

1 November 2013

Manager, Company Announcement Office  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

**Adjustment to terms of Convertible Preference Shares (ASX: IAGPC)**

Insurance Australia Group Limited (IAG) confirms that, in accordance with the terms of IAG's Convertible Preference Shares (CPS Terms), the Relevant Fraction has been adjusted from 0.5 to 0.2 with effect from 1 November 2013.

Please refer to the attachment which sets out further information in relation to this adjustment to the CPS Terms, as contained in the Prospectus dated 27 March 2012.

Yours sincerely,



**CHRIS BERTUCH**  
Group General Counsel & Company Secretary

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## **Attachment**

### **Q. What has changed in the CPS Terms?**

**A.** At the time of issue of CPS in May 2012, APRA's existing prudential standards required that the maximum number of IAG ordinary shares issuable upon conversion of a CPS should be calculated by dividing the issue price of CPS (\$100) by a number which is the volume weighted average price of IAG ordinary shares over the 20 business days on which trading in those shares took place immediately prior to the issue date of CPS (the Issue Date VWAP) multiplied by a fraction of 0.5. This fraction of the issue date price is referred to in the CPS Terms as the Relevant Fraction. The Relevant Fraction has been adjusted from 0.5 to 0.2. The change in the Relevant Fraction also adjusts the percentages which will be used to test whether CPS may convert into IAG ordinary shares.

### **Q Why has this change been made to the CPS Terms?**

**A.** APRA had indicated in May 2012 that, when its then-ongoing review of the prudential standards was finalised, it was likely to change the maximum number of ordinary shares that could be issuable upon conversion of CPS to a number calculated using an ordinary share price set at 20% of the issue date share price. APRA subsequently confirmed this change to the prudential standards, which came in to effect on 1 January 2013.

### **Q. How does this change affect a holder's CPS shareholding?**

**A.** The change does not affect a holder's current CPS shareholding. In the event of any conversion of CPS into IAG ordinary shares, the change to the Relevant Fraction from 0.5 to 0.2 will affect whether the conditions to a conversion of CPS into IAG ordinary shares will be satisfied and the calculation of the maximum number of shares issued on conversion. It may make it more likely that the conditions to conversion will be satisfied and may result in more ordinary shares being issued on conversion. Please refer to the CPS Terms and sections 2.4, 2.5, 2.6 and 2.7 of the Prospectus dated 27 March 2012 for further information.

### **Q. Are any other CPS Terms affected by this change?**

**A.** The adjustment to the Relevant Fraction does not change any other CPS Terms.