject to payment by the Nominated Purchaser of the Resale Price to the relevant Capital Note 2 Holders, on the Exchange Date all right, title and interest in the Capital Notes 2 the subject of the Resale (excluding the right to any Distribution payable on that date) will be transferred to the Nominated Purchaser free from Encumbrances.

10.6 Effect of failure by Nominated Purchaser or Nominated Purchasers to pay

If a Nominated Purchaser does not pay the Resale Price to the relevant Capital Note 2 Holders on the Exchange Date (a **Defaulting Nominated Purchaser**) (whether as a result of a condition to purchase not being satisfied or otherwise):

(a) the Exchange Notice as it relates to the Defaulting Nominated Purchaser will be void;

(b) Capital Notes 2 will not be transferred to the Defaulting Nominated Purchaser on the Exchange Date; and

(c) Capital Note 2 Holders will continue to hold the Capital Notes 2 referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Capital Note 2 Terms.

10.7 Payment of resale price

Clause 16 applies to payment of the Resale Price as if a reference in that clause to the Redemption Price includes a reference to the Resale Price.

11 Capital Notes 2 general rights

11.1 Power of attorney

(a) Each Capital Note 2 Holder appoints each of IAG, its officers and any External Administrator of IAG (each an **Attorney**) severally to be the attorney of the Capital Note 2 Holder with power in the name and on behalf of the Capital Note 2 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 Capital Note 2 Holder to observe or perform the Capital Note 2 Holder's obligations under these Capital Note 2 Terms including, but not limited to, accepting any buy-back offer, effecting any transfers of Capital Notes 2 or making any entry in the Register or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale.

(b) The power of attorney given in this clause 11.1 is given for valuable consideration and to secure the performance by the Capital Note 2 Holder of the Capital Note 2 Holder's obligations under these Capital Note 2 Terms and is irrevocable.

11.2 Capital Note 2 Holder acknowledgments

Each Capital Note 2 Holder irrevocably:

(a) upon Conversion of a Capital Note 2 in accordance with clause 8, consents to becoming a member of IAG and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion;

(b) acknowledges and agrees that it is obliged to accept Ordinary Shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of Capital Notes 2 including:

(i) any change in the financial position of IAG or any Related Entity of IAG since the Issue Date;

(ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or

(iii) any breach by IAG of any obligation in connection with Capital Notes 2;

(c) without limiting IAG's obligations under clause 8.10, acknowledges and agrees that Ordinary Shares issued on Conversion in connection with a Non-Viability Trigger Event may not be quoted on ASX at the time of issue, or at all;

(d) acknowledges and agrees that:

(i) where clause 6.2 applies, there are no other conditions to a Non-Viability Conversion occurring as and when provided in clauses 6.1 to 6.3 (inclusive);

(ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;

(iii) the only conditions to a Conversion on account of an Exchange under clause 5 or clause 7 are the conditions expressly applicable to such Conversion as provided in clauses 5 and 7 of these Capital Note 2 Terms and no other conditions or events will affect Conversion; and

(iv) clause 6.4 is a fundamental term of these Capital Note 2 Terms and, where clause 6.4 applies, no other conditions or events will affect the operation of that clause;

(e) agrees to provide to IAG any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to the Capital Note 2 on the occurrence of the Conversion;

(f) acknowledges and agrees that IAG may from time to time, without the consent of any Capital Note 2 Holder:

(i) issue any securities ranking equally with the Capital Notes 2 (on the same terms or otherwise) or ranking in priority or junior to the Capital Notes 2;

(ii) redeem, buy back, return capital on or convert any securities other than Capital Notes 2 at any time except where expressly prevented from doing so under clause 3.6;

(iii) subject to APRA's prior written consent, purchase or procure the purchase of Capital Notes 2 from Capital Note 2 Holders in the open market or otherwise at any time and at any price. Any Capital Note 2 purchased by or on behalf of IAG shall be cancelled; and

(iv) incur or guarantee any indebtedness upon such terms as it may think fit in its sole discretion; and

(g) acknowledges and agrees that:

(i) a Capital Note 2 Holder has no right to request an Exchange;

(ii) a Capital Note 2 Holder has no right to apply for IAG to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of IAG merely on the grounds that IAG does not pay a Distribution when scheduled in respect of Capital Notes 2;

(iii) these Capital Note 2 Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Distribution on the scheduled Distribution Payment Date will not constitute an event of default; and

(iv) a Capital Note 2 Holder has no remedies on account of a failure by IAG to issue Ordinary Shares on Conversion in accordance with clause 8 other than (and subject always to clause 6.3 and clause 6.4) to seek specific performance of the obligation to issue the Ordinary Shares.

Capital Note 2 Holders should not assume that APRA's approval will be given for any purchase of Capital Notes 2 under the Capital Note 2 Terms.

12 Voting rights and meetings

12.1 No voting rights

Prior to Conversion, Capital Note 2 Holders will not be entitled to vote at or attend any general meeting of IAG.

12.2 No other rights

The Capital Notes 2 confer no rights on a Capital Note 2 Holder:

(a) to subscribe for new securities or to participate in any bonus issues of securities of IAG; or

(b) to otherwise participate in the profits or property of IAG,

except as expressly set out in these Capital Note 2 Terms or the Trust Deed.

12.3 Meetings of the Capital Note 2 Holders

The Trust Deed contains provisions for convening meetings of the Capital Note 2 Holders to consider any matter affecting their interests including certain variations of these Capital Note 2 Terms which require the consent of the Capital Note 2 Holders.

13 Takeovers and schemes of arrangement

If:

(a) a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the Directors; or

(b) the Directors recommend a scheme of arrangement in respect of the Ordinary Shares of IAG which will result

in a person other than IAG having a relevant interest in more than 50% of the Ordinary Shares,

in each case which would result in an Acquisition Event or Potential Acquisition Event then, if the Directors consider that IAG will not be permitted to elect to Convert the Capital Notes 2 in accordance with clause 5 or clause 7 or the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition will not be satisfied in respect of the Acquisition Conversion Date in accordance with clause 7, the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to Capital Note 2 Holders or that they are entitled to participate in the scheme of arrangement or a similar transaction.

14 Title and transfer of Capital Notes 2

14.1 Title

Title to Capital Notes 2 passes when details of the transfer are entered in the Register.

14.2 Effect of entries in Register

Each entry in the Register in respect of a Capital Note 2 constitutes:

(a) a separate and independent acknowledgment to the relevant Capital Note 2 Holder of the obligations of IAG to the relevant Capital Note 2 Holder; and

(b) conclusive evidence that the person so entered is the absolute owner of the Capital Note 2 subject to correction for fraud or error.

14.3 Non-recognition of interests

(a) Except as required by law, IAG, the Trustee and the Registrar must treat the person whose name is entered in the Register as the Capital Note 2 Holder of a Capital Note 2 as the absolute owner of that Capital Note 2. This clause 14.3 applies whether or not payment has not been made as scheduled in respect of a Capital Note 2 and despite any notice of ownership, trust or interest in the Capital Note 2.

(b) No notice of any trust, Encumbrance or other interest in, or claim to any Capital Note 2 will be entered in the Register.

14.4 Joint Capital Note 2 Holders

Where two or more persons are entered in the Register as the joint Capital Note 2 Holders of a Capital Note 2 then they are taken to hold the Capital Note 2 as joint tenants with rights of survivorship, but the Registrar is not bound to register more than three persons as joint Capital Note 2 Holders of any Capital Note 2.

14.5 Transfers in whole

Capital Notes 2 may be transferred in whole but not in part.

14.6 Transfer

(a) A Capital Note 2 Holder may transfer a Capital Note 2:

  (i) while the Capital Note 2 is lodged in CHESS, in accordance with the ASX Settlement Operating Rules;

  (ii) at any other time:

    (A) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act; or

    (B) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

(b) The Registrar must register a transfer of a Capital Note 2 to or by a person who is entitled to make or receive the transfer as a consequence of:

  (i) death, bankruptcy, liquidation, mental incapacity or winding-up of a Capital Note 2 Holder; or

  (ii) a vesting order by a court or other body with power to make the order,

  on receiving such evidence of entitlement that the Registrar or IAG requires.

14.7 Market obligations

IAG must comply with all Applicable Regulations and any other relevant obligations imposed on it in relation to the transfer of a Capital Note 2.

14.8 IAG may request a holding lock or refuse to register a transfer

If Capital Notes 2 are quoted on ASX, and if permitted to do so by the ASX Listing Rules and the Corporations Act, IAG may:

(a) request the operator of CHESS or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Capital Notes 2 approved by and registered on the operator's electronic sub-register or Capital Notes 2 registered on an issuer-sponsored sub-register, as the case may be; or

(b) refuse to register a transfer of Capital Notes 2.

14.9 IAG must request a holding lock or refuse to register a transfer

(a) IAG must request the operator of CHESS or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of Capital Notes 2 approved by and registered on the operator's electronic

sub-register or Capital Notes 2 registered on an issuer-sponsored sub-register, as the case may be, if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require IAG to do so.

(b) IAG must refuse to register any transfer of Capital Notes 2 if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require IAG to do so, and may only refuse to register a transfer if such transfer would contravene or is forbidden by Applicable Regulation or these Capital Note 2 Terms.

(c) During a breach of the ASX Listing Rules relating to Restricted Securities, or a breach of a Restriction Agreement, the Capital Note 2 Holder of the Restricted Securities is not entitled to any interest (or other distribution on), or voting rights in respect of, the Restricted Securities.

14.10 Notice of holding locks and refusal to register transfer

If, in the exercise of its rights under clauses 14.8 and 14.9, IAG requests the application of a holding lock to prevent a transfer of Capital Notes 2 or refuses to register a transfer of Capital Notes 2, it must, within five Business Days after the date the holding lock is requested or the refusal to register a transfer, give written notice of the request or refusal to the Capital Note 2 Holder, to the transferee and the broker lodging the transfer, if any. Failure to give such notice does not, however, invalidate the decision of IAG.

14.11 Delivery of instrument and evidence

If an instrument is used to transfer Capital Notes 2, it must be delivered to the Registrar, together with such evidence (if any) as the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Capital Notes 2.

14.12 Effect of transfer

Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under the Trust Deed and these Capital Note 2 Terms in respect of the transferred Capital Notes 2 and the transferee becomes so entitled.

14.13 Transfer of unidentified Capital Notes 2

Where the transferor executes a transfer of less than all Capital Notes 2 registered in its name, and the specific Capital Notes 2 to be transferred are not identified, the Registrar may register the transfer in respect of such of the Capital Notes 2 registered in the name of the transferor as the Registrar thinks fit, provided the aggregate of the Issue Price of all the Capital Notes 2 registered as having been transferred equals the aggregate of the Issue Price of all the Capital Notes 2 expressed to be transferred in the transfer.

15 Notices

15.1 Notices to Capital Note 2 Holders

A notice or other communication is properly given by IAG, the Trustee or the Registrar to a Capital Note 2 Holder if it is:

(a) in writing signed on behalf of IAG, the Trustee or the Registrar (as applicable) (by original or printed signature);

(b) addressed to the person to whom it is to be given; and

(c) either:

(i) delivered personally;

(ii) sent by pre-paid mail to that person's address as shown in the Register or an alternative address nominated in writing to IAG and the Registrar by the Capital Note 2 Holder;

(iii) (if available) issued to Holders through CHESS in accordance with any applicable rules and regulations of CHESS;

(iv) so long as the Capital Notes 2 are quoted on ASX, by publication of an announcement on ASX;

(v) given by an advertisement published in the Australian Financial Review, The Australian or in any other newspaper nationally circulated within Australia; or

(vi) sent by electronic message to the electronic address (if any) nominated by that person.

Notices or other communications to which this clause applies made by electronic means shall be taken to be in writing and signed by the sender or person causing the issuance or publication of the notice or other communication.

15.2 Delivery of certain notices

Notwithstanding clause 15.1, a Non-Conversion Notice, a Deferred Conversion Notice, a Deferred Acquisition Conversion Notice, an Exchange Notice, an Acquisition Event Notice, an Acquisition Conversion Notice, a Non-Viability Trigger Event Notice, an Adjustment Notice, an IAG Details Notice, a Trustee Details Notice or a Registrar Details Notice may, in addition to any method by which it may be given under clause 15.1, be given to Capital Note 2 Holders by IAG publishing the notice on its website and announcing the publication of the notice to ASX.

15.3 When notices to Capital Note 2 Holders take effect

Notices or other communications from IAG, the Trustee or the Registrar to Capital Note 2 Holders take effect on the day the notice or communication was delivered, sent, issued or published (as applicable under clauses 15.1 and 15.2).

15.4 Non-receipt of notice by a Capital Note 2 Holder

The non-receipt of a notice or other communication by a Capital Note 2 Holder or an accidental omission to give notice to a Capital Note 2 Holder will not invalidate the giving of that notice either in respect of that Capital Note 2 Holder or generally.

15.5 Notices to IAG

A notice or other communication given to IAG in connection with Capital Notes 2 must be:

(a) in legible writing or typing and in English; and

(b) either:

(i) addressed as shown below:

Attention: Company Secretary

Address: 'Tower Two Darling Park'
level 13 201 Sussex Street
Sydney NSW 2000 Australia

Email: iagtreasury2@iagam.com.au; or

(ii) to such other address or email address as IAG notifies to Capital Note 2 Holders as its address or email address (as the case may be) for notices or other communications in respect of these Capital Note 2 Terms from time to time (an **IAG Details Notice**);

(c) (other than in the case of email) signed by the person making the communication or by a person duly authorised by that person; and

(d) delivered or posted by prepaid post, or sent by email to the email address in accordance with clause 15.5(b).

15.6 Notices to the Trustee

A notice or other communication given to the Trustee in connection with Capital Notes 2 must be:

(a) in legible writing or typing and in English; and

(b) either:

(i) addressed as shown below:

Attention: Senior Manager, Retail Securities — Perpetual Corporate Trust

Address: The Trust Company (Australia) Limited
Level 13, Angel Place, 123 Pitt Street
Sydney NSW 2000

Email: securities.team@perpetual.com.au

or

(ii) to such other address or email address as the Trustee notifies to Capital Note 2 Holders as its address or email address (as the case may be) for notices or other communications in respect of these Capital Note 2 Terms from time to time (a **Trustee Details Notice**);

(c) signed by the person making the communication or by a person duly authorised by that person; and

(d) delivered or posted by prepaid post, or sent by email to the email address in accordance with clause 15.6(b).

15.7 Notices to the Registrar

A notice or other communication given to the Registrar in connection with Capital Notes 2 must be:

(a) in legible writing or typing and in English; and

(b) addressed as shown below:

Attention: IAG Capital Notes 2 Registry

Address: GPO Box 4709
Melbourne VIC 3001

or to such other address or such email address as the Registrar notifies to Capital Note 2 Holders as its address or email address (as the case may be) for notices or other communications in respect of these Capital Note 2 Terms from time to time (a **Registrar Details Notice**);

(c) signed by the person making the communication or by a person duly authorised by that person; and

(d) delivered or posted by prepaid post, or sent by email to the email address in accordance with clause 15.7(b).

15.8 When notices to IAG, Trustee or Registrar take effect

Notices or other communications from Capital Note 2 Holders to IAG, the Trustee or the Registrar take effect from the time they are received unless a later time is specified in them.

15.9 Deemed receipt of notices to IAG, Trustee or Registrar

A letter or email is taken to be received:

(a) in the case of a posted letter, on the sixth (tenth if posted to or from a place outside Australia) Business Day after posting;

(b) if sent by email:

(i) when the sender receives an automated message confirming delivery; or

(ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

Despite paragraphs (a) or (b), if a letter or email is received after 5.00pm in the place of receipt or on a day which is not a Business Day, it is taken to be received at 9.00am on the next Business Day.

16 Payments, withholding and other matters

16.1 Deductions

(a) IAG may deduct from any Distribution or other amount payable in accordance with the Capital Note 2 Terms the amount of any withholding or other tax, duty or levy required by any applicable law or any agreement with a governmental agency to be deducted in respect of such amount.

(b) If any such deduction has been made and the amount of the deduction accounted for by IAG to the relevant revenue authority and the balance of the Distribution or other amount payable has been paid to the relevant Capital Note 2 Holder, then the full amount payable to such Capital Note 2 Holder shall be deemed to have been duly paid and satisfied by IAG and IAG shall not be liable to pay any further amount.

(c) IAG shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring any penalty under the applicable law and shall, if required by any Capital Note 2 Holder, deliver to that Capital Note 2 Holder a copy of the relevant receipt issued by the revenue authority (to the extent issued) without delay after it is received by IAG.

16.2 FATCA

(a) IAG may withhold or make deductions from payments or from the issue of Ordinary Shares to a Capital Note 2 Holder, where such withholding or deduction is made under or in connection with, or in order to ensure compliance with FATCA, or where it has reasonable grounds to suspect that the Capital Note 2 Holder or a beneficial owner of Capital Notes 2 may be subject to FATCA, and may deal with such payment, and any Ordinary Shares, in accordance with FATCA.

(b) If any withholding or deduction arises under or in connection with FATCA, IAG will not be required to pay any further amounts, issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Capital Note 2 Holder or a beneficial owner of Capital Notes 2 for or in respect of any such withholding or deduction. A dealing with such payment and any Ordinary Shares in accordance with FATCA satisfies IAG's obligations to that Capital Note 2 Holder to the extent of the amount of that payment or issue of Ordinary Shares.

16.3 Manner of payment to Capital Note 2 Holders

All moneys payable by IAG to a Capital Note 2 Holder may be paid in any manner IAG decides, including by any method of direct credit determined by IAG to an Australian dollar bank account maintained by the Capital Note 2 Holder in Australia (or in such other place as IAG approves) with a financial institution specified by the Capital Note 2 Holder to the Registrar by the close of business:

(a) in the case of a Distribution, on the Record Date for that payment; and

(b) in the case of the payment of the Redemption Price, by the time determined by IAG in accordance with clause 16.12(b).

16.4 Unsuccessful attempts to pay

Subject to applicable law and the ASX Listing Rules, where:

(a) a Capital Note 2 Holder has not notified the Registrar by the time required in accordance with clause 16.3 of an Australian dollar bank account maintained by the Capital Note 2 Holder in Australia (or in such other place as IAG approves) with a financial institution to which payments in respect of a Capital Note 2 may be made; or

(b) IAG attempts to pay an amount to a Capital Note 2 Holder by direct credit, electronic transfer of funds or any other means under the Capital Note 2 Terms and the transfer is unsuccessful for any reason,

the amount is to be held by or on behalf of IAG for the Capital Note 2 Holder without bearing interest until the first to occur of the following:

(i) the Capital Note 2 Holder or any legal personal representative of the Capital Note 2 Holder notifies IAG of a suitable Australian dollar bank account maintained in Australia with a financial institution to which the payment may be credited;

(ii) claims may no longer be made in respect of that amount, in which case those moneys or equivalent securities shall become the property of IAG; or

(iii) IAG becomes entitled or obliged to deal with the amount according to the legislation relating to unclaimed moneys.

When this clause 16.4 applies the amount payable in respect of the Capital Notes 2 shall be treated as having been paid on the date scheduled for payment and no interest is payable in respect of any delay in payment.

16.5 Payment to joint Capital Note 2 Holders

A payment to any one of joint Capital Note 2 Holders will discharge IAG's liability in respect of the payment.

16.6 Time limit for claims

A claim against IAG for payment according to these Capital Note 2 Terms is void, to the fullest extent permitted by applicable law, unless made within five years of the due date for payment.

16.7 Determination and calculation final

Except where there is fraud or a manifest error, any determination or calculation which IAG makes in accordance with these Capital Note 2 Terms is final and binds IAG, the Registrar and each Capital Note 2 Holder.

16.8 No interest accrues

No interest accrues on any unpaid amount in respect of any Capital Note 2.

16.9 Calculations and rounding of payments

For the purposes of completing any calculations required under these Capital Note 2 Terms:

(a) all percentages resulting from the calculations must be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with 0.00005% being rounded up to 0.0001%);

(b) all figures resulting from the calculations must be rounded to four decimal places (with 0.00005 being rounded up to 0.0001); and

(c) all amounts that are due and payable to a Capital Note 2 Holder in respect of the Capital Note 2 Holder's aggregate holding of Capital Notes 2 must be rounded to the nearest one Australian cent (with 0.5 of a cent being rounded up to 1 cent).

16.10 Payments subject to law

All payments are subject to applicable law.

16.11 Payments on business days

If a payment in respect of a Capital Note 2:

(a) is due on a day which is not a Business Day then the due date for payment will be postponed to the first following day that is a Business Day; or

(b) is to be made to an account on a Business Day on which the Capital Note 2 Holder's bank is not open for general banking business in the place in which the account is located, then payment to that Capital Note 2 Holder will be made on the next day on which the Capital Note 2 Holder's bank is open for general banking business in that place and the Capital Note 2 Holder is not entitled to any additional payment in respect of that delay.

Nothing in this clause applies to any payment referred to in clause 8.1(b) which occurs on the relevant date as provided in clause 8.1.

16.12 Payments to Capital Note 2 Holders

For the purposes of identifying the person to whom payments will be made:

(a) in the case of a Distribution, payments will be made in accordance with clause 3.5; and

(b) in the case of Redemption Price in respect of a Capital Note 2, payments will be made to the person registered as the Capital Note 2 Holder in respect of that Capital Note 2 as at a time determined by IAG and notified to ASX or as required by ASX.

16.13 Tax file number

IAG will, if required, withhold an amount from payments of Distributions on the Capital Notes 2 at the highest marginal tax rate plus the highest Medicare levy if a Capital Note 2 Holder has not supplied an appropriate tax file number, Australian Business Number or exemption details.

17 Winding-up and subordination

17.1 Winding-up

If an order of a court of competent jurisdiction is made (other than an order successfully appealed or permanently stayed within 60 days), or an effective resolution is passed, for the winding-up of IAG in Australia (but not elsewhere) (a **Winding-up Event**), IAG is liable to Redeem each Capital Note 2 for its Redemption Price in accordance with, and subject to, this clause 17.

17.2 Subordination

In a winding-up of IAG in Australia, subject to clause 6.4:

(a) a Capital Note 2 Holder (and the Trustee) shall be entitled to prove for the Redemption Price in respect of a Capital Note 2 only subject to, and contingent upon, the prior payment in full of the Senior Ranking Creditors; and

(b) the Capital Note 2 Holder's (and the Trustee's) claim for payment of the Redemption Price ranks equally with, and shall be paid in proportion to, the claims of holders of other instruments issued as Equal Ranking Instruments,

so that the Capital Note 2 Holder receives, for the Capital Note 2, an amount equal to the amount it would have received if, in the winding-up of IAG, it had held an issued and fully paid Preference Share.

17.3 Agreements of Capital Note 2 Holders and Trustee as to subordination

Each Capital Note 2 Holder (and the Trustee, in its capacity as trustee for the Capital Note 2 Holders) irrevocably agrees:

(a) that clause 17.2 is a debt subordination for the purposes of section 563C of the Corporations Act;

(b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;

(c) that it shall not have, and is taken to have waived, to the fullest extent permitted by law, any right to prove in a winding-up or administration of IAG as a creditor in respect of the Capital Notes 2 so as to diminish any distribution of property or assets, dividend or payment that any Senior Ranking Creditor would otherwise receive;

(d) not to exercise any voting rights or other rights as a creditor in the winding-up or administration of IAG in any jurisdiction:

  (i) until after all Senior Ranking Creditors have been paid in full; and

  (ii) in a manner to defeat the subordination provided for by clause 2 and clause 17.2;

(e) that it must pay or deliver to the liquidator or administrator any amount or asset received on account of its claim in the winding-up or administration of IAG in respect of the Capital Notes 2 in excess of its entitlement under clause 2 and clause 17.2;

(f) that it must pay in full all liabilities it owes IAG before it may receive any amount or asset on account of its claim in the winding-up or administration in respect of a Capital Note 2;

(g) that the debt subordination effected by clause 2 and clause 17.2 is not affected by any act or omission of any person which might otherwise affect it at law or in equity; and

(h) that it has no remedy for the recovery of the Redemption Price other than to prove in the winding-up in accordance with this clause 17.

17.4 Shortfall on winding-up

If, upon a return of capital on a winding-up of IAG, there are insufficient funds to pay in full the Redemption Price and the amounts payable in respect of any other Equal Ranking Instruments, Capital Note 2 Holders and the holders of any such Equal Ranking Instruments will share in any distribution of assets of IAG in proportion to the amounts to which they are entitled respectively.

17.5 No participation in surplus assets

Capital Notes 2 do not confer on their Capital Note 2 Holders any claim on IAG in a winding-up beyond payment of the Redemption Price.

17.6 No set-off or offsetting rights

A Capital Note 2 Holder:

(a) may not exercise any right of set-off against IAG in respect of any claim by IAG against that Capital Note 2 Holder; and

(b) will have no offsetting rights or claims on IAG if IAG does not pay a Distribution or other amount when scheduled under Capital Notes 2.

IAG may not exercise any right of set-off against a Capital Note 2 Holder in respect of any claim by that Capital Note 2 Holder against IAG.

17.7 No consent of Senior Ranking Creditors

Nothing in clause 2 or this clause 17 shall be taken:

(a) to require the consent of any Senior Ranking Creditor to any amendment of these Capital Note 2 Terms; or

(b) to create a charge or security interest over any right of a Capital Note 2 Holder or the Trustee.

18 Enforcement

18.1 Enforcement by Trustee

Subject to clause 18.2, only the Trustee may enforce the provisions of the Trust Deed or these Capital Note 2 Terms. The Trustee shall not be bound to take any action under these Capital Note 2 Terms or the Trust Deed to enforce the obligations of IAG in respect of the Capital Notes 2 or any other proceedings or action pursuant to or in connection with the Trust Deed or the Capital Notes 2 unless:

(a) it shall have been so directed by a Special Resolution of Capital Note 2 Holders or so requested in writing by the Capital Note 2 Holders holding Capital Notes 2 representing at least 15% of the aggregate Issue Price of all Capital Notes 2 then outstanding; and

(b) it shall have been indemnified in accordance with clause 1.3 of the Trust Deed.

18.2 Capital Note 2 Holder's right to take action

No Capital Note 2 Holder shall be entitled to proceed directly against IAG to enforce any right or remedy under or in respect of any Capital Note 2 or the Trust Deed (including by way of proving for the Redemption Price in a winding-up of IAG) unless the Trustee, having become bound to proceed, fails to do so within 14 days and the failure is continuing, in which case any Capital Note 2 Holder may itself institute proceedings against IAG for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

19 Amendment of these Capital Note 2 Terms

19.1 Amendment without consent

Subject to complying with all applicable laws, IAG may, with the approval of the Trustee (such approval not to be unreasonably withheld or delayed), amend the Trust Deed (including these Capital Note 2 Terms) without the approval of Capital Note 2 Holders:

(a) if IAG is of the opinion that the amendment:
  (i) is of a formal, minor or technical nature;
  (ii) is made to cure any ambiguity or correct any manifest error;
  (iii) is expedient for the purpose of enabling Capital Notes 2 to be listed or to remain listed on a securities exchange (including, without limitation, in connection with any change in the principal securities exchange on which Ordinary Shares are listed) or lodged in a clearing system or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place;
  (iv) is necessary to comply with:
    (A) the provisions of any statute or the requirements of any statutory authority; or
    (B) the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Issuer may propose to seek a listing or quotation of the Capital Notes 2;
  (v) is made in accordance with IAG's adjustment rights in clause 8;
  (vi) amends any date or time period stated, required or permitted in connection with any Mandatory Conversion, Non-Viability Conversion or Exchange in a manner necessary or desirable to facilitate the Mandatory Conversion, Non-Viability Conversion or Exchange (including without limitation where in connection with the Exchange the proceeds of Redemption are to be reinvested in a new security to be issued by IAG or a Related Entity of IAG); or
  (vii) is made to:
    (A) alter the terms of any Capital Notes 2 to align them with any Additional Tier 1 Capital Securities issued after the date of such Capital Notes 2; or
    (B) alter the definition of "Relevant Securities, "Equal Ranking Instruments" or "Additional Tier 1 Capital Securities" on account of the issue (after the Issue Date) of capital instruments of the IAG Level 2 Insurance Group; or
(b) generally, in any case where in IAG's opinion such amendment is not likely (taken as a whole and in conjunction with all other amendments or actions, if any, to be made at or about the time of that amendment) to be materially prejudicial to the interests of Capital Note 2 Holders as a whole. For the purposes of determining whether an amendment is not materially prejudicial to the interests of Capital Note 2 Holders as a whole, the taxation and regulatory capital consequences to Capital Note 2 Holders (or any class of Capital Note 2 Holders) and other special consequences or circumstances which are personal to a Capital Note 2 Holder (or any class of Capital Note 2 Holders) do not need to be taken into account by the Issuer.

19.2 Amendment with consent

Without limiting clause 19.1, at any time, but subject to compliance with all applicable laws, IAG may, with the approval of the Trustee (such approval not to be unreasonably withheld or delayed), amend the Trust Deed (including these Capital Note 2 Terms):

(a) except as otherwise provided in paragraphs (b), (c) and (d) below, if such amendment is authorised by a Holder Resolution;
(b) in the case of an amendment to this clause 19.2 or any clause of the Trust Deed providing for Capital Note 2 Holders to give a direction to the Trustee by a Special Resolution, if a Special Resolution is passed in favour of such amendment; and
(c) in the case of an amendment to the Meeting Provisions and to which this clause 19.2 does not apply, if a Special Resolution is passed in favour of such amendment.

19.3 Consents

Any amendment which may cause the Capital Notes 2 to cease to be eligible for inclusion as Additional Tier 1 Capital is subject to IAG obtaining the prior written consent of APRA.

19.4 Meaning of amend and amendment

In this clause 19, "amend" includes "modify", "cancel", "alter or "add to", and "amendment" has a corresponding meaning.

19.5 No consent of Senior Ranking Creditors

Nothing in this clause 19 shall be taken to require the consent of any Senior Ranking Creditor to any amendment of this deed.

20 Governing law and jurisdiction

20.1 Governing law

These Capital Note 2 Terms are governed by the laws in force in New South Wales.

20.2 Jurisdiction

IAG and each Capital Note 2 Holder submits to the non-exclusive jurisdiction of the courts of New South Wales for the purpose of any legal proceedings arising out of these Capital Note 2 Terms.

21 Interpretation and definitions

21.1 Interpretation

(a) unless otherwise specified, a reference to a clause is a reference to a clause of these Capital Note 2 Terms.

(b) the terms takeover bid, relevant interest, scheme of arrangement, buy-back and related body corporate when used in these Capital Note 2 Terms have the meaning given in the Corporations Act.

(c) headings and boldings are for convenience only and do not affect the interpretation of these Capital Note 2 Terms.

(d) the singular includes the plural and vice versa.

(e) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(f) other than in relation to a Non-Viability Trigger Event and a Conversion on a Trigger Event Date, if an event under these Capital Note 2 Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.

(g) a reference to dollars, AUD, A$, $ or cents is a reference to the lawful currency of Australia.

(h) any reference to any requirements of APRA or any other prudential regulatory requirements in these Capital Note 2 Terms will apply or be operative with respect to IAG only if IAG is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of a holding company, which is subject to regulation and supervision by APRA at the relevant time.

(i) any requirement for APRA's consent or approval in any provision of these Capital Note 2 Terms will apply only if APRA requires that such consent or approval be given at the relevant time.

(j) a reference to any term defined by APRA (including, without limitation, "Level 2", "Additional Tier 1 Capital" and "Tier 1 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.

(k) 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.

(l) if the principal securities exchange on which Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Settlement Operating Rules, 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).

(m) so long as the Capital Notes 2 are quoted on ASX and entered into CHESS, the Capital Note 2 Terms are to be interpreted in a manner consistent with the ASX Listing Rules, ASX Settlement Operating Rules and ASX Operating Rules except to the extent that an interpretation consistent with those rules would affect the eligibility of the Capital Notes 2 as Additional Tier 1 Capital.

(n) calculations, elections and determinations made by IAG under these Capital Note 2 Terms are binding on Capital Note 2 Holders in the absence of manifest error.

(o) where IAG is required to give or serve a notice by a certain date under these Capital Note 2 Terms, IAG is required to despatch the notice by that date (including at IAG's discretion, by posting or lodging notices with a mail house) and delivery or receipt (or deemed delivery) is permitted to occur after that date.

(p) where a Capital Note 2 Holder is required to give or deliver a notice to IAG by a certain date under these Capital Note 2 Terms, the notice must be received by IAG by that date.

21.2 Definitions for Capital Note 2 Terms

Acquisition Conversion Date has the meaning given in clause 7.3.

Acquisition Conversion Notice has the meaning given in clause 7.2.

Acquisition Conversion Restriction has the meaning given in clause 7.4.

Acquisition Event means:

(a) a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and:

  (i) the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or

  (ii) the Directors issue a statement that at least a majority of those Directors who are eligible to do so recommend acceptance of the offer (which may be stated to be in the absence of a higher offer); or

(b) a court approves a scheme of arrangement which, when implemented, will result in a person other than

IAG having a relevant interest in more than 50% of the Ordinary Shares,

and all regulatory approvals necessary for the acquisition to occur have been obtained.

Acquisition Event Notice has the meaning given in clause 7.1.

Acquisition Non-Conversion Test Date has the meaning given in clause 7.4.

Additional Tier 1 Capital means Additional Tier 1 Capital as defined by APRA in accordance with APRA's prudential standards from time to time.

Additional Tier 1 Capital Security means a share, note or other security or instrument constituting Additional Tier 1 Capital of the IAG Level 2 Insurance Group.

Adjustment Notice has the meaning given in clause 8.8.

Applicable Regulation means such provisions of the ASX Listing Rules, the ASX Settlement Operating Rules, the ASX Operating Rules, the Corporations Act and any regulations or rules under or pursuant to any such provisions as may be applicable to the transfer.

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of IAG or the IAG Level 2 Insurance Group.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires, or any successor.

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

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

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

Attributable Proceeds means, in respect of a Capital Note 2 Holder to whom clause 8.11 applies, an amount equal to the Net Proceeds per Ordinary Share multiplied by the number of Ordinary Shares issued and sold in accordance with clause 8.11 in respect of that Capital Note 2 Holder.

Attorney has the meaning given in clause 11.1.

Bank Bill Rate has the meaning given in clause 3.1.

Bookbuild means the process conducted prior to the opening of the Offer whereby certain investors lodge bids for Capital Notes 2 and, on the basis of those bids, IAG and the joint lead managers to the Offer determine the Margin.

Business Day means:

(a) a business day as defined in the ASX Listing Rules; and

(b) for the purposes of determining any Acquisition Conversion Date, Deferred Conversion Date, Mandatory Conversion Date, Exchange Date or Optional Exchange Date, or any Distribution Payment Date or the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in both Sydney, New South Wales and Melbourne, Victoria.

Buy-Back means a transaction involving the acquisition by IAG of Ordinary Shares pursuant to an offer made at IAG's discretion in any way permitted by the provisions of Part 2J of the Corporations Act.

Capital Reduction means a reduction in capital initiated by IAG in its discretion in respect of Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532), or any system that replaces it relevant to the Capital Notes 2 (including in respect of the transfer or Conversion of the Capital Notes 2).

Capital Note 2 (or **Note**) means a perpetual, convertible, subordinated and unsecured debt obligation in the form of an unsecured note of IAG constituted by, and owing under, the Trust Deed.

Capital Note 2 Holder (or **Holder**) means a person whose name is registered as the holder of a Capital Note 2.

Constitution means the constitution of IAG as amended from time to time.

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 Capital Note 2, the allotment and issue of Ordinary Shares and the termination of the Capital Note 2 Holder's rights in relation to that Capital Note 2, in each case in accordance with clause 8, and **Convert** and **Converted** have corresponding meanings.

Conversion Number has the meaning given in 8.1(a).

Conversion Test Date Percentage has the meaning given in clause 4.3.

Corporations Act means the Corporations Act 2001 (Cth).

Cum Value has the meaning given in clause 8.2.

Defaulting Nominated Purchaser means a Nominated Purchaser that does not pay the Resale Price as described in clause 10.6.

Deferred Acquisition Conversion Notice has the meaning given in clause 7.5.

Deferred Conversion Date has the meaning given in clause 5.6.

Deferred Conversion Notice has the meaning given in clause 5.6.

Delisting Event means, in respect of a date, that:

(a) Ordinary Shares ceased to be listed or admitted to trading on ASX on or before that date (and where the cessation occurred before that date, Ordinary Shares continue not to be listed or admitted to trading on that date);
(b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
  (i) at least five consecutive Business Days prior to that date; and
  (ii) that date; or
(c) an Inability Event subsists.

Directors means some or all of the directors of IAG acting as a board.

Distribution has the meaning given in clause 3.1.

Distribution Payment Date has the meaning given in clause 3.4 whether or not a Distribution is, or is able to be, paid on that date.

Distribution Period means in respect of:

(a) the first Distribution Period, the period from (and including) the Issue Date until (but not including) the first Distribution Payment Date following the Issue Date; and
(b) each subsequent Distribution Period, the period from (and including) the preceding Distribution Payment Date until (but not including) the next Distribution Payment Date.

Distribution Rate has the meaning given in clause 3.1.

Eligible Nominee has the meaning given in clause 8.11.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

Equal Ranking Instruments means, in respect of the return of capital in a winding-up:

(a) IAG Capital Notes 1;
(b) any Preference Share;
(c) each other preference share that IAG may issue that ranks or is expressed to rank equally with the foregoing and the Capital Notes 2 in respect of distribution or dividend or for the return of capital in a winding-up of IAG (as the case may be); and
(d) any securities or other instruments that rank or are expressed to rank in respect of dividend or distribution or for repayment or return of capital in a winding-up (as the case may be) equally with the securities or other instruments described in paragraphs (a) to (c) above.

Exchange means:

(a) Conversion in accordance with and subject to clause 8;
(b) Redemption in accordance with and subject to clause 9;
(c) Resale in accordance with and subject to clause 10; or
(d) a combination of two or more of Conversion, Redemption and Resale in accordance with clause 5.4,

and **Exchanged** has a corresponding meaning.

Exchange Date has the meaning given in clause 5.3(b).

Exchange Method has the meaning given in clause 5.4.

Exchange Notice has the meaning given in clause 5.1.

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 undertaking of that person,

or in either case any similar official.

FATCA means:

(a) sections 1471 to 1474 of the U.S. Internal Revenue Code or any associated regulations;
(b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

(c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

FATCA Withholding means any deduction or withholding made under or in connection with, or in order to ensure compliance with FATCA.

First Acquisition Conversion Restriction has the meaning given in clause 7.4.

First Mandatory Conversion Condition has the meaning given in clause 4.3.

First Optional Conversion Restriction has the meaning given in clause 5.5.

First Test Date has the meaning given in clause 4.3.

First Test Date Percentage has the meaning given in clause 4.3.

Fitch means Fitch Australia Pty Ltd and its successors and assigns.

Foreign Capital Note 2 Holder means a Capital Note 2 Holder whose address in the Register is a place outside Australia or who IAG otherwise believes may not be a resident of Australia.

Franking Adjustment Factor has the meaning given in clause 3.1.

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

IAG Capital Notes 1 means the mandatorily convertible subordinated perpetual debt securities in the form of unsecured notes issued by IAG on 22 December 2016.

IAG Details Notice has the meaning given in clause 15.5.

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 Shares means Ordinary Shares or any other shares in the capital of IAG.

Inability Event means IAG 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) or any other reason from Converting the Capital Notes 2.

Insurance Act means the Insurance Act 1973 (Cth).

Issue Date means the date on which Capital Notes 2 are issued.

Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place on ASX immediately preceding (but not including) the Issue Date, as adjusted in accordance with clauses 8.4 to 8.7 (inclusive).

Issue Price has the meaning given in clause 1.3.

Mandatory Conversion means the mandatory conversion under clause 4 of Capital Notes 2 to Ordinary Shares on the Mandatory Conversion Date.

Mandatory Conversion Conditions has the meaning given in clause 4.3.

Mandatory Conversion Date has the meaning given in clause 4.2.

Margin has the meaning given in clause 3.1.

Maximum Conversion Number has the meaning given in clause 8.1(a).

Meeting Provisions means the provisions for meetings of the Capital Note 2 Holders set out in schedule 3 to the Trust Deed.

Moody's means Moody's Investors Service Pty Limited and its successors and assigns.

Net Proceeds per Ordinary Share means, in respect of Ordinary Shares issued and sold in accordance with clause 8.11, an amount equal to the proceeds of sale of such Ordinary Shares actually received by the Eligible Nominee after deduction of any applicable brokerage, stamp duty and other taxes, charges and expenses (including the Eligible Nominee's reasonable out of pocket costs, expenses and charges properly incurred by it or on its behalf in connection with such sale from the sale price of the Ordinary Shares), divided by the number of such Ordinary Shares issued and sold.

Nominated Purchaser means, subject to clause 10.3, a third party selected by IAG in its absolute discretion.

Non-Conversion Notice has the meaning given in clause 4.4.

Non-Conversion Test Date has the meaning given in clause 5.5.

Non-Viability Conversion means the Conversion of Capital Notes 2 to Ordinary Shares on or with effect from the Trigger Event Date in accordance with clause 6.2.

Non-Viability Determination has the meaning given in clause 6.1.

Non-Viability Trigger Event has the meaning given in clause 6.1.

Offer means the invitation under the Prospectus made by IAG for persons to subscribe for Capital Notes 2.

Optional Conversion Restrictions has the meaning given in clause 5.5.

Optional Exchange Date means a Distribution Payment Date falling on or about:

(a) 15 June 2029;

(b) 15 September 2029;

(c) 15 December 2029; or

(d) 15 March 2030.

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

Ordinary Share Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution of IAG in relation to Ordinary Shares.

Ordinary Shareholder means a person whose name is registered as the holder of an Ordinary Share.

a **Payment Condition** will exist with respect to the payment of a Distribution on the Capital Notes 2 on a Distribution Payment Date if:

(a) unless APRA otherwise approves in writing, paying the Distribution on the Capital Notes 2 on the Distribution Payment Date would result in IAG or the IAG Level 2 Insurance Group not complying with APRA's then current capital adequacy requirements;

(b) paying the Distribution on the Distribution Payment Date would result in IAG becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or

(c) APRA objects to the Distribution payment on the Capital Notes 2 on the Distribution Payment Date.

Potential Acquisition Event means:

(a) an event within paragraph (a) of the definition of Acquisition Event occurs (without the need that all regulatory approvals necessary for the acquisition to occur have been obtained); or

(b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act and the scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented.

Preference Share means, in respect of a Capital Note, a notional preference share in the capital of IAG conferring a right to a non-cumulative dividend, and a claim in the winding-up of IAG equal to the Redemption Price of that Capital Note 2 and ranking in respect of return of capital in the winding-up ahead only of Ordinary Shares and equally with Equal Ranking Instruments.

Prospectus means the prospectus for the Offer including these Capital Note 2 Terms.

Publication Time has the meaning given in clause 3.1.

Rate Disruption Event has the meaning given in clause 3.1.

Record Date means for payment of a Distribution:

(a) subject to paragraph (b) below, the date which is 12 calendar days before the applicable Distribution Payment Date;

(b) such other date as is determined by IAG in its absolute discretion and communicated to ASX and the Trustee not less than eight calendar days before the Record Date which would have been determined under paragraph (a) above; or

(c) such other date as may be required by, or agreed with, ASX.

Redeem means, in relation to a Capital Note 2, redeem the Capital Note 2 in accordance with clause 9, and **Redeemed** and **Redemption** have corresponding meanings.

Redemption Price has the meaning given in clause 9.2.

Register means a register of Capital Notes 2 maintained by or on behalf of IAG in accordance with clause 13 of the Trust Deed and includes any subregister established and maintained in CHESS under Applicable Regulation.

Registrar means Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registrar that maintains the Register.

Registrar Details Notice has the meaning given in clause 15.7.

Regulatory Event means:

(a) the receipt by the Directors of 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 (including prudential standards) or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations or any statement of APRA which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date and which on the Issue Date is not expected by IAG to come into effect (each, a **Regulatory Change**), additional requirements would be imposed on IAG in relation to or in connection with the Capital Notes 2

which the Directors determine, at their absolute discretion, to be unacceptable; or

(b) the determination by the Directors that, as a result of a Regulatory Change, IAG is not or will not be entitled to treat some or all Capital Notes 2 as Additional Tier 1 Capital of the IAG Level 2 Insurance Group.

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

Relevant Date has the meaning given in clause 4.2.

Relevant Distribution Payment Date has the meaning given in clause 3.6.

Relevant Percentage means:

(a) in respect of a Conversion on a Relevant Date and the testing of the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition in connection with that date, 50%; and

(b) in connection with a Non-Conversion Test Date, an Exchange Date under clause 5, a Trigger Event Date under clause 6, an Acquisition Non-Conversion Test Date or an Acquisition Conversion Date, and, if applicable, the testing of the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition in connection with that date, 20%.

Relevant Security means an Additional 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 Capital Notes 1.

Reorganisation has the meaning given in clause 8.3(a).

Replacement Rate has the meaning given in clause 3.1.

Resale means the sale of a Capital Note 2 to a Nominated Purchaser in accordance with clause 10, and **Resold** and **Resell** have corresponding meanings.

Resale Price means, for a Capital Note 2, a cash amount equal to its Issue Price.

Restricted Securities has the same meaning as in the ASX Listing Rules and extends to Capital Notes 2 which are subject to voluntary restrictions by agreement between IAG and one or more Capital Note 2 Holders.

Restriction Agreement means an agreement which is required to be concluded under Chapter 9 of the ASX Listing Rules or is voluntarily concluded between IAG and one or more Capital Note 2 Holders.

Scheduled Mandatory Conversion Date has the meaning given in clause 4.2.

Second Acquisition Conversion Restriction has the meaning given in clause 7.4.

Second Mandatory Conversion Condition has the meaning given in clause 4.3.

Second Optional Conversion Restriction has the meaning given in clause 5.5.

Second Test Period has the meaning given in clause 4.3.

Senior Ranking Creditors means all creditors of IAG (present and future), including all investors in IAG's senior or subordinated debt (including holders of Tier 2 Capital Instruments) whose claims are:

(a) entitled to be admitted in a winding-up of IAG; and

(b) not in respect of Ordinary Shares or Equal Ranking Instruments.

Special Resolution means a resolution passed:

(a) at a meeting of the Capital Note 2 Holders, duly called and held under the Meeting Provisions:

  (i) by at least 75% of the persons voting on a show of hands (unless paragraph (b) below applies); or

  (ii) if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast; or

(b) by postal ballot or written resolution under the Meeting Provisions by Capital Note 2 Holders representing (in aggregate) at least 75% of the aggregate Issue Price of all Capital Notes 2 then outstanding.

Standard & Poor's means Standard and Poor's (Australia) Pty Limited and its successors and assigns.

Subsequent Mandatory Conversion Date has the meaning given in clause 4.2.

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);

(b) any other Act setting the rate of income tax payable; and

(c) any regulation made under any of those laws.

Tax Event means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:

(a) any amendment to, clarification of, or change (including any announcement of a change that has been or will be introduced) in, the laws or treaties or any regulations affecting taxation in Australia;

(b) any judicial decision, official administrative pronouncement, published or private ruling,

regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) affecting taxation in Australia (**Administrative Action**); or

(c) any amendment to, clarification of, or change in, an Administrative Action that provides for a position that differs from the current generally accepted position,

in each case, by any legislative body, court, governmental authority or regulatory body (including, without limitation, a tax authority), irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which pronouncement or decision is announced, on or after the Issue Date and which on the Issue Date is not expected by IAG to come into effect, there is more than an insubstantial risk which the Directors determine at their absolute discretion to be unacceptable that:

(i) IAG would be exposed to more than a de minimis increase in its costs (including without limitation through the imposition of any Taxes) or adverse tax consequence in relation to the Capital Notes 2; or

(ii) any Distribution in respect of the Capital Notes 2 would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act or would give rise to an additional franking debit or Australian tax resident Capital Note 2 Holders generally would not be entitled to franking credits in respect of the Distributions.

Tax Withholding means any withholding or deduction in respect of Taxes which is required by law or any agreement with a governmental authority.

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

Terms means these terms of issue of Capital Notes 2.

Third Mandatory Conversion Condition has the meaning given in clause 4.3.

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

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

Tier 2 Capital Instruments means securities issued by IAG or a member of the IAG Level 2 Insurance Group which qualify as Tier 2 Capital.

Trigger Event Date means the date on which APRA notifies IAG of a Non-Viability Trigger Event as contemplated in clause 6.1.

Trigger Event Notice has the meaning given in clause 6.2.

Trust Deed means the deed entitled IAG Capital Notes 2 Trust Deed dated on or about 21 November 2022 between IAG and the Trustee.

Trustee means The Trust Company (Australia) Limited (ABN 21 000 000 993).

Trustee Details Notice has the meaning given in clause 15.6.

VWAP means, subject to any adjustments under clause 8, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days 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:

(a) in the case of a Conversion resulting from a Potential Acquisition Event or an Acquisition Event the lesser of:

(i) 20 Business Days on which trading in Ordinary Shares takes place on ASX; and

(ii) the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Potential Acquisition Event or Acquisition Event (as the case may be),

in each case immediately preceding (but not including) the Business Day before the Exchange Date or Acquisition Conversion Date in respect of that event (as the case may be);

(b) in the case of a Conversion resulting from a Non-Viability Trigger Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Date;

(c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place on ASX immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Capital Note 2 Terms; or

(d) otherwise, the period for which VWAP is to be calculated in accordance with these Capital Note 2 Terms.

Winding-up Event means the making of a court order or passing of an effective resolution for the winding-up of IAG as described in clause 17.1.

Written-Off has the meaning given in clause 6.4.

Appendix B
Glossary

This Appendix provides a glossary of key terms and abbreviations used throughout this Prospectus. There is also a list of further defined terms in clause 21.2 of the Capital Notes 2 Terms immediately prior to this Glossary commentary on page 128.

Appendix B
Glossary

Term	Meaning
ABN	Australian Business Number.
Acquisition Conversion Date	see clause 7.3 of the Capital Notes 2 Terms.
Acquisition Conversion Notice	see clause 7.2 of the Capital Notes 2 Terms.
Acquisition Event	broadly, occurs when certain takeover bids or schemes of arrangement occur in relation to IAG. For the full definition – see clause 21.2 of the Capital Notes 2 Terms.
Additional Tier 1 Capital	has the meaning given by APRA in accordance with its Prudential Standards from time to time.
Additional Tier 1 Capital Security	a share, note or other security or instrument constituting Additional Tier 1 Capital of the IAG Level 2 Insurance Group.
ADI	an authorised deposit-taking institution under the *Banking Act 1959* (Cth)
Allocation	the number of Capital Notes 2 allocated via the Bookbuild to Applicants under the New Money Offer and Reinvestment Offer. Allocate and Allocated have the corresponding meaning.
ANZ	ANZ Securities Limited (ABN 16 004 997 111, AFSL 237531).
Applicant	a person who submits an Application.
Application	a valid application for a specified number of Capital Notes 2 made to a Syndicate Broker.
Application Form	means a paper or online application form (as the context requires), accompanying this Prospectus, which Syndicate Brokers may require Applicants to complete.
Application Payment	the monies payable on each Application, calculated as the number of Capital Notes 2 applied for multiplied by the Issue Price.
APRA	Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of IAG or the Group.
Arranger	UBS.
ASIC	Australian Securities and Investments Commission (ABN 86 768 265 615).
ASX	ASX Limited (ABN 98 008 624 691), or the market operated by it, as the context requires.
ASX Listing Rules	the listing rules of ASX, as amended, varied or waived (whether in respect of IAG or generally) from time to time.

Term	Meaning
ASX Operating Rules	the market operating rules of ASX as amended, varied or waived (whether in respect of IAG or generally) from time to time.
Australian Accounting Standards	the accounting standards as developed and issued by the Australian Accounting Standards Board.
Australian IGA	means the Australia-US FATCA Intergovernmental Agreement dated 28 April 2014.
Bank Bill Rate	see clause 3.1 of the Capital Notes 2 Terms.
Board	the board of directors of IAG.
Bookbuild	the process described in Section 4.3.4 that determined the Margin. See clause 21.2 of the Capital Notes 2 Terms.
Business Day	a: • business day as defined in the ASX Listing Rules; and • for the purposes of determining any Acquisition Conversion Date, Deferred Conversion Date, Mandatory Conversion Date, Exchange Date or Optional Exchange Date, or any Distribution Payment Date or the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Sydney, New South Wales and Melbourne, Victoria.
Capital Note 1 Holder	a person whose name is registered as the holder of a Capital Note 1.
Capital Note 1 Holder Applicant	an Eligible Capital Note 1 Holder who applies under the Reinvestment Offer.
Capital Note 2 Holder	a person whose name is registered as the holder of a Capital Note 2.
Capital Notes 1	perpetual, convertible, subordinated debt obligations in the form of unsecured notes which will Mandatorily Convert into Ordinary Shares (subject to certain conditions being satisfied), and which were issued by IAG according to a prospectus dated 21 November 2016.
Capital Notes 1 Nominated Purchaser	the Nominated Purchaser appointed in accordance with clause 10.2 of the Capital Notes 1 Terms in respect of Participating Capital Notes 1.
Capital Notes 1 Terms	terms and conditions of the Capital Notes 1, as amended effective as of 21 November 2022.
Capital Notes 2	perpetual, convertible, subordinated debt obligations in the form of unsecured notes which will Mandatorily Convert into Ordinary Shares (subject to certain conditions being satisfied), and which are to be issued by IAG under this Prospectus.
Capital Notes 2 Target Market	the class of Retail Investor that comprises the target market for Capital Notes 2 as set out in the TMD and described in Section 4.2.2.
Capital Notes 2 Terms	terms and conditions of the Capital Notes 2 as set out in Appendix A.
CBA	Commonwealth Bank of Australia (ABN 48 123 123 124, AFSL 234945).
CGT	capital gains tax.

Glossary continued

Term	Meaning
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).
Closing Date	the last date by which Applications must be lodged for the Offer, being 5:00pm on 15 December 2022 for the New Money Offer and Reinvestment Offer.
Co-Manager	LGT Crestone Wealth Management Limited.
Common Equity Tier 1 Capital	common equity tier 1 capital of the Group as defined by APRA from time to time.
Constitution	the constitution of IAG, as amended from time to time.
Conversion	in relation to a Capital Note 2, the allotment and issue of Ordinary Shares and the termination of the Capital Note 2 Holder's rights in relation to that Capital Note 2, in each case in accordance with the Capital Notes 2 Terms. For the full Conversion mechanics – see clauses 8 and 21.2 of the Capital Notes 2 Terms. Convert, Converted and Converting have corresponding meanings.
Conversion Number	see clause 8.1(a) of the Capital Notes 2 Terms.
Corporations Act	*Corporations Act 2001* (Cth).
CRS	OECD Common Reporting Standard for Automatic Exchange of Financial Account Information.
Crestone	LGT Crestone Wealth Management Limited (ABN 50 005 311 937, AFSL 231127).
DDO Regime	the design and distribution obligations regime contained in Part 7.8A of the Corporations Act.
DDOPIP Legislation	the *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019* (Cth), which provides for the DDO Regime and ASIC's product intervention powers.
Deferred Conversion Date	has the meaning given in clause 5.6 of the Capital Notes 2 Terms.
Delisting Event	broadly, occurs when IAG is delisted, its Ordinary Shares have been suspended from trading for a certain period, or an Inability Event is subsisting. For the full definition – see clause 21.2 of the Capital Notes 2 Terms.
Directors	some or all of the directors of IAG acting individually or as a board, as the context requires.
Distribution	see clause 3.1 of the Capital Notes 2 Terms.
Distribution Payment Date	in respect of a Capital Note 2, and subject to the Capital Notes 2 Terms, 15 March 2023, and after that each 15 March, 15 June, 15 September and 15 December until the date that the Capital Note 2 is Converted or Redeemed, and each date on which an Exchange of that Capital Note 2 occurs other than in connection with a Non-Viability Trigger Event, whether or not a Distribution is, or is able to be, paid on that date. For the full definition – see clauses 3.4 and 21.2 of the Capital Notes 2 Terms.

Term	Meaning
Distribution Payment Tests	in relation to Distributions, each Distribution is subject to: • IAG's absolute discretion; and • no Payment Condition existing in respect of the relevant Distribution Payment Date.
Distribution Period	a period from (and including) either the Issue Date until (but not including) the first Distribution Payment Date, or from a subsequent Distribution Payment Date until (but not including) the following Distribution Payment Date. For the full definition – see clause 21.2 of the Capital Notes 2 Terms.
Distribution Rate	the distribution rate on Capital Notes 2 calculated using the formula described in Section 2.1.1. For the full definition – see clause 3.1 of the Capital Notes 2 Terms.
Distribution Restriction	the restriction on the payment of dividends on Ordinary Shares and the undertaking of certain buy-backs or capital reductions which may apply as a result of clause 3.6 of the Capital Notes 2 Terms and which is discussed in Section 2.1.7.
Eligible Capital Note 1 Holder	a Capital Note 1 Holder who is: • a registered holder of Capital Notes 1 at 7:00pm on 17 November 2022; • shown on the Capital Notes 1 register as having an address in Australia; and • not in the United States, are not acting as a nominee for, or for the account or benefit of, a person in the United States and is not otherwise prevented from receiving the invitation to participate in the Reinvestment Offer or receiving Capital Notes 2 under the laws of any jurisdiction; and • an Institutional Investor or a client of a Syndicate Broker who is either a Wholesale Client or a Retail Investor who has received personal advice from a qualified financial adviser as to whether you are within the Capital Notes 2 Target Market.
Equal Ranking Instruments	in respect of the return of capital in a winding-up: • Capital Notes 1; • any Preference Shares; • each other preference share that IAG may issue that ranks or is expressed to rank equally with the foregoing and the Capital Notes 2 in respect of distribution or dividend or for the return of capital in a winding-up of IAG (as the case may be); and • any securities or other instruments that rank or are expressed to rank in respect of a dividend or distribution or for repayment or return of capital in a winding-up (as the case may be) equally with the securities or other instruments described above.
Exchange	any of the following: • Conversion in accordance with and subject to clause 8 of the Capital Notes 2 Terms; • Redemption in accordance with and subject to clause 9 of the Capital Notes 2 Terms; • Resale in accordance with and subject to clause 10 of the Capital Notes 2 Terms; or • a combination of two or more of Conversion, Redemption and Resale in accordance with clause 5.4 of the Capital Notes 2 Terms. Exchanged has a corresponding meaning.
Exchange Date	the date on which Exchange is to occur. For the full definition – see clause 5.3(b) of the Capital Notes 2 Terms.

Glossary continued

Term	Meaning
Exchange Method	the means by which Exchange is effected. For the full definition – see clause 5.4 of the Capital Notes 2 Terms.
Exchange Notice	a notice issued by IAG to a Capital Note 2 Holder under clause 5.1 of the Capital Notes 2 Terms.
Expiry Date	the date which is 13 months after 21 November 2022.
Exposure Period	the seven-day period after the date the Original Prospectus was lodged with ASIC during which the Corporations Act prohibited the processing of Applications (subject to any extension by ASIC).
External Administrator	in respect of a person: • a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or • a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertaking of that person, or in either case, any similar official.
FATCA	• sections 1471 to 1474 of the US Internal Revenue Code or any associated regulations; • any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in the paragraph above; or • any agreement pursuant to the implementation of any treaty, law or regulation referred to in the paragraphs above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.
FATCA Withholding	any deduction or withholding made under or in connection with, or in order to ensure compliance with, FATCA.
First Acquisition Conversion Restriction	see Section 2.6.3.
First Mandatory Conversion Condition	see clause 4.3 of the Capital Notes 2 Terms.
First Pro Rata Distribution	the Distribution accrued over the period from (and including) 15 December 2022 to (but excluding) the Reinvested Capital Notes 1 Reinvestment Date, in respect of each Capital Note 1 on issue, expected to be paid on the Reinvested Capital Notes 1 Reinvestment Date, being 22 December 2022.
Foreign Capital Note 2 Holder	see Section 2.8.5.
Franking Percentage	the franking percentage, as defined under Part 3-6 of the Tax Act, for a Distribution at the relevant Distribution Payment Date (expressed as a decimal).
Group	the statutory consolidated group comprising IAG and its subsidiaries. The Group and its activities are described in Section 5.
GST	has the meaning given in section 195-1 of the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Term	Meaning
GWP	gross written premium, meaning the total premiums relating to insurance policies underwritten by a direct insurer or reinsurer during a specified period and measured from the date of attachment of risk, and before payment of reinsurance premiums. The attachment date is the date the insurer accepts risk from the insured.
Holder Resolution	a resolution passed: • at a meeting of the Capital Note 2 Holders, duly called and held under the Meeting Provisions: – by at least 50% of the persons voting on a show of hands (unless the second dot point below applies); or – if a poll is duly demanded, then by a majority consisting of at least 50% of the votes cast; or • by postal ballot or written resolution under the Meeting Provisions by Capital Note 2 Holders representing (in aggregate) at least 50% of the outstanding Capital Notes 2.
Holding Statement	a statement issued to Capital Note 2 Holders by the Registrar which sets out details of Capital Notes 2 allotted and issued to them under the Offer.
IAG	Insurance Australia Group Limited (ABN 60 090 739 923).
IAG Level 2 Insurance Group	the Level 2 Insurance Group of which IAG is the parent entity.
Inability Event	IAG 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) or any other reason from Converting the Capital Notes 2.
Institutional Investor	an investor to whom offers or invitations in respect of the Capital Notes 2 can be made without the need for a lodged prospectus (or other formality, other than a formality which IAG is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act and who has been invited by the Joint Lead Managers to bid for the Capital Notes 2 in the Bookbuild, provided that such investor is not in the United States, is not acting as a nominee for, or for the account or benefit of, a person in the United States and is not otherwise prevented from receiving the invitation to participate in the Offer or receiving Capital Notes 2 under the laws of any jurisdiction.
Insurance Act	*Insurance Act 1973* (Cth).
Issue Date	the date Capital Notes 2 are issued to Capital Note 2 Holders under this Prospectus, expected to be 22 December 2022.
Issue Date VWAP	the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place on ASX immediately preceding (but not including) the Issue Date, as adjusted in accordance with clauses 8.4 to 8.7 (inclusive) of the Capital Notes 2 Terms.
Issue Price	the issue price for the Capital Notes 2 under this Prospectus, being $100 per Capital Note 2.
Joint Lead Managers	UBS; ANZ; CBA; Morgans; NAB; and Westpac.
KPMG Transaction Services	KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 215)

Glossary continued

Term	Meaning
Level 2 Insurance Group	a level 2 insurance group as defined by APRA from time to time.
Mandatory Conversion	the mandatory conversion under clause 4 of the Capital Notes 2 Terms. Mandatorily Convert has a corresponding meaning.
Mandatory Conversion Conditions	see clause 4.3 of the Capital Notes 2 Terms.
Mandatory Conversion Date	the earlier of 15 March 2032 and the next Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied. For the full definition – see clause 4.2 of the Capital Notes 2 Terms.
Margin	3.50% per annum, as determined under the Bookbuild.
Maximum Conversion Number	see clauses 8.1(a) and 21.2 of the Capital Notes 2 Terms.
Meeting Provisions	the provisions for meetings of the Capital Note 2 Holders set out in schedule 3 to the Trust Deed.
Morgans	Morgans Financial Limited (ABN 49 010 669 726, AFSL 235410).
NAB	National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686).
New Money Offer	the offer made to eligible clients of the Syndicate Brokers and Institutional Investors, to apply for a new investment in Capital Notes 2 (i.e. not under the Reinvestment Offer).
Nominated Purchaser	a third party selected by IAG at its absolute discretion, subject to clause 10.3 of the Capital Notes 2 Terms.
Non-Viability Conversion	the Conversion of Capital Notes 2 to Ordinary Shares on or with effect from the Trigger Event Date in accordance with clause 6.2 of the Capital Notes 2 Terms.
Non-Viability Trigger Event	see clause 6.1 of the Capital Notes 2 Terms.
Offer	the offer by IAG of Capital Notes 2 under this Prospectus to raise $500 million with the ability to raise more or less. The offer comprises the New Money Offer and the Reinvestment Offer.
Offer Management Agreement	the offer management agreement entered into between IAG and the Joint Lead Managers.
Offer Period	the period from the Opening Date to the Closing Date.
Opening Date	the day the Offer opens, being 29 November 2022.
Optional Exchange Dates	15 June 2029, 15 September 2029, 15 December 2029 and 15 March 2030. For the full definition – see clause 21.2 of the Capital Notes 2 Terms.
Ordinary Share	a fully paid ordinary share in the capital of IAG.

Term	Meaning
Ordinary Share Dividend	any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution in relation to Ordinary Shares.
Original Prospectus	the prospectus dated 21 November 2022 and lodged with ASIC on that date, which this Prospectus replaces.
Participating Capital Notes 1	Capital Notes 1 which are (or are to be) reinvested in Capital Notes 2 under the Reinvestment Offer.
Payment Condition	exists with respect to a Distribution payment on the Capital Notes 2 on a Distribution Payment Date if: • unless APRA otherwise approves in writing, paying the Distribution on the Capital Notes 2 on the Distribution Payment Date would result in IAG or the IAG Level 2 Insurance Group not complying with APRA's then current capital adequacy requirements; • paying the Distribution on the Distribution Payment Date would result in IAG becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or • APRA objects to the Distribution payment on the Capital Notes 2 on the Distribution Payment Date.
Potential Acquisition Event	broadly, occurs when: • a takeover bid is made to acquire IAG's Ordinary Shares and the offer is, or becomes, unconditional and the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or a majority of Directors recommend acceptance of the offer (without the need that all regulatory approvals necessary for the acquisition have been obtained); or • a court orders the holding of meetings to approve a scheme of arrangement with respect to IAG which would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue after the scheme is implemented. For the full definition – see clause 21.2 of the Capital Notes 2 Terms.
Preference Share	in respect of Capital Notes 2, a notional preference share in the capital of IAG conferring a right to a non-cumulative dividend, and a claim in the winding-up of IAG equal to the Redemption Price of that Capital Note 2 and ranking in respect of return of capital in the winding-up ahead only of Ordinary Shares and equally with Equal Ranking Instruments.
Privacy Act	*Privacy Act 1988* (Cth).
Prospectus	this document (including the electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document, including the Capital Notes 2 Terms.
Prudential Standards	the prudential standards issued by APRA which define and document APRA's framework for assessing, among other things, the capital adequacy of a general insurer.
Qualified Person	an entity which is a qualified person in relation to a distribution for the purposes of Division 1A of former Part IIIAA of the *Income Tax Assessment Act 1936* (Cth).
Rate Disruption Event	occurs when in IAG's opinion, the Bank Bill Rate: • has been discontinued or otherwise ceased to be calculated or administered; or • is no longer generally accepted in the Australian market as a reference rate appropriate to floating rate debt securities of a tenor and interest period comparable to that of Capital Notes 2.

Glossary continued

Term	Meaning
Record Date	for payment of a Distribution: • subject to the point below, the date which is 12 calendar days before the applicable Distribution Payment Date; • such other date as is determined by IAG in its absolute discretion and communicated to ASX and the Trustee not less than eight calendar days before the Record Date which would have been determined under the point above; or • such other date as may be required by, or agreed with, ASX.
Redeem	in relation to a Capital Note 2, to redeem that Capital Note 2 in accordance with clause 9 of the Capital Notes 2 Terms. Redeemable, Redeemed and Redemption have corresponding meanings.
Redemption Price	see clause 9.2 of the Capital Notes 2 Terms.
Register	the register of Capital Notes 2 maintained by IAG or the Registrar on IAG's behalf and including any subregisters established and maintained in CHESS.
Registrar	Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registrar that IAG appoints to maintain the Register.
Regulatory Event	broadly, occurs when: • IAG receives legal advice that, as a result of a change of law or regulation on or after the Issue Date, additional requirements would be imposed on IAG in relation to the Capital Notes 2 which the Directors determine to be unacceptable; or • the Directors determine that IAG will not be entitled to treat all Capital Notes 2 as Additional Tier 1 Capital. For the full definition – see clause 21.2 of the Capital Notes 2 Terms.
Reinvested Capital Notes 1	Capital Notes 1 held by an Eligible Capital Note 1 Holder that are, or are to be, reinvested in Capital Notes 2, under the terms of the Reinvestment Offer.
Reinvested Capital Notes 1 Reinvestment Date	22 December 2022.
Reinvestment Offer	the invitation to Eligible Capital Note 1 Holders to reinvest their Capital Notes 1 in Capital Notes 2 under this Prospectus.
Related Entity	has the meaning given by APRA from time to time.
Related Payment	a related payment within the meaning of former section 160APHN of the *Income Tax Assessment Act 1936* (Cth).
Relevant Security	an Additional 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 Capital Notes 1.
Resale	the sale of a Capital Note 2 to a Nominated Purchaser in accordance with clause 10 of the Capital Notes 2 Terms. Resalable, Resell and Resold have similar meanings.
Resale Price	for a Capital Note 2, a cash amount equal to its Issue Price.

Term	Meaning
Retail Investor	a person who is a "retail client" under the Corporations Act.
Scheduled Mandatory Conversion Date	see clause 4.2 of the Capital Notes 2 Terms.
Second Acquisition Conversion Restriction	see Section 2.6.3.
Second Mandatory Conversion Condition	see clause 4.3 of the Capital Notes 2 Terms.
Second Pro Rata Distribution	the Distribution accrued over the period from (and including) the Reinvested Capital Notes 1 Reinvestment Date to (but excluding) 15 March 2023, in respect of each Capital Note 1 outstanding on the Record Date for the Second Pro Rata Distribution.
Senior Ranking Creditors	all creditors of IAG (present and future), including all investors in IAG's senior or subordinated debt (including holders of Tier 2 Capital Instruments) whose claims are: • entitled to be admitted in a winding-up of IAG; and • not in respect of Ordinary Shares or Equal Ranking Instruments.
Shareholder	a holder of an Ordinary Share(s) from time to time.
Special Resolution	a resolution passed: • at a meeting of the Capital Note 2 Holders, duly called and held under the Meeting Provisions: – by at least 75% of the persons voting on a show of hands (unless the second dot point below applies); or – if a poll is duly demanded, then by a majority consisting of at least 75% of the votes cast; or • by postal ballot or written resolution under the Meeting Provisions by Capital Note 2 Holders representing (in aggregate) at least 75% of the outstanding Capital Notes 2.
Syndicate Broker	any of the Joint Lead Managers (or their affiliated retail brokers), Co-Manager and any other participating broker in the Offer.
Target Market Determination or TMD	the target market determination for Capital Notes 2 issued by IAG in accordance with its obligations under the DDO Regime, that can be obtained electronically from **www.iag.com.au/tmd**.
Tax Act	both the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth).
Tax Event	broadly, occurs when the Directors receive advice that, as a result of a change in Australian tax law, or an administrative pronouncement or ruling, on or after the Issue Date, there is a more than insubstantial risk that IAG would be exposed to more than an insignificant increase in its costs in relation to the Capital Notes 2 being on issue, any Distribution would not be a frankable distribution for tax purposes or franking credits may not be available to Australian tax resident Capital Note 2 Holders generally. For the full definition – see clause 21.2 of the Capital Notes 2 Terms.
Tax Rate	the Australian corporate tax rate applicable to the franking account of IAG at the relevant Distribution Payment Date. At the date of this Prospectus, the relevant Tax Rate is 30% or, expressed as a decimal, 0.3 (but that rate may change).

Glossary continued

Term	Meaning
Tax Withholding	any withholding or deduction in respect of taxes which is required by law or any agreement with a governmental authority.
TFN	tax file number.
Third Mandatory Conversion Condition	see clause 4.3 of the Capital Notes 2 Terms.
Tier 1 Capital	Tier 1 capital as defined by APRA from time to time.
Tier 2 Capital	Tier 2 capital as defined by APRA from time to time.
Tier 2 Capital Instruments	securities issued by IAG or a member of the IAG Level 2 Insurance Group which qualify as Tier 2 Capital.
Trigger Event Date	the date on which APRA notifies IAG of a Non-Viability Trigger Event as contemplated in clause 6.1 of the Capital Notes 2 Terms.
Trust Deed	the deed entitled IAG Capital Notes 2 Trust Deed dated 21 November 2022 between IAG and the Trustee.
Trustee	The Trust Company (Australia) Limited (ABN 21 000 000 993).
UBS	UBS AG, Australia Branch (ABN 47 088 129 613, AFSL 231087).
US Person	has the meaning given in Regulation S of the US Securities Act.
US Securities Act	U.S. Securities Act of 1933, as amended.
VWAP	subject to any adjustments under clause 8 of the Capital Notes 2 Terms, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days 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.

Term	Meaning
VWAP Period	• in the case of a Conversion resulting from a Potential Acquisition Event or an Acquisition Event the lesser of: – 20 Business Days on which trading in Ordinary Shares takes place on ASX; and – the number of Business Days on which trading in Ordinary Shares takes place that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Potential Acquisition Event or Acquisition Event (as the case may be), in each case immediately preceding (but not including) the Business Day before the Exchange Date or Acquisition Conversion Date in respect of that event (as the case may be); • in the case of a Conversion resulting from a Non-Viability Trigger Event, the period of five Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Date; • in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place on ASX immediately preceding (but not including) the date on which Conversion is to occur in accordance with the Capital Notes 2 Terms; or • otherwise, the period for which VWAP is to be calculated in accordance with the Capital Notes 2 Terms.
Westpac	Westpac Institutional Bank (a division of Westpac Banking Corporation) (ABN 33 007 457 141, AFSL 233714).
Wholesale Client	has the meaning given in section 761G of the Corporations Act (as it may be modified for the purposes of the DDO Regime).
Winding-up Event	the making of a court order or passing of an effective resolution for the winding-up of IAG as described in clause 17.1 of the Capital Notes 2 Terms.
Written-Off	in respect of a Capital Note 2 and a Trigger Event Date: • the Capital Note 2 will not be Converted on that date and will not be Converted, Redeemed or Resold under the Capital Notes 2 Terms on any subsequent date; and • the relevant Capital Note 2 Holders' rights (including to payment of Distributions and Redemption Price) in relation to such Capital Note 2 are immediately and irrevocably terminated and written-off. Write-Off has a corresponding meaning. See Section 7.1.10.

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Corporate directory

ISSUER

Insurance Australia Group Limited

Level 13, Tower Two, Darling Park
201 Sussex Street
Sydney NSW 2000

AUSTRALIAN LEGAL AND TAX ADVISER

King & Wood Mallesons

Level 27, Collins Arch
447 Collins Street
Melbourne VIC 3000

AUDITOR

KPMG

Tower Three, International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

ACCOUNTING ADVISER

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd)

Tower Three, International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

REGISTRAR

Computershare Investor Services Pty Limited

Level 3
60 Carrington Street
Sydney NSW 2000

ARRANGER

UBS AG, Australia Branch

Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

JOINT LEAD MANAGERS

UBS AG, Australia Branch

Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

ANZ Securities Limited

Level 9, ANZ Centre Melbourne
833 Collins Street
Docklands VIC 3008

Commonwealth Bank of Australia

Ground Floor, Tower 1,
201 Sussex Street
Sydney NSW 2000

Morgans Financial Limited

Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

National Australia Bank Limited

Level 6, 2 Carrington Street
Sydney NSW 2000

Westpac Institutional Bank (a division of Westpac Banking Corporation)

Level 3, Westpac Place
275 Kent Street
Sydney NSW 2000

CO-MANAGER

LGT Crestone Wealth Management Limited
Level 32, Chifley Tower
2 Chifley Square
Sydney NSW 2000

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