

IAG Capital Notes Trust Deed

Dated: 21 November 2016

Insurance Australia Group Limited (ABN 60 090 739 923) (“**Issuer**”)
The Trust Company (Australia) Limited (ABN 21 000 000 993) (“**Trustee**”)

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IAG Capital Notes Trust Deed

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IAG Capital Notes Trust Deed

Details

Interpretation – definitions are in Schedule 1 to this deed

Parties	Issuer and Trustee	
Issuer	Name	Insurance Australia Group Limited
	ABN	60 090 739 923
	Address	Insurance Australia Group Limited Level 26, 388 George Street Sydney NSW 2000
	Fax	+61 2 9292 8072
	Attention	Company Secretary
Trustee	Name	The Trust Company (Australia) Limited
	ABN	21 000 000 993
	Address	Level 12 123 Pitt Street Sydney NSW 2000 Australia
	Fax	+ 61 2 9229 9000
	Telephone	+ 61 2 8256 1419
	Attention	Manager, Retail Securities – Perpetual Corporate Trust
Date of deed	21 November 2016	

IAG Capital Notes Trust Deed

General terms

1 Benefit and burden of deed

1.1 Capital Note Holders bound

- (a) Each Capital Note Holder (and any person claiming through or under a Capital Note Holder) is bound by, and is taken to have notice of, this deed (including, for the avoidance of doubt, the Capital Notes Terms).
- (b) It is a fundamental condition of receiving any of the rights or benefits under a Capital Note that a Capital Note Holder must perform all of the obligations and comply with all restrictions and limitations applicable to it under this deed (including, for the avoidance of doubt, the Capital Notes Terms) in respect of the Capital Note.

1.2 Limit on Capital Note Holders' rights

All of the rights against the Issuer in connection with the Capital Notes are held by the Trustee for the Capital Note Holders. Accordingly, subject to clause 1.4:

- (a) no Capital Note Holder is entitled to directly enforce any rights, powers or remedies in connection with the Capital Notes directly against the Issuer; and
- (b) the rights, powers and remedies of the Trustee under and in respect of this deed and the Capital Notes are exercisable and enforceable by the Trustee only. No Capital Note Holder may exercise any rights, powers and remedies of the Trustee (whether in its own name or the Trustee's name).

1.3 Enforcement on direction

Subject to this deed and to section 283DA(h) of the Corporations Act, the Trustee must take action to enforce this deed in accordance with its terms (including, for the avoidance of doubt, the Capital Notes Terms) where all the following conditions are met and is not required to act in accordance with any direction from the Capital Note Holders or any of them unless:

- (a) the Trustee has been directed to take action by a Special Resolution of Capital Note Holders or so requested in writing by the Capital Note Holders holding Capital Notes representing at least 15% of the aggregate Issue Price of all Capital Notes then outstanding; and
- (b) the Trustee is indemnified to its reasonable satisfaction against:
 - (i) all actions, proceedings, claims and demands to which the Trustee may render itself liable by taking such action;
 - (ii) all Costs which the Trustee may incur in taking the action; and
 - (iii) all management time spent by employees or officers of the Trustee in relation to such action which will be charged at the Trustee's standard hourly rates prevailing from time to time

provided that such rates have been notified to the Issuer in writing; and

- (c) the action is permitted under this deed.

1.4 Capital Note Holder's right to take action

No Capital Note Holder is entitled to proceed directly against the Issuer to enforce any right or remedy under or in respect of any Capital Note or this deed unless the Trustee, having become bound to proceed, fails to do so within 14 days and such failure is continuing, in which case any Capital Note Holder may itself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

1.5 Untraceable Capital Note Holders

Subject to applicable law and the ASX Listing Rules, where the Issuer:

- (a) is required to pay any monies to a Capital Note Holder; and
- (b) has made reasonable efforts to locate a Capital Note Holder but is unable to do so;

then those monies:

- (i) must be paid by the Trustee to the Issuer, if the Trustee has actual possession and control of such moneys; and
- (ii) are to be held by the Issuer and dealt with in accordance with clause 16.4 of the Capital Notes Terms.

The Trustee is not liable to any Capital Note Holder for any moneys paid to the Issuer under this clause 1.5. The Issuer indemnifies the Trustee from any and all costs, losses, liabilities, expenses, demands or claims suffered or incurred by the Trustee in respect of any moneys paid to the Issuer under this clause 1.5.

2 IAG Capital Notes Trust Deed

2.1 IAG Capital Notes Trust Deed

This deed:

- (a) is the trust deed for the Trust; and
- (b) is the trust deed in respect of the Capital Notes required by section 283AB of the Corporations Act.

2.2 Consistency with section 283DB(1) of the Corporations Act

This deed is to be interpreted so as not to give rise to the operation of section 283DB(1) of the Corporations Act.

2.3 Constitution and status

The Capital Notes are perpetual, unsecured, subordinated debt obligations of the Issuer constituted by, and owing under, this deed and issued on the Capital Notes Terms. The obligations of the Issuer in respect of each Capital Note:

- (a) constitute separate and independent acknowledgments of the indebtedness of the Issuer;
- (b) are subject to the terms of this deed (including the Capital Notes Terms); and
- (c) rank equally and without any preference amongst themselves as described in the Capital Notes Terms.

The Capital Notes are not:

- (d) policy liabilities of the Issuer or any Related Entity of the Issuer for the purposes of the Insurance Act;
- (e) protected policies for the purposes of the Financial Claims Scheme established under Part VC of the Insurance Act; or
- (f) guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other party.

2.4 Undertaking to pay

- (a) In respect of each Capital Note, the Issuer undertakes to the Trustee (on behalf of the relevant Capital Note Holder), subject to any obligation of the Issuer to Convert or Write-Off the Capital Notes, to pay the amounts due and payable in respect of that Capital Note under and in accordance with the Capital Notes Terms.
- (b) The Trustee directs the Issuer to pay such amounts under this deed directly to the Capital Note Holders, unless:
 - (i) a Winding-up Event has occurred and is subsisting;
 - (ii) a Controller (as defined in the Corporations Act) has been appointed to the Issuer; or
 - (iii) the Issuer advises the Trustee that it is not likely to meet its obligations under this deed,
 in which event the payment must be made to the Trustee.
- (c) The payment of an amount due under a Capital Note to either the Capital Note Holder or the Trustee discharges the obligation of the Issuer to pay that amount under that Capital Note to each of the Capital Note Holder and the Trustee.

2.5 Unsecured notes

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

3 Declaration of trust

3.1 Trustee

The Trustee is appointed and agrees to act as the trustee of the Trust established under this deed and the Corporations Act with effect from the date of this deed.

3.2 Constitution of Trust

The Trust is constituted on the execution of this deed by the Issuer and the Trustee.

3.3 Declaration of Trust

The Trustee declares that, on execution of this deed, it holds the sum of A\$10, and that it will hold the Trust Fund, on trust at any time for the benefit of itself and the persons who are Capital Note Holders from time to time on the terms of this deed.

3.4 Name of Trust

The trust established under this deed will be known as the "IAG Capital Notes Trust".

3.5 Commencement and termination of Trust

The Trust commences on the date of this deed and unless determined earlier ends on the earlier of:

- (a) the day on which the Issuer is discharged and released from its liabilities, obligations and covenants under this deed under clause 17.1; or
- (b) the date required by law.

3.6 Beneficiaries

Subject to the rights of the Trustee, the Capital Note Holders are the persons beneficially entitled to the Trust Fund from time to time on the terms of this deed. They hold that beneficial entitlement as equitable tenants in common, provided that joint holders of a Capital Note shall hold as between themselves and the Issuer as joint tenants.

3.7 Safe custody of this deed

The Trustee will hold its counterpart or counterparts of this deed in safe custody for itself and the Capital Note Holders.

3.8 Receipt of moneys

All money received by the Trustee in respect of amounts payable under this deed must be held by the Trustee on trust to be applied in the following order:

- (a) first, in payment of all Costs incurred by or other amounts owing to, the Trustee under or in connection with this deed (including all remuneration payable to the Trustee and any amount payable under clause 6.2);
- (b) secondly, in or towards payment equally and rateably of all amounts due but remaining unpaid in respect of the Capital Notes; and
- (c) thirdly, in payment of the balance (if any) to the Issuer.

4 General powers, rights and responsibilities

4.1 Extent of obligations

The Trustee has no obligations except those expressly set out in this deed and those arising under Chapter 2L of the Corporations Act. The obligations of the Trustee to act, or refrain from acting, are at all times subject to the Corporations Act.

4.2 Excluded roles and duties

The appointment as trustee does not mean that the Trustee:

- (a) is a trustee for the benefit of;
- (b) is a partner of; or
- (c) has a fiduciary duty to, or other fiduciary relationship with,

any Capital Note Holder, the Issuer or any other person, except as provided in this deed.

4.3 Binding nature of relationship

Each Capital Note Holder is bound by anything properly done or not done by the Trustee in accordance with this deed, whether or not on instructions, and whether or not the Capital Note Holder gave an instruction or approved of the thing done or not done.

4.4 Exercise of rights and compliance with obligations

- (a) **(Powers of a natural person)** The Trustee has all the powers of a natural person or corporation in connection with the exercise of its rights and compliance with its obligations under this deed.
- (b) **(Exercise of powers)** Subject to clauses 15.1 and 15.2, the Trustee may exercise its rights and comply with its obligations under this deed in any manner it thinks fit.
- (c) **(Waiver)** The Trustee may waive in writing, at any time and on any terms or conditions, any breach by the Issuer under this deed, provided that where a Winding-up Event has occurred and is subsisting the Trustee may waive the breach only if:
 - (i) the Capital Note Holders have by a Holder Resolution consented in writing to the waiver; or
 - (ii) the breach has been remedied within the time specified in this deed,

and, where the waiver may cause the Capital Notes to cease to be eligible for inclusion as Additional Tier 1 Capital of the IAG Level 2 Insurance Group, only if the prior written approval of APRA has been obtained. The Trustee is entitled to accept an Officer's Certificate delivered to it by the Issuer and attaching evidence that APRA's approval is not required, or if required has been obtained from APRA, as conclusive evidence that the APRA approval of the waiver is not required, or if required has been obtained.

- (d) **(Dealings with the Issuer)** The Trustee and its Related Bodies Corporate may, without being liable to account to the Issuer or any Capital Note Holder:
- (i) hold, in any capacity, Capital Notes, shares or any other marketable securities issued by the Issuer or any Related Entity of the Issuer;
 - (ii) in any capacity, represent or act for, or contract with, individual Capital Note Holders;
 - (iii) deal in any capacity with the Issuer or any of its Related Bodies Corporate or associates; or
 - (iv) act in any capacity in relation to any other trusts,

but the Trustee may not act in a manner which would preclude the Trustee from acting as trustee of the Trust under Chapter 2L of the Corporations Act.

4.5 Trustee's undertakings

The Trustee must:

- (a) exercise its duties under Chapter 2L of the Corporations Act;
- (b) act honestly and in good faith and comply with all laws in performing its duties and in the exercise of its discretions under this deed;
- (c) exercise such diligence and prudence as a person carrying on the business of a professional trustee would exercise in performing its duties and in the exercise of its discretions under this deed;
- (d) keep, or cause to be kept, accounting records which correctly record and explain all amounts paid and received by the Trustee in its capacity as trustee under this deed; and
- (e) keep the assets of the Trust which are held by the Trustee separate from all other assets of the Trustee which are held in a capacity other than trustee under this deed.

5 Delegation and reliance on advice

5.1 Power to delegate

The Trustee may employ agents, contractors, advisors and attorneys and may delegate any of its rights, powers, authorities or discretions conferred on it under this deed without notifying the issuer or any other person of the employment or delegation provided that the Trustee reasonably believes that it is fit, proper and appropriate to so employ, contract, seek advice, engage or delegate.

5.2 Trustee may rely on communications and opinions

In relation to this deed, and any exercise of its rights or powers under it, the Trustee may rely:

- (a) on any communication or document it has had no reasonable grounds to believe is not genuine and correct and to have been signed or sent by the appropriate person; and

- (b) as to legal, accounting, taxation or other professional matters, on opinions and statements received by it from any legal, accounting, taxation or professional advisers engaged or appointed by it, provided that it reasonably believes the adviser engaged or appointed by it is fit, proper and appropriate.

5.3 Dispute or ambiguity

If there is any dispute or ambiguity in relation to any matter connected with this deed, the Trustee may (but need not) do one or both of the following:

- (a) obtain and rely on advice from any adviser referred to in clause 5.2(b); or
- (b) apply to a court for any direction or order the Trustee considers appropriate and comply with any such directions or orders.

As long as the Trustee is using reasonable endeavours to resolve any dispute or ambiguity, the Trustee may (but need not) refuse to do anything in relation to matters affected by the dispute or ambiguity.

6 Trustee indemnity

6.1 Corporations Act

The Trustee's right of indemnity and any limitation on the Trustee's liability under this deed is subject to the Corporations Act.

6.2 Indemnity

- (a) The Trustee, its officers, directors, employees and attorneys (together included in the defined term "Trustee" for the purposes of this clause 6.2) are entitled to be indemnified by the Issuer and, without limitation, out of the property of the Trust Fund in respect of all costs, losses, liabilities, expenses, demands or claims suffered or properly incurred by the Trustee in the execution of the Trust or any of the powers, authorities or discretions vested in the Trustee under this deed, but this indemnity does not extend to:
 - (i) any such costs, losses, liabilities, expenses, demands or claims to the extent arising out of a Trustee Default; or
 - (ii) any Taxes (excluding any Indirect Tax) imposed on the Trustee's remuneration for its services as Trustee.
- (b) The Trustee may retain and pay out of any moneys in its hand in priority to any claim by a Capital Note Holder, all sums necessary to effect and satisfy an amount due and payable to the Trustee under this clause 6.
- (c) If there is dispute as to whether a Trustee Default has occurred and moneys have been paid by the Issuer or out of the property of the Trust in respect of a claim made under this clause 6 pending determination of that dispute and the dispute is determined against the Trustee, the Trustee shall reimburse such moneys (but only to the extent to which the costs, losses, liabilities, expenses, demands or claims the subject of the claim made under this clause 6 arose from a Trustee Default), together with interest at a rate reflecting the Issuer's cost of funds or such other rate as the court considers appropriate.

6.3 Indemnity additional

Any indemnity to which the Trustee is entitled under this deed is in addition to, and without prejudice to, any indemnity allowed by law or equity to the Trustee.

6.4 No obligation to act

Without limiting clause 1.3, the Trustee is not obliged to carry out any act or refrain from doing any act (including incurring any liability) under this deed until such time as it is placed in funds or is otherwise indemnified to its reasonable satisfaction against any expense or liability which it may incur as a result of doing so.

6.5 No personal indemnity by Capital Note Holders

Except as otherwise agreed with any Capital Note Holder or Capital Note Holders in accordance with the taking of action by the Trustee as directed by the Capital Note Holders as contemplated in clauses 1.3 and 6.4, the Trustee is not entitled to be indemnified by any Capital Note Holder personally.

6.6 Survival

The provisions of this clause 6 shall survive the termination of this deed and where the Trustee ceases for any reason to be trustee of the Trust.

7 Trustee's liability, evidence and reliance

7.1 Limitation of liability

- (a) The Issuer and Capital Note Holders acknowledge that the Trustee incurs the Trustee Liabilities solely in its capacity as trustee of the Trust and agree that (to the maximum extent permitted by law) the Trustee will cease to have any Trustee Liability if the Trustee ceases for any reason to be trustee of the Trust.
- (b) A Trustee Liability may be enforced against the Trustee only to the extent to which:
 - (i) the Trustee is actually indemnified in respect of that Trustee Liability out of the Trust Fund; and
 - (ii) there is sufficient property held by the Trustee as trustee of the Trust at the time, which is available to meet that indemnity amount (after all Trust assets have been allocated to meet the indemnity and any other valid claims).
- (c) Subject to clause 7.1(d), no person will be entitled to:
 - (i) claim from or commence proceedings against the Trustee in respect of any Trustee Liability in any capacity other than as trustee of the Trust,
 - (ii) enforce or seek to enforce any judgment in respect of any Trustee Liability against any property of the Trustee other than property held by the Trustee as trustee of the Trust;
 - (iii) take any steps to procure or support the appointment of a liquidator, administrator or any other similar office holder to the Trustee on the basis of a Trustee Liability, or prove in any

liquidation, administration or arrangement of or affecting the Trustee; or

- (iv) in respect of a Trustee Liability, appoint or take any steps to procure or support the appointment of a receiver or receiver and manager to any property of the Trustee, other than property which is held by it in its capacity as trustee of the Trust.
- (d) The restrictions in clauses 7.1(b) and 7.1(c) do not apply to any Trustee Liability to the extent to which there is, whether under this deed or by operation of law, a reduction in the extent of the Trustee's indemnification, or in respect of which the Trustee is not entitled to be indemnified, out of the property of the Trust Fund, as a result of a Trustee Default.
- (e) The Issuer and the Capital Note Holders agree that no act or omission of the Trustee (including any related failure to satisfy any Trustee Liabilities) will be considered a Trustee Default for the purposes of clause 7.1(d) to the extent to which the act or omission was caused or contributed to by any failure of the Issuer or a Capital Note Holder to fulfil their obligations relating to the Trust or by any other act or omission of that person or by the non-performance of any other person of any of their obligations under or in respect of this deed.
- (f) No attorney, agent or other person appointed in accordance with this deed has authority to act on behalf of the Trustee in a way which exposes the Trustee to any personal liability, and no act or omission of such a person will be considered a Trustee Default for the purposes of clause 7.1(e).
- (g) This limitation of the Trustee's liability applies, to the maximum extent permitted by Section 283DB of the Corporations Act, despite any other provisions of this deed or any provisions of equity or law to the contrary and extends to all Trustee Liabilities of the Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this deed or its performance.
- (h) The Trustee is not obliged to do or refrain from doing anything under this deed (including incurring any liability) unless the Trustee's liability is limited in the same manner as set out in clause 7.1(e) to 7.1(g) (inclusive).
- (i) The Trustee is not liable to a Capital Note Holder for the acts of any agent appointed to sell Ordinary Shares if the Capital Notes are to be Converted and has no duties in connection with any such sale and no responsibility for any costs, losses, liabilities, expenses, demands or claims which arise as a result of such sale.
- (j) In this clause 7.1, "**Trustee Liability**" means any liability or obligation (of any kind including, without limitation, for negligence, in tort, in equity, or under statute) of the Trustee which arises in any way under or in connection with this deed or its performance, or any representation, warranty, conduct, omission, agreement or transaction made under or in connection with this deed or its performance.

7.2 Certificate by Issuer

The Trustee is entitled to:

- (a) accept and rely upon an Officer's Certificate as to any fact, matter or determination as conclusive evidence of it;

- (b) accept, rely upon and act upon any information, statement, certificate, report, balance sheet or account supplied by:
 - (i) the Issuer;
 - (ii) any duly authorised officer of the Issuer; or
 - (iii) any other party which has been instructed by the Issuer to supply any such information, statement, certificate, report, balance sheet or account to the Trustee,

in each case, as conclusive evidence of the contents of such; and

- (c) accept, rely upon and act upon the statements (including statements given to the best of knowledge and belief or similarly qualified) and opinions contained in any statement, certificate, report, balance sheet or accounts given under the provisions of, or in relation to, this document as conclusive evidence of the contents of it,

in each case in the absence of the Trustee's knowledge of any proven or manifest error.

The Trustee is not bound to call for further evidence other than such certificate, statement, report, balance sheet or accounts nor to enquire as to their accuracy and is not responsible for any costs, losses, liabilities, expenses, demands or claims that may be occasioned by its relying on them provided the Trustee has no knowledge that the relevant certificate, statement, report, balance sheet or accounts was not accurate or, as the case may be, the relevant document was not authentic.

7.3 Evidence of claims

The Trustee will be entitled and is authorised by the Issuer to call for (and will be entitled to accept as conclusive evidence thereof) a certificate from any receiver, administrator or liquidator of the Issuer as to:

- (a) the amounts of the claims of the creditors which have been admitted in any liquidation, dissolution or other winding up and which will not have been satisfied in full out of the other assets of the Issuer; and
- (b) the persons entitled to those assets and their respective entitlements.

7.4 Certificate

Save in the case of manifest or proven error, any certificate given by any receiver, administrator or liquidator of the Issuer will be conclusive and binding on the Trustee and all Capital Note Holders.

7.5 Not bound to give notice

The Trustee is not bound to give notice to any person of the execution of this deed.

7.6 No monitoring obligation

Notwithstanding any other provisions of this deed, but subject to the Trustee's obligations under the Corporations Act, the Issuer acknowledges that the Trustee has no obligation to monitor compliance by the Issuer with its covenants and obligations under this deed or any other activities, financial position or status of the Issuer whatsoever including taking steps to ascertain whether a Mandatory

Conversion Condition has been or has not been satisfied or whether there has occurred or is likely to occur any event referred to in the Capital Notes Terms including any Winding-up Event, Non-Viability Trigger Event, Inability Event or Write-Off.

7.7 Capital Note Holder capacity

The Trustee's duties and obligations to Capital Note Holders are owed to Capital Note Holders only in their capacity as Capital Note Holders.

7.8 Knowledge of the Trustee

The Trustee will only be considered to have knowledge or awareness of a thing, or grounds or reason to believe anything, by virtue of the officers of the Trustee having the day to day responsibility for the administration of the Trust, having actual knowledge, actual notice or actual awareness of that thing, or actual grounds or reason to believe that thing (and similar references will be interpreted in this way). In addition, notice, knowledge or awareness of a default or breach of this deed means actual knowledge, notice or awareness of the events or circumstances constituting the default or breach.

7.9 Acting on directions

To the extent permitted by law, the Trustee is not liable to a Capital Note Holder for acting in accordance with any Holder Resolution, Special Resolution or any other direction given by any Capital Note Holder or Capital Note Holders in accordance with this deed or the Capital Notes Terms with which the Trustee is required to comply.

8 Fees and expenses

8.1 Fees

The Issuer agrees to pay fees to the Trustee on terms agreed between the Issuer and the Trustee from time to time. The payment of such fees must be made by the Issuer by transfer to such account nominated from time to time by the Trustee to the Issuer or by such other means notified by the Trustee to the Issuer from time to time.

8.2 Costs

The Issuer must pay its own Costs in connection with negotiating, preparing, executing this deed and performing its obligations and must pay the Trustee on demand for:

- (a) all reasonable expenses (including reasonable legal fees, costs and disbursements) reasonably incurred in connection with negotiating, preparing and executing this deed, and any subsequent consent, agreement, approval, waiver or amendment relating to this deed;
- (b) all losses and expenses (including legal fees, costs and disbursements, determined without taxation, assessment, or similar process) incurred in connection with exercising, enforcing or preserving, or attempting to exercise, enforce or preserve, rights under this deed;
- (c) all Costs reasonably and properly incurred by the Trustee in connection with any governmental or regulatory investigation, commission or enquiry of or concerning the Issuer, provided that the Issuer shall be under no obligation to pay the Trustee under this clause 8.2(c):

- (i) unless the Trustee has consulted with the Issuer in good faith before incurring such Costs, provided that no such consultation shall be required where that consultation would be unlawful, impractical or in breach of the Trustee's duties in respect of this deed; or
 - (ii) to the extent that any such Costs are incurred as a result of a Trustee Default;
- (d) all losses and expenses (including legal fees, costs and disbursements) suffered or properly incurred by the Trustee which arise out of, or in the course of, the Trustee acting as the trustee of the Trust, except to the extent such expenses are incurred by the Trustee as a direct result of a Trustee Default; and
- (e) where the Trustee incurs expenses as the result of a Winding-up Event and these expenses would not have been incurred had there not been a Winding-up Event, the Trustee has the discretion to demand such expenses are recovered at an hourly rate, provided the expenses are reasonable and properly incurred by or on behalf of the Trustee,

and provided that, in the case of clause 8.2(c) and 8.2(d), where there is a dispute as to whether a Trustee Default has occurred, clause 6.2(c) shall apply (as if a reference in that clause to clause 6 were a reference to clause 8.2(c) and 8.2(d), as the case may be).

8.3 Priority

The Issuer acknowledges that the Trustee, in respect of the fees and Costs payable to it under clause 6.2 and this clause 8, is a Senior Ranking Creditor and that its claims in respect of such amounts are not subordinated in accordance with clause 17.2 of the Capital Notes Terms.

9 Retirement and removal of Trustee

9.1 Retirement

Subject to compliance with the relevant statutory requirements for the time being, the Trustee may retire (without giving any reason for its retirement) at any time upon giving not less than 60 days' notice (or such other period as the Trustee and the Issuer may agree) in writing to the Issuer of its intention to do so.

9.2 Eligible Trustee

Subject to clause 9.3, the power to appoint a new Trustee (which new Trustee must be an Eligible Trustee) is vested in the Issuer.

9.3 Trustee may appoint Eligible Trustee

Subject to the Corporations Act, if, 60 days (or such other period as the Trustee and the Issuer may agree) after the Trustee has given notice in writing to the Issuer of its desire to retire, a new Trustee has not been appointed, the retiring Trustee may appoint (or, in its discretion, apply to the court for the appointment of) an Eligible Trustee as the new Trustee and any such appointment will be effective without the approval of the Issuer or the Capital Note Holders being required, but the Trustee may, in lieu of exercising the power conferred by this clause 9.3, call a meeting of Capital Note Holders for the purpose of appointing by the passing of a Holder Resolution a person nominated either by the Trustee or by any Holder as the new Trustee.

9.4 When retirement to take effect

Notwithstanding anything contained in this clause 9.4, the Trustee covenants that the retirement of the Trustee under this clause 9.4 will not take effect unless and until:

- (a) a new Trustee (being an Eligible Trustee) has been appointed; and
- (b) the new Trustee has executed a deed whereby it agrees to perform the obligations of the Trustee under this deed,

and the Trustee hereby declares that this covenant is intended for the benefit of the Capital Note Holders.

9.5 Removal of Trustee

- (a) Subject to compliance with the relevant statutory requirements for the time being, where:
 - (i) the Trustee is in material breach of its obligations under this deed and has not rectified the breach within 7 Business Days of receiving a notice from the Issuer specifying the breach and requesting that it be remedied;
 - (ii) a Trustee Default has occurred and is continuing;
 - (iii) the Trustee ceases or has ceased or has expressed an intention to cease to carry on business;
 - (iv) the Trustee is placed in liquidation or is wound-up or dissolved;
 - (v) a receiver, receiver and trustee, official trustee, liquidator, administrator or similar official is appointed to the Trustee;
 - (vi) any licence, consent, authorisation, permit or similar thing the Trustee is required to hold to carry out its obligations and duties under or in respect of this deed is revoked or not renewed;
 - (vii) the Issuer becomes aware that any of the things referred to in section 283BD of the Corporations Act have occurred;
 - (viii) the Trustee ceases to be a person who can be appointed a trustee under section 283AC(1) of the Corporations Act;
 - (ix) the Trustee cannot continue to act as Trustee because of the operation of section 283AC(2) of the Corporations Act; or
 - (x) the Issuer is authorised or requested to do so by a meeting of the Capital Note Holders called under clause 14,

the Issuer may remove the Trustee by giving not less than 60 days' notice to the Trustee (or such other period as the Trustee and the Issuer may agree).

- (b) Any removal of the Trustee under this clause 9.5 will only take effect upon the appointment of a new Trustee under clause 9.3 or under section 283AE of the Corporations Act.
- (c) On the retirement or removal of the Trustee, the Trustee must at the cost of the Issuer do all such things and execute all such deeds and assurances as are necessary for the purpose of vesting in a new Trustee

all money, property, rights, powers, authorities and discretions vested in the Trustee under this deed. The Trustee is entitled to its remuneration up to the date of its retirement or removal and reimbursement for its Costs of complying with this clause 9.5(c).

9.6 Reasonable steps

The Issuer must take all reasonable steps to replace the Trustee under section 283AE of the Corporations Act as soon as practicable after the Issuer becomes aware that the Trustee:

- (a) has ceased to exist;
- (b) has not been validly appointed;
- (c) cannot be a trustee under section 283AC(2) of the Corporations Act; or
- (d) has failed or refused to act as Trustee.

9.7 Discharge

- (a) By force of this clause 9.7, when the Trustee retires or is removed, the Trustee is, to the extent permitted by law, discharged and released from its obligations, covenants and liabilities under this deed arising after the date it retires or is removed. The Issuer must then, if required by the Trustee, execute a confirmation of release in favour of the Trustee in a form and substance reasonably acceptable to the Trustee.
- (b) Notwithstanding the retirement or removal of the Trustee, the former Trustee will continue to be entitled to the indemnities contained in this deed in relation to all acts and omissions occurring up to the date of its retirement, removal or replacement and it may retain copies of any documents and records required by it and which it reasonably considers to be relevant and will allow reasonable access to any other documents and records by the new Trustee.

9.8 ASIC

The Issuer must advise ASIC of the name of the Trustee within 14 days after the Trustee or a new Trustee is appointed.

10 Covenants

10.1 Issuer's general duties

The Issuer must, for so long as any of the Capital Notes remain outstanding:

- (a) carry on and conduct its business in a proper and efficient manner;
- (b) if requested by a Capital Note Holder or the Trustee, provide a copy of this deed to the Capital Note Holder or the Trustee (as the case may be);
- (c) make all of its financial and other records available for inspection by:
 - (i) the Trustee;
 - (ii) an officer or employee of the Trustee authorised by the Trustee to carry out the inspection; or

- (iii) an appropriately qualified third party accountant or professional financial adviser of recognised standing appointed by the Trustee to carry out the inspection,

and give them any information, explanations or other assistance that they require about matters relating to those records;

- (d) notify the Trustee promptly after it becomes aware:
 - (i) of the occurrence of:
 - (A) an Acquisition Event;
 - (B) a Winding-up Event;
 - (C) a Non-Viability Trigger Event;
 - (D) an Inability Event;
 - (E) a Delisting Event; or
 - (F) a Write-Off;
 - (ii) of a breach by the Issuer of Chapter 2L of the Corporations Act, this deed or the Capital Notes Terms; or
 - (iii) that a Mandatory Conversion Condition has not been satisfied;
- (e) keep proper books of account;
- (f) maintain, or cause to be maintained, the Register;
- (g) if the Issuer creates a security interest (as defined in the Corporations Act), provide the Trustee with written details of the security interest within 21 days after it is created and, if the total amount to be advanced on the security of the security interest is indeterminate and the advances are not merged in a current account with bankers, trade creditors or anyone else, provide the Trustee with written details of the amount of each advance within 7 days after it is made;
- (h) comply with the Capital Notes Terms;
- (i) provide to the Trustee:
 - (i) within 120 days after the close of each financial year, a copy of the Issuer's audited financial statements lodged with ASIC in respect of that financial year;
 - (ii) within 90 days after the close of each financial half year, a copy of the Issuer's unaudited financial statements lodged with ASIC in respect of that half year;
 - (iii) promptly, copies of all documents and notices given to Capital Note Holders; and
 - (iv) all other information or reports required to be provided to the Trustee under the Corporations Act or requested by the Trustee which is reasonably required for the purposes of the discharge of the duties, trusts and powers vested in the Trustee under this deed or imposed upon it by law,

and, if requested by a Capital Note Holder, provide copies of any of the above to such Capital Note Holder within a reasonable time of such request; and

- (j) comply with all statutory and regulatory requirements applicable to it (including under Chapter 2L of the Corporations Act) to the extent they relate to its obligations under this deed, where a failure to do so would have or would be likely to have a Material Adverse Effect.

10.2 Reports

The Issuer undertakes to comply with its reporting obligations to the Trustee, to the Capital Note Holders and ASIC under the Corporations Act (including section 283BF and section 318), the ASX Listing Rules and the ASX Settlement Operating Rules. For the purpose of subsection 283BF(2) of the Corporations Act, the Issuer fixes 31 May 2017 as the last day of the relevant first quarter.

10.3 Authorisations

The Issuer undertakes to promptly obtain and renew all necessary consents, filings and authorisations relating to its business and the entry into and performance of its obligations under this deed where failure to do so would have or would be likely to have a Material Adverse Effect.

10.4 Benefit

The Trustee declares and acknowledges that the benefit of the undertakings and covenants of the Issuer in this deed is held on trust by the Trustee for the benefit of the Capital Note Holders.

11 Representations and warranties

11.1 Representations and warranties by the Issuer

The Issuer makes the following representations and warranties to the Trustee:

- (a) **(incorporation and existence)** it has been incorporated as a company limited by shares in accordance with the law of its place of incorporation, is validly existing under that law and has power and authority to carry on its business as it is now being conducted;
- (b) **(power)** it has the power to enter into this deed and to issue Capital Notes and to comply with its obligations under each of them;
- (c) **(no contravention or exceeding power)** this deed and the transactions under it which involve it do not contravene its constituent documents (if any) or any law, directive or obligation by which it is bound or to which any of its assets are subject or cause a limitation on its powers or the powers of its directors to be exceeded;
- (d) **(authorisations)** it has in full force and effect the authorisations necessary for it to enter into this deed, to comply with its obligations and exercise its rights under this deed and to allow this deed to be enforced;
- (e) **(validity of obligations)** its obligations under this deed constitute (and in the case of the Capital Notes, when issued will constitute) legal, valid, binding and (subject to insolvency and other laws generally affecting creditors' rights and the discretionary nature of equitable remedies) enforceable obligations;

- (f) **(accounts)** its most recent audited financial statements lodged with ASIC:
 - (i) were prepared in accordance with the applicable accounting standards for a financial year; and
 - (ii) are a true and fair statement of its financial position as at the date to which they are prepared and disclose or reflect all its actual and contingent liabilities as at that date;
- (g) **(no Winding-up Event)** no Winding-up Event has occurred and is subsisting or will result from the issue of Capital Notes;
- (h) **(no proceedings)** except as disclosed in the Prospectus, it is not aware of any pending or threatened proceeding affecting it or any of its Subsidiaries or any of their assets before a court, authority, commission or arbitrator except those in which a decision against it or the Subsidiary (either alone or together with other decisions) are not likely to have a Material Adverse Effect;
- (i) **(no immunity)** neither it nor any of its assets has any immunity from set off, suit or execution;
- (j) **(not as trustee)** it does not enter into this deed as trustee; and
- (k) **(solvency)** it is solvent (as that term is defined in the Corporations Act).

11.2 Representations and warranties by the Trustee

The Trustee makes the following representations and warranties to the Issuer:

- (a) **(status)** the Trustee is a company duly incorporated and validly existing under the laws of its jurisdiction of incorporation;
- (b) **(power, authority and due authorisation)** the Trustee:
 - (i) has the power and authority to own its assets and to carry on its business as, and in such places or places as, it is now being conducted;
 - (ii) has the power to enter into, and exercise its rights and perform and comply with its obligations under the this deed;
 - (iii) has taken or will take all necessary action to authorise the entry into this deed and the performance of all its obligations under this deed; and
 - (iv) meets the requirements of a trustee as provided in sections 283AC(1) and 283AC(2) of the Corporations Act;
- (c) **(binding obligations)** the obligations assumed by it in this deed are legal, valid, binding and enforceable under their terms, subject to any necessary stamping and registration and subject to principles of equity and laws affecting creditors' rights generally and legal reservations in any legal opinions delivered in connection with the issue of the Capital Notes; and
- (d) **(transactions permitted)** the entry into and performance by it of its obligations under this deed, the exercise by it of any right or the performance or observance of any obligation under this deed, and the

transactions contemplated by this deed does not (and will not) breach or conflict with:

- (i) any laws and regulations applicable to it or any directive of any Government Agency;
- (ii) any agreement or instrument (including any Encumbrance) binding on it; or
- (iii) its constitutional documents.

11.3 Reliance

The Issuer and the Trustee acknowledge that they have each entered into this deed in reliance on the representations and warranties in, or given under, this deed, including under clause 11.1 and clause 11.2 (as the case may be).

12 Issue of Capital Notes

12.1 Entry in Register

- (a) The Issuer may create and issue Capital Notes by entering, or causing the entry of the relevant applicants (or their nominees) in the Register as the holders of the relevant number of Capital Notes.
- (b) A Capital Note is issued when the relevant Capital Note Holder is entered in the Register as the holder of the Capital Note.
- (c) All Capital Notes in respect of which an entry is made in the Register are (subject to rectification for fraud or error) taken to have been validly issued under this deed, regardless of any non-compliance by the Issuer with the provisions of this deed.

12.2 No certificates

Except to the extent required by law or otherwise determined by the Issuer, no certificates (as distinct from Statements of Holding) in respect of the Capital Notes will be issued by the Issuer or the Trustee.

12.3 Statement of Holding

- (a) The Issuer or the Registrar (as applicable) must issue to each Capital Note Holder a Statement of Holding as soon as reasonably practicable after the Issue Date for the Capital Notes and in any event within 15 Business Days of the Issue Date for the Capital Notes.
- (b) A Statement of Holding is no assurance or guarantee that any amounts will be paid to the Capital Note Holder

13 Register

13.1 Register

The Issuer must establish and maintain, or procure the establishment and maintenance of, a register of the Capital Note Holders. The Issuer must enter into the Register in respect of a Capital Note and each Capital Note Holder:

- (a) the name of the Capital Note Holder or, in the case of joint Capital Note Holders, the names of the first two Capital Note Holders on the application form or Transfer Form for such Capital Note;
- (b) the address of the Capital Note Holder or, in the case of joint Capital Note Holders, the address of each Capital Note Holder whose name first appears on the application form or Transfer Form for such Capital Note;
- (c) the number and amount of Capital Notes held by such Capital Note Holder;
- (d) if provided, their Australian tax file number or evidence of any exemption from the need to provide an Australian tax file number;
- (e) if provided, their Australian Company Number, Australian Business Number or other Australian identifying registration number;
- (f) the account to which payments in respect of the Capital Note are to be paid or the address to which payments are to be posted;
- (g) the Issue Date; and
- (h) any other particulars the Issuer considers desirable or are required under this deed or by law.

13.2 Location of Register

The Register will be kept at:

- (a) the Registrar's principal place of business in New South Wales;
- (b) such other place in Australia approved by the Issuer and the Registrar where the work involved in maintaining the Register is done; or
- (c) another place in Australia approved by ASIC.

13.3 Issuer not liable for mistakes

The Issuer is not liable for any mistake in the Register, or in any purported copy of the Register, except to the extent that the mistake is attributable to the Issuer's own fraud, negligence or wilful default.

13.4 Trustee may accept correctness

In the absence of manifest or proven error, the Register is conclusive evidence of the ownership of the Capital Notes and the Trustee is entitled to accept the correctness of all information contained in the Register without investigation and is not liable to any person for any error in it.

13.5 Inspection

- (a) The Register will be available for inspection by the Trustee and persons authorised by the Trustee during normal business hours and at any other times approved by the Trustee and the Registrar.
- (b) Subject to any Instruments of Exemption, the Register will be available for inspection by the Trustee and the Capital Note Holders (and by any other persons authorised in writing by the Trustee or relevant Capital Note Holders) during normal business hours.

13.6 Change in information

A Capital Note Holder must advise the Issuer of any change to the information noted in the Register. On receipt of such advice, the Issuer must promptly update the information contained in the Register.

The Issuer is not however obliged to change the information contained in the Register while it is closed.

13.7 Rectification of Register

If:

- (a) an entry is omitted from the Register;
- (b) an entry is made in the Register otherwise than under this deed;
- (c) an entry wrongly exists in the Register;
- (d) there is an error or defect in any entry in the Register; or
- (e) a default is made or an unnecessary delay takes place in entering into the Register that any person has ceased to be the holder of a Capital Note or any other information,

the Issuer may rectify the same. Neither the Issuer nor the Trustee is liable for any loss, Costs or liability incurred as a result of any of the above occurring.

13.8 Closure of Register

On giving a notice by advertisement or otherwise as may be required by law, or the requirements of the ASX Listing Rules, the Issuer may from time to time close the Register for any period or periods not exceeding in any one year the maximum period permitted by law or those requirements in aggregate in any calendar year.

13.9 Appointment of Registrar

The Issuer may cause the Register to be maintained by a third party on its behalf and require that person to:

- (a) discharge the Issuer's obligations under this deed in connection with the Register and transfers of Capital Notes; and
- (b) assist it in the supply and delivery of the information, records and reports required by law.

Neither the Issuer nor the Trustee is liable for any act or omission of any person appointed by the Issuer under this clause 13.9, provided that the Issuer will be liable unless it has taken reasonable steps to select a person competent to perform the intended functions. If the Issuer is not establishing or maintaining the Register, the Issuer must immediately notify the Trustee of the person who is establishing and maintaining the Register.

13.10 Replacement of Registrar

If the Issuer is actually aware that the Registrar is not performing its duties, the Issuer shall take reasonable steps to remove the Registrar and replace it with a person it reasonably believes is competent to perform the intended functions.

13.11 Copy to the Trustee

The Issuer will give, or cause to be given, to the Trustee, a complete copy (which may be in electronic or written form as the Issuer so determines) of the Register as soon as is reasonably practicable after the Trustee so requests.

13.12 Property in Capital Notes situated where Register is

The property in the Capital Notes will for all purposes be regarded as situated at the place where the Register is for the time being situated and not elsewhere.

13.13 CHESS sub-register

If the Capital Notes are lodged or approved for entry in CHESS and CHESS involves the maintenance of a sub-register, then the rules and regulations of CHESS with respect to that sub-register prevail to the extent of any inconsistency with this clause 13 in connection with the Capital Notes.

14 Meetings of Capital Note Holders

14.1 Meeting provisions

The Trustee and the Issuer agree to call and hold meetings of Capital Note Holders under the Meeting Provisions, the Corporations Act and the ASX Listing Rules.

14.2 Holder Resolution

Subject to clause 14.3, Capital Note Holders may, by a Holder Resolution:

- (a) approve the amendment of this deed under clause 15.1(b)(ii); and
- (b) give directions to the Trustee as to, or authorise, ratify or confirm anything done or not done by the Trustee in respect of the performance or exercise of any of the duties, rights, powers and remedies of the Trustee under or relating to this deed or the Capital Notes, or any other instrument to which the Trustee is or becomes a party in the capacity of trustee under this deed.

To the extent permitted by law, the Trustee is not liable to a Capital Note Holder, the Issuer or any other person for acting on directions given by the Capital Note Holders under this deed, or under any authorisation, resolution or confirmation made or given by the Capital Note Holders to the Trustee.

14.3 Special Resolution

Notwithstanding any other term of this deed, Capital Note Holders may by a Special Resolution:

- (a) approve the release of the Trustee from liability for something done or omitted to be done by the Trustee or any other person before the release is given;
- (b) approve any act taken or to be taken by the Trustee; and
- (c) approve the amendment of this deed under clause 15.1(b)(iii) or 15.1(b)(iv).

15 Amendments

15.1 Amendments

- (a) At any time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may, with the approval of the Trustee (such approval not to be unreasonably withheld or delayed), but without the consent of the Capital Note Holders, amend the Capital Notes Terms in accordance with the Capital Notes Terms and this deed.
- (b) At any time, but subject to compliance with the Corporations Act and all other applicable laws, the Issuer may, with the approval of the Trustee (such approval not to be unreasonably withheld or delayed) by a supplemental deed, amend this deed (other than the Capital Notes Terms):
 - (i) if the Issuer is of the opinion such amendment is:
 - (A) of a formal, technical or minor nature;
 - (B) made to cure any ambiguity or correct any manifest error;
 - (C) necessary or expedient for the purpose of enabling the Capital Notes to be:
 - (aa) listed for quotation, or to retain quotation, on any securities exchange; or
 - (ab) offered for subscription or for sale under the laws for the time being in force in any place;
 - (D) necessary to comply with:
 - (aa) the provisions of any statute or the requirements of any statutory authority;
 - (ab) 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; or
 - (E) in any other case, not materially prejudicial to the interests of the Capital Note Holders as a whole.

For the purposes of determining whether an amendment is not materially prejudicial to the interests of Capital Note Holders as a whole, the taxation and regulatory capital consequences to Capital Note Holders (or any class of Capital Note Holders) and other special consequences or circumstances which are personal to a Capital Note Holder (or any class of Capital Note Holders) do not need to be taken into account by the Issuer;

- (ii) except as otherwise provided in clauses 15.1(b)(iii) and 15.1(b)(iv), if such amendment is authorised by a Holder Resolution;
- (iii) in the case of an amendment to this clause 15 or any clause of this deed providing for Capital Note Holders to give a direction to the Trustee by a Special Resolution, if a Special Resolution is passed in favour of such amendment; or

- (iv) in the case of an amendment to the Meeting Provisions and to which clause 15.1(b)(i) does not apply, if a Special Resolution is passed in favour of such amendment.
- (c) Where an amendment to the Capital Notes Terms or this deed may cause the Capital Notes to cease to be eligible for inclusion as Additional Tier 1 Capital of the IAG Level 2 Insurance Group, APRA's prior written approval of the amendment must be obtained. The Trustee is entitled to accept an Officer's Certificate delivered to it by the Issuer and attaching evidence that APRA's approval is not required, or if required has been obtained from APRA, as conclusive evidence that the APRA approval of the amendment is not required, or if required has been obtained.

15.2 Consent

Prior to any amendment under clause 15.1, the Issuer must obtain any consent needed to the amendment under this deed and, in particular, any amendment of this deed which may cause the Capital Notes to cease to be eligible for inclusion as Additional Tier 1 Capital of the IAG Level 2 Insurance Group is subject to the prior written approval of APRA. The Trustee is entitled to accept an Officer's Certificate delivered to it by the Issuer and attaching evidence that APRA's approval is not required, or if required has been obtained from APRA, as conclusive evidence that the APRA approval of the amendment is not required, or if required, has been obtained.

15.3 No consent of Senior Ranking Creditors

Nothing in this clause 15 shall be taken to require the consent of any Senior Ranking Creditor to any amendment of this deed.

15.4 Interpretation

In this clause 15, "**amend**" includes modify, cancel, alter, waive or add to, and "**amendment**" has a corresponding meaning.

16 Confidentiality

16.1 Financial information

The Trustee has no duty or obligation to provide any Capital Note Holder with any financial information relating to the Issuer provided that the Trustee shall, at the request of a Capital Note Holder, provide to that Capital Note Holder copies of any financial statements received by the Trustee under clause 10.1(i).

16.2 Confidential Information

The Trustee must keep confidential all Confidential Information (as defined below) of the Issuer except:

- (a) as (but only to the extent) required by this deed or in connection with any obligation, duty or power of the Trustee under this deed;
- (b) as (but only to the extent) required by law or any judicial or regulatory authority or body;
- (c) to those officers, employees, delegates and professional advisers of the Trustee to whom it is necessary to reveal the information or any part of it; or

- (d) to a person approved in writing by the Issuer (such approval to be given or withheld in the Issuer's absolute discretion or on such conditions as it deems fit).

16.3 Undertaking

The Trustee agrees to use its reasonable endeavours to ensure that every person to whom it provides Confidential Information under this clause 16 (except under clauses 16.2(a) and 16.2(b)) gives and performs obligations under a confidentiality undertaking in the same terms as this clause 16.

16.4 Meaning

In this clause 16, "**Confidential Information**" means all information and other material provided to or obtained by the Trustee, a delegate or any officer, employee, professional adviser or other consultant of the Trustee under, in connection with or related to this deed or any obligation, duty or power of the Trustee under this deed, that is not in the public domain.

17 Discharge and release

17.1 Discharge and release

By force of this clause 17, the Issuer will immediately be discharged and released from its liabilities, obligations and covenants under this deed when:

- (a) each Capital Note has been Redeemed, Converted or Written-Off or has otherwise been satisfied;
- (b) the Issuer provides an Officer's Certificate to the Trustee stating that each Capital Note has been Redeemed, Converted or Written-Off or otherwise satisfied;
- (c) the Issuer has furnished to the Trustee a statement in writing that it does not intend to, and will not, create any Capital Notes in the future under this deed; and
- (d) all Costs reasonably incurred by the Trustee and all other amounts which are payable or reimbursable by the Issuer have been paid.

The Trustee must then, if required by the Issuer, execute a confirmation of release in favour of the Issuer (which includes a statement that the requirements of this clause have been satisfied) and terminate this deed and this deed will terminate on such a release being given (subject to clause 6.6 of this deed). The Trustee is, to the extent permitted by law, discharged and released from its obligations, covenants and liabilities under this deed with effect from the termination of this deed.

17.2 Distribution

If this deed is terminated under clause 17.1, the Trustee will distribute the balance of the capital and income (if any) of the Trust (including cash) at the direction of the Issuer.

18 Notices

All notices and other communications given in connection with this deed must be given in accordance with clause 15 of the Capital Notes Terms, which clause applies to all such notices and communications.

19 General

19.1 Certificates

The Trustee may give to any other party to this deed a certificate about an amount payable or other matter in connection with this deed. In the absence of manifest or proven error, that certificate is sufficient evidence of the amount or matter.

19.2 Remedies cumulative

The rights and remedies of the Trustee under this deed are in addition to other rights and remedies given by law independently of this deed.

19.3 Payments of commission, brokerage etc.

The Issuer or a Related Entity of the Issuer may pay a commission, procuration fee, brokerage or any other fees to any person for subscribing or underwriting the subscription of or subscription for the Capital Notes.

19.4 Indemnities

Any indemnity in this deed is a continuing obligation, independent of the Issuer's other obligations under this deed and continues after this deed ends. It is not necessary for the Trustee to incur expense or make payment before enforcing a right of indemnity under this deed.

19.5 Serving documents

Without preventing any other method of service, any document in a court action in connection with this deed or the Capital Notes may be served by being delivered to or left at that party's address specified in the Details (if relevant) or at the person's registered office or principal place of business.

19.6 Indirect Tax

- (a) All payments to be made by the Issuer under or in connection with this deed have been calculated without regard to Indirect Tax. If all or part of any such payment is the consideration for a taxable supply for the purposes of Indirect Tax then, when the payer makes the payment:
 - (i) the payer must pay to the Trustee an additional amount equal to that payment (or part) multiplied by the appropriate rate of Indirect Tax; and
 - (ii) the Trustee will promptly provide to the payer a tax invoice complying with the relevant law relating to that Indirect Tax.
- (b) Where this deed requires the Issuer to reimburse the Trustee for any Costs, the Issuer must also at the same time pay and indemnify the Trustee against all Indirect Tax incurred by the Trustee in respect of the Costs save to the extent that the Trustee is entitled to repayment or credit in respect of the Indirect Tax. The Trustee will promptly provide to

the Issuer a tax invoice complying with the relevant law relating to that Indirect Tax. Unless notified by the Trustee, the Issuer must assume that the Trustee is not entitled to any input tax credit for that Indirect Tax. The Trustee must promptly notify the Issuer if it is entitled to any input tax credit for that Indirect Tax.

Capital Notes Terms used in this clause 19.6 have the meaning given to them in the *A New Tax System (Goods and Services Tax) Act 1999* (as appropriate).

19.7 Counterparts

This deed may consist of a number of copies, each signed by one or more parties to this deed. If so, the signed copies are treated as making up the one document.

19.8 Governing law and jurisdiction

- (a) This deed and the Capital Notes are governed by the law in force in New South Wales.
- (b) Each party submits, and each Capital Note Holder is taken to have submitted, to the non-exclusive jurisdiction of the courts of that place.
- (c) The Issuer waives any right it has to object to an action being brought in those courts including by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

EXECUTED as a deed

IAG Capital Notes Trust Deed

Schedule 1 – Definitions and Interpretation

1.1 Definitions in Capital Notes Terms

Any term capitalised in this deed and not defined in this deed (including this schedule) has the meaning given in the Capital Notes Terms.

1.2 Other definitions

In this deed, these meanings apply unless the contrary intention appears:

ASIC means the Australian Securities and Investments Commission;

Capital Note means a perpetual, subordinated, unsecured debt obligation issued, or to be issued, by the Issuer on the terms and conditions set out in Schedule 2;

Capital Notes Terms means the terms and conditions of the Capital Notes as set out in Schedule 2;

Costs includes costs, charges and expenses;

Details means the section of this deed headed “Details”;

Eligible Trustee means a body corporate eligible to act as a trustee for the purposes of Section 283AA and 283AC of the Corporations Act;

Government Agency means the Crown, a government, a government department or a governmental, semi-governmental, statutory, administrative, parliamentary, provincial, public, municipal, local, judicial or quasi-judicial body;

Holder Resolution means a resolution passed:

- (a) at a meeting of Capital Note Holders of the Capital Notes, duly called and held under the Meeting Provisions:
 - (i) by at least 50% of the persons voting on a show of hands (unless paragraph (b) below applies);
 - (ii) if a poll is duly demanded, then by a majority consisting of at least 50% of the votes cast; or
- (b) by postal ballot or written resolution under the Meeting Provisions by Capital Note Holders representing (in aggregate) at least 50% of the outstanding Capital Notes;

Indirect Tax means any goods and services tax, consumption tax, value added tax or any tax of a similar nature;

Instrument of Exemption means the terms on which ASIC:

- (a) exempts the Issuer from provisions of the Corporations Act; or

- (b) declares that provisions of the Corporations Act apply to the Issuer as if specified provisions were omitted, modified or varied as specified in the declaration;

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

Material Adverse Effect means an event or circumstance which (and, for the avoidance of doubt, after taking account of any warranty, indemnity or other right of recourse against any creditworthy third party with respect to the relevant event or circumstance provided that in each such case the benefit of each such warranty, indemnity, insurance, or other right of recourse is likely to be realised within a timeframe sufficient to negate the otherwise material adverse effect of the event or circumstance in question) has or would reasonably be expected to have a material adverse effect on:

- (a) the ability of the Issuer to meet its payment obligations in respect of the Capital Notes; or
- (b) subject to reservations or qualifications in any legal opinion accepted by the Trustee in connection with the issue of any Capital Notes or this deed, the validity or enforceability of the rights and remedies (taken as a whole) of the Capital Note Holders under this deed;

Meeting Provisions means the provisions for meetings of the Capital Note Holders set out in Schedule 3 to this deed;

Officer's Certificate means a certificate signed by a director or secretary of the Issuer;

Related Body Corporate has the meaning given in the Corporations Act.

Statement of Holding means a statement of holding (in the form determined by the Issuer and the Registrar from time to time) which sets out details of the number of Capital Notes inscribed in the Register in the Capital Note Holder's name as at the date specified in the statement;

Subsidiary has the meaning given in the Corporations Act;

Transfer Form means a transfer form substantially in the form determined by the Issuer;

Trust means the trust constituted by this deed;

Trust Fund means:

- (a) the right to enforce the Issuer's duty to repay under the Capital Notes;
- (b) the right to enforce any duties or obligations that the Issuer has:
- (i) under the Capital Notes Terms;
 - (ii) under this deed; or
 - (iii) under Chapter 2L of the Corporations Act;
- (c) the amount of A\$10 referred to in clause 3.3; and
- (d) any other property held by the Trustee on the trust established under this deed (including, without limitation, the benefit of any covenants, undertakings, representations, warranties, rights, powers, benefits or remedies in favour of the Trustee under this deed);

Trustee means The Trust Company (Australia) Limited (ABN 21 000 000 993);

Trustee Default means, in respect of the Trustee, fraud, gross negligence, wilful default, material breach of its obligations under this deed or breach of section 283DA(a), (b) or (c) of the Corporations Act, but for the purposes of this deed a Trustee Default will be taken not to have occurred unless the matters alleged to constitute the Trustee Default:

- (a) have been admitted by the Trustee; or
- (b) have been the subject of the judgment of an Australian court of competent jurisdiction which:
 - (i) is not capable of appeal;
 - (ii) the Trustee has stated it will not appeal; or
 - (iii) the time period for appeal from which has lapsed; and

Trustee Liability has the meaning given in clause 7.1(j) of this deed.

1.3 Interpretation

In this deed, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a document (including this deed) includes all schedules or annexes to it;
- (d) a reference to a clause or paragraph is to a clause or paragraph of this deed or its schedules or annexes provided that a reference to a clause in the Capital Notes Terms is to the correspondingly numbered term and a reference in the Capital Notes Terms to “the Trust Deed” is to this deed;
- (e) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (f) a reference to “**Australian dollars**”, “**A\$**”, “**dollar**”, “**\$**” or “**cent**” is a reference to the lawful currency of Australia;
- (g) unless otherwise specified, a reference to time is to Sydney, Australia time;
- (h) a reference to a person includes a reference to the person’s executors, administrators, successors and permitted assigns and substitutes;
- (i) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (j) a reference to a statute, ordinance, code, rule, directive or law (however described) includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

- (k) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- (l) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (m) headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this deed;
- (n) any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer only if the Issuer is an entity subject to regulation and supervision by APRA at the relevant time;
- (o) any provisions which require APRA's consent or approval (written or otherwise) will apply only if APRA requires that such consent or approval be given at the relevant time; and
- (p) any provisions in this deed requiring the prior approval of APRA for a particular course of action to be taken by the Issuer do not imply that APRA has given its consent or approval to the particular action as of the Issue Date or that it will at any time give its consent or approval to the particular action.

1.4 Acknowledgements

The parties acknowledge and agree, and each Capital Note Holder is taken to have acknowledged and agreed, that Capital Notes which are lodged or approved for entry in CHESS are subject to the rules and regulations of CHESS.

1.5 Inconsistency with the ASX Listing Rules

So long as Capital Notes are quoted on ASX, this deed (including the Capital Notes Terms) as it relates to those Capital Notes is to be interpreted in a manner consistent with applicable ASX Listing Rules, except to the extent that an interpretation consistent with the ASX Listing Rules would cause the Capital Notes to cease to be eligible for inclusion as Additional Tier 1 Capital of the IAG Level 2 Insurance Group.

1.6 Inconsistency with Capital Notes Terms

A provision of any part of this deed (other than the Capital Notes Terms) which is inconsistent with a provision of the Capital Notes Terms does not operate to the extent of the inconsistency.

IAG Capital Notes Trust Deed

Schedule 2 – Capital Notes Terms

1 Capital Notes

1.1 Constitution under Trust Deed

Capital 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 Notes Terms.

1.2 Form

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

1.3 Issue Price

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

1.4 CHESS

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

- (a) policy liabilities of any IAG or any Related Entity of IAG 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 are unsecured notes for the purposes of section 283BH of the Corporations Act.

3 Distributions

3.1 Distributions

Subject to these Capital Notes Terms, IAG will pay interest on each Capital Note in arrears 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:

$$\text{Distribution Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - T)$$

where:

Bank Bill Rate (expressed as a percentage per annum) means, for a Distribution Period, the rate for prime bank eligible securities having a tenor of 3 months, which is designated as the “AVG MID” on the Reuters Screen BBSW Page (or any page which replaces that page) at approximately 10:15am, Sydney time (or such other time at which such rate customarily appears on that page) on the relevant day (**Publication Time**), on the first Business Day of the Distribution Period. However, if such rate does not appear on the Reuters Screen BBSW Page (or any page which replaces that page) by 10.30am, Sydney time, on that day (or such other time that is 15 minutes after the then prevailing Publication Time), or if it does appear but IAG determines that there is an obvious error in that rate, “Bank Bill Rate” means the rate determined by IAG having regard to comparable indices then available;

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

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

N means in respect of:

- (a) the first Distribution Payment Date, the number of days from (and including) the Issue Date until (but not including) the first Distribution Payment Date; and
- (b) each subsequent Distribution Payment Date, the number of days from (and including) the preceding Distribution Payment Date until (but not including) the relevant Distribution Payment Date.

3.2 Franking adjustments

If any Distribution is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), the Distribution will be calculated according to the following formula:

$$\text{Distribution} = \frac{D}{1 - [T \times (1 - F)]}$$

where:

D means the Distribution calculated under clause 3.1;

T has the meaning given in clause 3.1; and

F means the applicable Franking Rate.

3.3 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.

3.4 Distributions are non-cumulative

Distributions are non-cumulative. If all or any part of a Distribution is not paid because of clause 3.3 or because of any applicable law, IAG has no liability to pay the unpaid amount of the Distribution and Capital Note 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 Holders have no claim or entitlement in respect of interest on any unpaid Distributions.

3.5 Distribution Payment Dates

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

- (a) each 15 March, 15 June, 15 September and 15 December commencing on 15 March 2017 until (but not including) the date on which a Redemption or Conversion of that Capital Note occurs in accordance with these Capital Notes Terms; and
- (b) each date on which an Exchange of that Capital Note occurs, other than a Conversion on a Trigger Event Date, in each case in accordance with these Capital Notes 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.

3.6 Record Dates

A Distribution is only payable on a Distribution Payment Date to those persons registered as Capital Note Holders on the Record Date for that Distribution.

3.7 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.

3.8 Exclusions from restrictions in case of non-payment

The restrictions in clause 3.7 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 Notes 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 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) 16 June 2025 (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 this clause 4.3:

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 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 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 Holders (an **Exchange Notice**) elect:

- (a) to Exchange all or some Capital Notes on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event;
- (b) to Exchange all or some Capital Notes on the Optional Exchange Date; or
- (c) to Convert all (but not some only) Capital Notes 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 is irrevocable.

5.2 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 the last Business Day of the month following the month in which the Exchange Notice was given by IAG unless IAG determines an earlier Exchange Date having regard to the best interests of Capital Note Holders as a whole and the relevant event; or
 - (ii) in the case of an Exchange on the Optional Exchange Date, is that date, which date must fall:
 - (A) no earlier than:
 - (aa) 25 Business Days, where the Exchange Method elected is, or includes, Conversion; or
 - (ab) 15 Business Days, where the Exchange Method is Redemption or Resale, and
 - (B) in any case no later than 50 Business Days,after the date on which the Exchange Notice is given;
 - (iii) in the case of a Potential Acquisition Event, is 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;
- (c) the Exchange Method in accordance with clause 5.3;
- (d) if less than all outstanding Capital Notes are subject to Exchange, which Capital Notes 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 are to be Resold, the identity of the Nominated Purchaser or Nominated Purchasers for that Resale.

5.3 Exchange Method

(a) If IAG elects to Exchange Capital Notes in accordance with clause 5.1, it must, subject to clause 5.3(b) and clause 5.4 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 (the **Exchange Method**):

- (i) Convert Capital Notes into Ordinary Shares in accordance with clause 8;
- (ii) Redeem Capital Notes in accordance with clause 9; or
- (iii) Resell Capital Notes in accordance with clause 10.

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

(c) If IAG issues an Exchange Notice to Exchange only some Capital Notes, subject to clause 5.3(d) IAG must endeavour to treat Capital Note 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 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 held by a Capital Note Holder; and
- (ii) a different Exchange Method or a combination of Exchange Methods to apply to Capital Notes held by different Capital Note Holders,

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

5.4 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**).

5.5 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 (tested on the basis that the Relevant Percentage is 20%), then, notwithstanding any other provision of these Capital Notes 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 on the Deferred Conversion Date (unless the Capital Notes are Exchanged earlier in accordance with these Capital Notes Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the Capital Notes will continue as if the Exchange Notice had not been given.

IAG will notify the Trustee and Capital Note Holders on or as soon as practicable after an Exchange Date in respect of which this clause 5.5 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 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 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 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) in determining the number of Capital Notes 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; 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; 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 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;
- (c) on the Trigger Event Date IAG must determine the Capital Note Holders whose Capital Notes 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 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 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;

- (d) IAG must give notice of that event (a **Trigger Event Notice**) as soon as practicable to the Trustee and Capital Note Holders, which notice must specify:
 - (i) the Trigger Event Date;
 - (ii) the number of Capital Notes 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 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 Holders whose Capital Notes are to be Converted; and
 - (v) any requirement to select the number of Capital Notes 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 Holder of any Capital Note 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 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 on account of the Non-Viability Trigger Event will not occur and those Capital Notes 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 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 has not been effected within 5 Business Days after the relevant Trigger Event Date for any reason (including an Inability Event), each Capital Note 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 and a Trigger Event Date:

- (a) the Capital Note will not be Converted on that date and will not be Converted, Redeemed or Resold under these Capital Notes Terms on any subsequent date; and
- (b) the relevant Capital Note Holders' rights (including to payment of Distributions and Redemption Price) in relation to such Capital Note 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 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 Holders (an **Acquisition Conversion Notice**) and Convert all (but not some only) Capital Notes 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 (tested on the basis that the Relevant Percentage is 20%), then, notwithstanding any other provision of these Capital Notes 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 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 (tested on the basis that the Relevant Percentage is 20%),

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 or must Convert Capital Notes in accordance with these Capital Notes 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 held by the Capital Note 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:

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

where:

Relevant Percentage means:

- (i) if Conversion is occurring on a Mandatory Conversion Date, 50%; and
- (ii) if Conversion is occurring at any other time, 20%;
- (b) each Capital Note 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 that is being Converted will be immediately and irrevocably terminated in full for an amount equal to the Issue Price of that Capital Note 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 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 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 Holder in respect of that Capital Note Holder's aggregate holding of Capital Notes 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 Notes 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 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 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 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 Holders under these Capital Notes Terms and these Capital Notes Terms will be construed accordingly. Any such adjustment must be promptly notified to all Capital Note 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(b) and 8.5(c), 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;

V₀ means the Issue Date VWAP applying immediately prior to the application of this formula;

RN means the number of Ordinary Shares issued pursuant to the bonus issue; and

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue.

- (b) For the avoidance of doubt, 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.
- (c) 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.
- (d) 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.

- (e) 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 Holders or otherwise requiring any consent or concurrence of any Capital Note 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 Holders under these Capital Notes Terms and these Capital Notes Terms will be construed accordingly.
- (c) Any such adjustment must be promptly notified to all Capital Note Holders.
- (d) Each Capital Note 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 Holders or otherwise requiring any consent or concurrence of any Capital Note 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 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 on ASX.

8.11 Foreign Capital Note Holders

Where Capital Notes held by a Foreign Capital Note Holder are to be Converted, unless IAG is satisfied that the laws of the Foreign Capital Note Holder's country of residence permit the issue of Ordinary Shares to the Foreign Capital Note Holder (but as to which IAG is not bound to enquire), either unconditionally or after compliance with conditions which IAG in its absolute discretion regards as acceptable and not unduly onerous, the Ordinary Shares which the Foreign Capital Note Holder is obliged to accept will, subject to clause 6.4, be issued to a nominee (which 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 received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Foreign Capital Note Holder.

8.12 FATCA withholding

Where a FATCA Withholding is required to be made in respect of Ordinary Shares issued on Conversion of Capital Notes, or where IAG has reasonable grounds to suspect that a FATCA Withholding would be required to be made in respect Ordinary Shares issued on Conversion of Capital Notes, the Ordinary Shares which the Capital Note Holder is obliged to accept will be issued to the Capital Note Holder of the Capital Note only to the extent (if at all) that the issue is net of FATCA Withholding and IAG will issue the balance of the Ordinary Shares (if any) to a nominee (which may not be IAG or a Related Entity of IAG) who will sell those Ordinary Shares, deal with any proceeds of their disposal in accordance with FATCA and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, net of any FATCA Withholding, to the Capital Note Holder.

9 Redemption mechanics

9.1 Redemption mechanics to apply to Redemption

If, subject to APRA's prior written approval and compliance with clause 5.3(b), IAG elects to Redeem Capital Notes in accordance with these Capital Notes Terms, the provisions of this clause 9 apply to that Redemption.

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

9.2 Redemption

- (a) Capital Notes will be Redeemed by payment on the Exchange Date of an amount equal to the Issue Price (the **Redemption Price**) to the Capital Note 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 Holders

On the Exchange Date the only right Capital Note Holders will have in respect of Capital Notes will be to obtain the Redemption Price payable in accordance with these Capital Notes Terms and upon payment of the Redemption Price, all other

rights conferred, or restrictions imposed, by Capital Notes 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 in accordance with these Capital Notes 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. If IAG appoints more than one Nominated Purchaser for a Resale, all or any of the Capital Notes held by a Capital Note 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.
- (b) 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 the subject of the Resale from each relevant Capital Note 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

On the Exchange Date, each relevant Capital Note Holder is taken irrevocably to offer to sell the Capital Notes 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 Holders, on the Exchange Date all right, title and interest in the Capital Notes 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 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 will not be transferred to the Defaulting Nominated Purchaser on the Exchange Date; and
- (c) Capital Notes Holders will continue to hold the Capital Notes referable to the Defaulting Nominated Purchaser until they are otherwise Redeemed, Converted or Resold in accordance with these Capital Notes 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 general rights

11.1 Power of attorney

- (a) Each Capital Note 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 Holder with power in the name and on behalf of the Capital Note 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 Holder to observe or perform the Capital Note Holder's obligations under these Capital Notes Terms including, but not limited to, accepting any buy-back offer, effecting any transfers of Capital Notes 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 Holder of the Capital Note Holder's obligations under these Capital Notes Terms and is irrevocable.

11.2 Capital Note Holder acknowledgments

Each Capital Note Holder irrevocably:

- (a) upon Conversion of a Capital Note 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 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;

- (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 Notes Terms and no other conditions or events will affect Conversion; and
 - (iv) clause 6.4 is a fundamental term of these Capital Notes 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 on the occurrence of the Conversion;
- (f) acknowledges and agrees that IAG may from time to time, without the consent of any Capital Note Holder:
 - (i) issue any securities ranking equally with the Capital Notes (on the same terms or otherwise) or ranking in priority or junior to the Capital Notes;
 - (ii) redeem, buy back, return capital on or convert any securities other than Capital Notes at any time except where expressly prevented from doing so under clause 3.7;
 - (iii) subject to APRA's prior written consent, purchase or procure the purchase of Capital Notes from Capital Note Holders at any time and at any price. Any Capital Note 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 Holder has no right to request an Exchange;
 - (ii) a Capital Note 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;
 - (iii) these Capital Notes 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 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.

12 Voting rights and meetings

12.1 No voting rights

Prior to Conversion, Capital Note Holders will not be entitled to vote at or attend any general meeting of IAG.

12.2 No other rights

The Capital Notes confer no rights on a Capital Note 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 Notes Terms or the Trust Deed.

12.3 Meetings of the Capital Note Holders

The Trust Deed contains provisions for convening meetings of the Capital Note Holders to consider any matter affecting their interests including certain variations of these Capital Notes Terms which require the consent of the Capital Note 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 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 Holders or that they are entitled to participate in the scheme of arrangement or a similar transaction.

14 Title and transfer of Capital Notes

14.1 Title

Title to Capital Notes 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 constitutes:

- (a) a separate and independent acknowledgment to the relevant Capital Note Holder of the obligations of IAG to the relevant Capital Note Holder; and
- (b) conclusive evidence that the person so entered is the absolute owner of the Capital Note 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 Holder of a Capital Note as the absolute owner of that Capital Note. This clause 14.3 applies whether or not payment has not been made as scheduled in respect of a Capital Note and despite any notice of ownership, trust or interest in the Capital Note.
- (b) No notice of any trust, Encumbrance or other interest in, or claim to any Capital Note will be entered in the Register.

14.4 Joint Capital Note Holders

Where two or more persons are entered in the Register as the joint Capital Note Holders of a Capital Note then they are taken to hold the Capital Note as joint tenants with rights of survivorship, but the Registrar is not bound to register more than three persons as joint Capital Note Holders of any Capital Note.

14.5 Transfers in whole

Capital Notes may be transferred in whole but not in part.

14.6 Transfer

- (a) A Capital Note Holder may transfer a Capital Note:
 - (i) while the Capital Note 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 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 Holder; or
 - (ii) a vesting order by a court or other body with power to make the order on receiving the evidence 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.

14.8 IAG may request a holding lock or refuse to register a transfer

If Capital Notes 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 approved by and registered on the operator's electronic sub-register or Capital Notes registered on an issuer-sponsored sub-register, as the case may be; or
- (b) refuse to register a transfer of Capital Notes.

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 approved by and registered on the operator's electronic sub-register or Capital Notes 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 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 Notes Terms.
- (c) During a breach of the ASX Listing Rules relating to Restricted Securities, or a breach of a Restriction Agreement, the Capital Note 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 or refuses to register a transfer of Capital Notes, 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 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, 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.

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 Notes Terms in respect of the transferred Capital Notes and the transferee becomes so entitled.

14.13 Transfer of unidentified Capital Notes

Where the transferor executes a transfer of less than all Capital Notes registered in its name, and the specific Capital Notes to be transferred are not identified, the Registrar may register the transfer in respect of such of the Capital Notes registered in the name of the transferor as the Registrar thinks fit, provided the aggregate of the Issue Price of all the Capital Notes registered as having been transferred equals the aggregate of the Issue Price of all the Capital Notes expressed to be transferred in the transfer.

15 Notices

15.1 Notices to Capital Note Holders

A notice or other communication is properly given by IAG, the Trustee or the Registrar to a Capital Note 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 Holder;
 - (iii) sent by fax to the fax number (if any) nominated by that person; or
 - (iv) sent by electronic message to the electronic address (if any) nominated by that person.

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 be given to Capital Note 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 Holders take effect

Notices or other communications from IAG, the Trustee or the Registrar to Capital Note Holders take effect on the day the notice or communication was delivered, sent or published on IAG's website (as applicable under clauses 15.1 and 15.2).

15.4 Non-receipt of notice by a Capital Note Holder

The non-receipt of a notice or other communication by a Capital Note Holder or an accidental omission to give notice to a Capital Note Holder will not invalidate the giving of that notice either in respect of that Capital Note Holder or generally.

15.5 Notices to IAG

A notice or other communication given to IAG in connection with Capital Notes must be:

- (a) in legible writing or typing and in English; and
- (b) either:
 - (i) addressed as shown below:

Attention: Group General Counsel and Company Secretary

Address: Insurance Australia Group Limited
Level 26, 388 George Street
Sydney NSW 2000

Fax No: +61 2 9292 8072; or
 - (ii) to such other address or email address as IAG notifies to Capital Note Holders as its address or email address (as the case may be) for notices or other communications in respect of these Capital Notes 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 must be:

- (a) in legible writing or typing and in English; and
- (b) addressed as shown below:

Attention: Corporate 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 to such other address or email address as the Trustee notifies to Capital Note Holders as its address or email address (as the case may be) for notices or other communications in respect of these Capital Notes 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 must be:

- (a) in legible writing or typing and in English; and
- (b) addressed as shown below:

Attention: IAG Capital Notes Registry

Address: GPO Box 4709
Melbourne VIC 3001

or to such other address or such email address as the Registrar notifies to Capital Note Holders as its address or email address (as the case may be) for notices or other communications in respect of these Capital Notes 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 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, facsimile 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) day after posting;
- (b) in the case of a facsimile, on production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient; and
- (c) 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) (b) or (c), if a letter, facsimile 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 Notes 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.
- (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 Holder, then the full amount payable to such Capital Note Holder shall be deemed to have been duly paid and satisfied by IAG.
- (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 Holder, deliver to that Capital Note 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 Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Capital Note Holder or a beneficial owner of Capital Notes 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 Holder or a beneficial owner of Capital Notes 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 Holder to the extent of the amount of that payment or issue of Ordinary Shares.

16.3 Manner of payment to Capital Note Holders

All moneys payable by IAG to a Capital Note 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 Holder in Australia (or in such other place as IAG approves) with a financial institution specified by the Capital Note 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 16.11(b).

16.4 Unsuccessful attempts to pay

Subject to applicable law and the ASX Listing Rules, where:

- (a) a Capital Note 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 Holder in Australia (or in such other place as IAG approves) with a financial institution to which payments in respect of a Capital Note may be made; or

- (b) IAG attempts to pay an amount to a Capital Note Holder by direct credit, electronic transfer of funds or any other means under the Capital Note 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 Holder without bearing interest until the first to occur of the following:

- (i) the Capital Note Holder or any legal personal representative of the Capital Note 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.

16.5 Payment to joint Capital Note Holders

A payment to any one of joint Capital Note 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 Notes Terms is void, to the fullest extent permitted by applicable law, unless made within five years of the due date for payment.

16.7 No interest accrues

No interest accrues on any unpaid amount in respect of any Capital Note.

16.8 Calculations and rounding of payments

For the purposes of completing any calculations required under these Capital Notes 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 Holder in respect of the Capital Note Holder's aggregate holding of Capital Notes must be rounded to the nearest one Australian cent (with 0.5 of a cent being rounded up to 1 cent).

16.9 Payments subject to law

All payments are subject to applicable law.

16.10 Payments on business days

If a payment in respect of a Capital Note:

- (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 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 Holder will be made on the next day on which the Capital Note Holder's bank is open for general banking business in that place and the Capital Note 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.

16.11 Payments to Capital Note 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 3.6; and
- (b) in the case of Redemption Price in respect of a Capital Note, payments will be made to the person registered as the Capital Note Holder in respect of that Capital Note as at a time determined by IAG and notified to ASX or as required by ASX.

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 30 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 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 Holder (and the Trustee) shall be entitled to prove for the Redemption Price in respect of a Capital Note only subject to, and contingent upon, the prior payment in full of the Senior Ranking Creditors; and
- (b) the Capital Note 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 Capital Note Holders of other instruments issued as Equal Ranking Instruments,

so that the Capital Note Holder receives, for the Capital Note, 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 Holders and Trustee as to subordination

Each Capital Note Holder (and the Trustee, in its capacity as trustee for the Capital Note 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 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 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;
- (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 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 do not confer on their Capital Note 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 Holder:

- (a) may not exercise any right of set-off against IAG in respect of any claim by IAG against that Capital Note 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.

IAG may not exercise any right of set-off against a Capital Note Holder in respect of any claim by that Capital Note 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 Notes Terms; or
- (b) to create a charge or security interest over any right of a Capital Note 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 Notes Terms. The Trustee shall not be bound to take any action under these Capital Notes Terms or the Trust Deed to enforce the obligations of IAG in respect of the Capital Notes or any other proceedings or action pursuant to or in connection with the Trust Deed or the Capital Notes unless:

- (a) it shall have been so directed by a Special Resolution of Capital Note Holders or so requested in writing by the Capital Note Holders holding Capital Notes representing at least 15% of the aggregate Issue Price of all Capital Notes then outstanding; and
- (b) it shall have been indemnified in accordance with clause 1.3 of the Trust Deed.

18.2 Capital Note Holder's right to take action

No Capital Note Holder shall be entitled to proceed directly against IAG to enforce any right or remedy under or in respect of any Capital Note 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 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 Notes 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 these Capital Notes Terms without the approval of Capital Note 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 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 the provisions of any statute or the requirements of any statutory authority;
- (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 to align them with any Additional Tier 1 Capital Securities issued after the date of such capital notes; 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 Holders as a whole.

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 these Capital Notes Terms:

- (a) except as otherwise provided in paragraphs (b), (c) and (d) below, if such amendment is authorised by a Special Resolution;
- (b) in the case of an amendment to this clause 19.2 or any clause of the Trust Deed providing for Capital Note Holders to give a direction to the Trustee by a Special Resolution, if a Special Resolution is passed in favour of such amendment;
- (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; and

- (d) otherwise in accordance with the Trust Deed.

19.3 Consents

Prior to any amendment under this clause 19, IAG must obtain any consent needed to the amendment and, in particular, any amendment which may cause the Capital Notes to cease to be eligible for inclusion as Additional Tier 1 Capital is subject to 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.

20 Governing law and jurisdiction

20.1 Governing law

These Capital Notes Terms are governed by the laws in force in New South Wales.

20.2 Jurisdiction

IAG and each Capital Note 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 Notes 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 Notes Terms.
- (b) The terms takeover bid, relevant interest, scheme of arrangement, buy-back and related body corporate when used in these Capital Notes 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 Notes 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 Notes 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 Notes 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 Notes 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 are quoted on ASX and entered into CHESS, the Capital Notes 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 as Additional Tier 1 Capital.
- (n) Calculations, elections and determinations made by IAG under these Capital Notes Terms are binding on Capital Note 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 Notes 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 Holder is required to give or deliver a notice to IAG by a certain date under these Capital Notes Terms, the notice must be received by IAG by that date.

21.2 Definitions for Capital Notes 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 pursuant 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.

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 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 Sydney, New South Wales.

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).

Capital 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 Holder means a person whose name is registered as the holder of a Capital Note.

Capital Notes Terms means these terms of issue of Capital Notes.

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, the allotment and issue of Ordinary Shares and the termination of the Capital Note Holder's rights in relation to that Capital Note, 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 5.5.

Deferred Conversion Notice has the meaning given in clause 5.5.

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 3.5 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.

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 CPS;
- (b) RES Preference Shares (if issued) and, in a winding-up of IAG, the claim of a holder of RES against IAG in respect of any failure by IAG to issue RES Preference Shares as required by the RES Terms;
- (c) each other preference share that IAG may issue that ranks or is expressed to rank equally with the foregoing and the Capital Notes 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 those preference shares and the Capital Notes.

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 5.3,

and **Exchanged** has a corresponding meaning.

Exchange Date has the meaning given in clause 5.2(b).

Exchange Method has the meaning given in clause 5.3.

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 the Foreign Account Tax Compliance Act provisions, being sections 1471 through 1474 of the United States Internal Revenue Code including any regulations or official interpretations issued, agreements or intergovernmental agreements entered into or non-US laws enacted with respect to those provisions.

FATCA Withholding means any deduction or withholding imposed or required pursuant to 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 5.4.

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 Holder means a Capital Note Holder whose address in the Register is a place outside Australia or who IAG otherwise believes may not be a resident of Australia.

Franking Rate (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of IAG at the relevant Distribution Payment Date.

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

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

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.

Insurance Act means the Insurance Act 1973 (Cth).

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.

Issue Date means the date on which Capital Notes 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 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 Holders set out in schedule 3 to the Trust Deed.

Moody's means Moody's Investors Service Pty Limited and its successors and assigns.

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 5.4.

Non-Viability Conversion means the Conversion of Capital Notes 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.

Optional Conversion Restrictions has the meaning given in clause 5.4.

Optional Exchange Date means the Distribution Payment Date falling on or about 15 June 2023.

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 on a Distribution Payment Date if:

- (a) unless APRA otherwise approves in writing, paying the Distribution on the Capital Notes on the Distribution Payment Date would result in IAG or the IAG Level 2 Insurance Group not complying with APRA's then current capital adequacy requirements;
- (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 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 a notional preference share in the capital of IAG conferring a claim in the winding-up of IAG equal to the Redemption Price 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 Notes Terms.

Publication Time 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 eight 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, redeem the Capital Note 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 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 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 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 3.7.

Relevant Percentage has the meaning given in clause 8.1.

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 IAG CPS but does not include, for so long as they are on issue, the RES.

Reorganisation has the meaning given in clause 8.3(a).

RES means a perpetual reset note issued by IAG Finance (New Zealand) Limited (ABN 97 111 268 243) (acting through its branch in Auckland, New Zealand) (**IAGFNZ**) as constituted under the RES Trust Deed.

RES Preference Shares means fully paid preference shares in the capital of IAG according to the terms of issue as scheduled to the RES Trust Deed.

RES Terms means the terms of issue of RES as scheduled to the RES Trust Deed.

RES Trust Deed means the trust deed amended and restated on or about 15 December 2009 relating to RES made between IAGFNZ, IAG and Trust Company Fiduciary Services Limited (ABN 21 000 000 993).

Resale means the sale of a Capital Note to a Nominated Purchaser in accordance with clause 10, and **Resold** and **Resell** have corresponding meanings.

Resale Price means, for a Capital Note, 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 which are subject to voluntary restrictions by agreement between IAG and one or more Capital Note 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 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 5.4.

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 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 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 Holders representing (in aggregate) at least 75% of the outstanding Capital Notes.

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); and

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

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 a 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, duties, assessments or other charges) or adverse tax consequence in relation to the Capital Notes; or
- (ii) any Distribution in respect of the Capital Notes 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 Holders generally would not be entitled to franking credits in respect of the Distributions.

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).

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 Trust Deed dated on or about 21 November 2016 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 Notes Terms; or
- (d) otherwise, the period for which VWAP is to be calculated in accordance with these Capital Notes 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.

IAG Capital Notes Trust Deed

Schedule 3 – Rules relating to Meetings of Capital Note Holders

1 Application and power to call meetings

1.1 Ability to convene meetings

Each of the Trustee or the Issuer may, at any time, call a meeting of Capital Note Holders.

1.2 Issuer's duty to call meeting

On request in writing of the Capital Note Holders who together hold 10% or more of the aggregate Issue Price of all Capital Notes outstanding, the Issuer must call a meeting of Capital Note Holders:

- (a) to consider the financial statements that were laid before the last annual general meeting of the Issuer; or
- (b) to give to the Trustee directions in relation to the exercise of the Trustee's powers,

or both, as so requested by the Capital Note Holders.

The Issuer will serve a copy of the request in writing on the Trustee, together with all other relevant information.

1.3 Trustee's duty to call meeting

If a Winding-up Event occurs the Trustee must call a meeting of Capital Note Holders as soon as is reasonably practicable after becoming aware of the Winding-up Event.

1.4 Meeting under Corporations Act

A meeting of Capital Note Holders may be called under Part 2L.5 of the Corporations Act.

2 How to call meeting and period of notice

At least 10 Business Days' notice (or 15 Business Days' notice in the case of a Special Resolution) exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given of every meeting is to be given to the Issuer, the Trustee and the Capital Note Holders. If the meeting is called under paragraph 1 of these meeting provisions, or the Trustee or the Issuer otherwise desires their presence at the meeting, notice of the meeting must also be given to the auditor of the Issuer.

2.1 Contents of notice

The notice must specify the place, day and hour of meeting and the general nature of the business to be transacted but it is not necessary to specify in the

notice the precise terms of the resolutions to be proposed. A copy of the notice must be sent by post to the Trustee (unless the meeting is called by the Trustee) and to the Issuer (unless called by the Issuer).

2.2 Amendment of notice

The convenor of the meeting may amend or supplement the notice of meeting by any further information or materials it considers appropriate by further notice given in accordance with this paragraph at least 7 days prior to the time fixed for the meeting.

2.3 Omission to give notice

A meeting is duly convened and proceedings at it are valid, notwithstanding:

- (a) the accidental omission to give notice (or any amending or supplementary notice) to, or the non-receipt of notice by, any person entitled to receive notice; or
- (b) the omission to give notice (or any amending or supplementary notice) to a Capital Note Holder whose country of residence (as shown in the Register) is outside Australia and where the giving of notice to such Capital Note Holder is not permitted by applicable law, or applicable only after compliance with conditions which the Issuer in its discretion considers unduly onerous.

2.4 Postal ballot

Any meeting of Capital Note Holders may be conducted by postal ballot under such arrangements as the Issuer may determine and the Trustee approves reflecting (unless the Trustee and the Issuer agree otherwise), as closely as may be practicable, the provisions of this schedule.

2.5 Location of meetings

All meetings of Capital Note Holders must be held in Australia unless the Issuer and the Trustee agree otherwise.

3 Proceedings at meeting and quorum

The quorum for any meeting is two Capital Note Holders or proxies (or one of each) present and holding or representing Capital Note Holders holding (in aggregate) Capital Notes representing at least 5% of the aggregate Issue Price of the Capital Notes outstanding when the meeting begins. No business may be transacted at any meeting unless the requisite quorum is present at the commencement of business.

3.1 No quorum

If a quorum is not present within half an hour from the time appointed for the meeting then the meeting, if called upon the request of Capital Note Holders, is dissolved. In any other case it stands adjourned to such day and time not being less than 14 days nor more than 42 days thereafter and to such place as may be directed by the Chairperson (as defined below). At such an adjourned meeting the Capital Note Holders present and entitled to vote are a quorum for the transaction of business, regardless of the aggregate Issue Price of the Capital Notes held by them.

3.2 Adjournment

The Chairperson may with the consent of a Holder Resolution and must (if directed by a Holder Resolution on a poll) adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Any proxy provided to the Issuer, the Issuer's agents or the Trustee under paragraph 5 of these meeting provisions, remains valid and effective for a meeting adjourned under these provisions.

3.3 Chairperson

The Trustee may nominate a person to be the chairperson (**Chairperson**) of any meeting of Capital Note Holders, who need not be a Capital Note Holder but who may be a representative of the Trustee or the Issuer or any other executive officer of or advisor to the Trustee or the Issuer. If no such person is nominated, or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting, the Capital Note Holders present may choose one of their number to be Chairperson.

3.4 Attendees

No person may, except for the Chairperson, attend or speak at any meeting other than the Issuer, the Capital Note Holders and the Trustee (through their respective representatives) and their respective financial and legal advisers and the auditor of the Issuer.

3.5 Minutes

The Issuer must cause minutes of every meeting to be made under section 251A of the Corporations Act, with references to "members" being read as "Capital Note Holders".

Minutes of a meeting signed by the Chairperson constitute conclusive evidence of the proceedings of the meeting.

4 Voting

4.1 Voting on a show of hands or on a poll

- (a) At any meeting a resolution put to the vote of the meeting must be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairperson, the Trustee or the Issuer or by one or more Capital Note Holders present or by attorney or proxy holding (in aggregate) Capital Notes representing at least 5% of the aggregate Issue Price of the Capital Notes outstanding when the meeting begins.
- (b) Unless a poll is so demanded a declaration by the Chairperson that a resolution has been carried or carried unanimously or by a particular majority or lost is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- (c) Subject to the Corporations Act, the Trustee may, prior to any meeting of Capital Note Holders, appoint an independent person to count and record the number of votes cast under either voting method specified in this paragraph 4.

4.2 Poll

If a poll is duly demanded under paragraph 4.1(a) it must be taken in such manner as the Chairperson may direct and the result of such a poll is deemed to be the resolution of the meeting at which the poll was demanded.

4.3 Conduct of poll

A poll demanded on the election of the Chairperson or on a question of adjournment must be taken at the meeting without adjournment. A poll demanded on any other question must be taken either immediately or at such time and date (not being more than 30 days from the date of the meeting) and place as the Chairperson may direct. No notice need be given of a poll not taken immediately. The demand for a poll does not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

4.4 Number of votes

Subject to any restrictions under the Corporations Act and the ASX Listing Rules:

- (a) on a show of hands, every Capital Note Holder who is present has one vote; and
- (b) on a poll every Capital Note Holder who is present has one vote for every Capital Note with respect to which it is the registered holder.

A Capital Note Holder entitled to more than one vote need not use all its votes or cast all the votes it uses in the same way.

4.5 Joint Capital Note Holders

In the case of joint registered holders of Capital Notes, the joint Capital Note Holder first named in the Register (or if that person does not vote, the next named joint Capital Note Holder) may exercise the voting rights of jointly held Capital Notes.

4.6 Casting vote

If votes are equal, whether on a show of hands or on a poll, the Chairperson has a casting vote in addition to the vote or votes (if any) to which the Chairperson is otherwise entitled.

5 Proxies

5.1 Instrument appointing proxy

An instrument appointing a proxy must be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.

5.2 Proxy need not be Capital Note Holder

A person appointed to act as a proxy need not be a Capital Note Holder.

5.3 Deposit of proxy

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority must be deposited at such places in the relevant jurisdiction as the Trustee or the Issuer, with the approval of the Trustee, may in the notice convening the meeting direct or if no such place is appointed then at the office of the Trustee in the relevant jurisdiction not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or for the taking of the poll at which the person named in the instrument proposes to vote and in default the instrument of proxy must not be treated as valid. A notice of revocation or amendment of a proxy must be received from the Capital Note Holder not less than 24 hours before the time appointed for the holding of the relevant meeting or the taking of the relevant poll to revoke or amend the proxy. No instrument appointing a proxy is valid after the expiration of twelve months from the date named in it as the date of its execution. If the Trustee convenes a meeting of Capital Note Holders, the Issuer or the Issuer's agents must as soon as reasonably practicable after receipt of the documents deposited with the Issuer under this paragraph 5, provide a copy of those documents to the Trustee.

5.4 Form of proxy

An instrument of proxy may be in the usual common form or in such other form as the Issuer and the Trustee approve. A proxy is deemed to include the right to demand or join in demanding a poll. A proxy is (unless the contrary is stated on it) valid for any adjournment of the meeting as well as for the meeting to which it relates and need not be witnessed.

5.5 Validity of vote

A vote given under the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the Capital Notes in respect of which the proxy is given provided that no intimation in writing of such death insanity revocation or transfer has been received by the Issuer, at its registered office before the commencement of the meeting or adjourned meeting at which the proxy is used.

6 Passing of resolutions by instrument in writing

Notwithstanding any other provision of this document, a resolution of Capital Note Holders (including a Special Resolution) may be passed, without any meeting or previous notice being required, by an instrument or instruments in writing signed by Capital Note Holders holding the relevant proportion of the aggregate Issue Price to pass the relevant resolution and any such instrument is effective upon presentation to the Trustee for entry into the minutes referred to in paragraph 3.5 of these meeting provisions.

7 Capital Note Holders bound

A Holder Resolution or a Special Resolution passed at a meeting of the Capital Note Holders duly called and held (or by way of postal ballot) under this schedule is binding on all the Capital Note Holders whether or not present at the meeting and each of the Capital Note Holders is bound to give effect to the resolution.

The Issuer must give notice to the Capital Note Holders, in the manner provided in clause 15 of the Capital Notes Terms, of the result of the voting on a resolution within 14 days of such result being known but failure to do so will not invalidate the resolution.

8 Interpretation

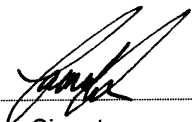
For the purposes this document, a Capital Note Holder will be taken to be present at a meeting (including an adjourned meeting) if that Capital Note Holder (being an individual) is present in person or if the attorney, proxy or (in the case of a corporation) corporate representative of the Capital Note Holder is present, and any vote cast or other action taken by the attorney, proxy or corporate representative on behalf of the Capital Note Holder in respect of any matter put before the meeting will be taken to be the vote or (as the case may be) action of the Capital Note Holder.

IAG Capital Notes Trust Deed

Signing page


DATED: 21 November 2016


SIGNED SEALED AND DELIVERED)
for THE TRUST COMPANY)
(AUSTRALIA) LIMITED by its attorney)
under power of attorney dated 16)
September 2014:)



Witness Signature)
Faria Safa)
Associate)

Print Name)



Attorney Signature)
Ankit Shah)
Manager)


Teresa Chan)
Manager)

Print Name)

IAG Capital Notes Trust Deed

Issuer

SIGNED, SEALED AND DELIVERED for
and on behalf of
**INSURANCE AUSTRALIA GROUP
LIMITED**
(ABN 60 090 739 923)
by its duly authorised attorney
under Power of Attorney
Book No. 4684 Registered No. 471
dated 20 February 2015 and registered 30
March 2015
who state that they have no notice of
revocation of the said Power of Attorney:



Signature of Attorney

CHRISTOPHER JOHN BERTUCH

Name (please print)

Group General Counsel & Company Secretary

Title:

21 November 2016

Date



Signature of Witness

Barbara Magee

Name (please print)

Executive Assistant

Title:



Signature of Attorney

SEVIL MISTRY-MOODLEY


Name (please print)

Deputy Company Secretary & Legal Counsel

Title:

21 November 2016

Date



Signature of Witness

Tina Barcangiowska

Name (please print)

Secretariat Administrator

Title: