

# Appendix 3B

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

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

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

Name of entity

Insurance Australia Group Limited (IAG)

ABN

60 090 739 923

We (the entity) give ASX the following information.

### Part 1 - All issues

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

- |   |   |   |
|---|---|---|
| 1 | +Class of +securities issued or to be issued  | Unsecured subordinated convertible notes due 15 June 2043, issued by IAG (Notes)  |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued   | 350 million securities  |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | <ul style="list-style-type: none"><li>• A term of 27 years maturing on the Maturity Date (15 June 2043) unless earlier converted as summarised below;</li><li>• interest is payable quarterly on 15 March, June, September and December (commencing on 15 September 2016) each year at the following rates:<ul style="list-style-type: none"><li>• initially, and up to 15 June 2022, a fixed rate of 5.15% (being the market 6 year swap rate of 2.55% plus a margin of 2.6% per annum); and</li></ul></li></ul> |

+ See chapter 19 for defined terms.

- for each interest period thereafter, a floating rate equal to the New Zealand 3 month bank bill rate (determined on the first business day of each interest period) plus a margin of 2.6% per annum.
- IAG has an option to defer payment of interest in certain circumstances.
- IAG may redeem all (but not some only) of the Notes between 15 June 2022 to 15 June 2023 (inclusive), and for certain tax and regulatory events (in each case subject to the Australian Prudential Regulation Authority's (APRA) prior written approval and the satisfaction of other conditions);
- Holders of Notes may elect to convert them into ordinary shares in IAG on any interest payment date from (and including) 15 June 2025 to 15 June 2043.
- If APRA determines IAG to be non-viable, the Notes will convert into IAG ordinary shares or, if that is not possible, the Notes will be written off;
- The number of IAG ordinary shares received on conversion will be based on a volume-weighted average price (VWAP) over a certain period, less a discount of 1%. The number of IAG ordinary shares will be capped at a maximum number set by reference to the VWAP of IAG ordinary shares at the issue date (50% of that VWAP for conversion at the holder's option and 20% of that VWAP for conversion on non-viability);
- The Notes qualify as Tier 2 Capital under APRA's capital adequacy framework for general insurers.

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4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

No. Prior to conversion the Notes carry no right to participate in dividends payable in respect of other securities of IAG.

The rights and claims of the Note holders against IAG in respect of payments under the Notes rank:

- in priority to the claims of creditors whose claims arise under or are in respect of any class of IAG's share capital and any other securities of IAG which are issued on terms that are eligible for inclusion as Tier 1 Capital (as defined by APRA) of IAG;
- equally with the claims of creditors whose claims arise under or are in respect of a share, note or other security or instrument that was issued after 1 January 2013, constituting Tier 2 Capital (as defined by APRA) of IAG that, in accordance with its terms or by operation of law, is capable of being converted into IAG ordinary shares or written-off upon IAG becoming non-viable; and
- junior to the claims:
  - of holders of a share, note or other security or instrument that was issued or guaranteed before 1 January 2013, constituting Tier 2 Capital (as defined by APRA) of IAG; and
  - of all other present and future creditors of IAG, including policy holders.

IAG ordinary shares issued on conversion will rank equally in all respects with all other IAG ordinary shares.

In a winding up of IAG, a Holder's claim is subordinated to the claims of senior creditors. Claims of senior creditors must be paid in full before the Holder's claims are paid and until the senior creditors have been paid in full, the Holder must not claim in the winding up in competition with the senior creditors so as to diminish any distribution, dividend or payment to which, but for that claim, the senior creditors

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		would have been entitled.
5	Issue price or consideration	NZ\$1.00 per Note, being its face value
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	The issue proceeds are intended to be used for IAG's general corporate purposes.
6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?  If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i	No.
6b	The date the security holder resolution under rule 7.1A was passed	Not applicable.
6c	Number of +securities issued without security holder approval under rule 7.1	Not applicable.
6d	Number of +securities issued with security holder approval under rule 7.1A	Not applicable.
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Not applicable.
6f	Number of +securities issued under an exception in rule 7.2	Not applicable.

+ See chapter 19 for defined terms.

6g If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.

Not applicable.

6h If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements

Not applicable.

6i Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements

Not applicable.

7 +Issue dates  
  
Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.  
  
Cross reference: item 33 of Appendix 3B.

15 June 2016

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

	Number	+Class
	2,431,384,655	Fully paid ordinary (ASX: IAG)
	3,773,728	Fully paid, perpetual, unsecured, redeemable and convertible preference shares (ASX: IAGPC)

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	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	
	100,340	Fixed rate subordinated notes due 2026 (LSE: 70QG)
	325,000	Subordinated notes due 2036 (NZX: IAG010)
	35,000	Subordinated medium-term notes issued by Insurance Australia Limited (a wholly owned subsidiary of IAG) due 2040)
	350,000,000	Unsecured subordinated convertible notes due 2043 (NZX: IAGFB)

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	<p>Initially, and up to 15 June 2022, the interest rate will be a fixed rate of <b>5.15%</b> (being the market 6 year swap rate of <b>2.55%</b> plus a margin of 2.6% per annum)</p> <p>For each interest period thereafter, the interest rate will be a floating rate equal to the New Zealand 3 month bank bill rate (determined on the first business day of each interest period) plus a margin of 2.6% per annum.</p> <p>Interest payments on the Notes are deferrable in the absolute discretion of IAG in certain circumstances.</p> <p>If deferred, interest is cumulative and will become due and payable upon the occurrence of certain events, including:</p> <ul style="list-style-type: none"> <li>• the date on which any interest payment or payment in respect of interest is made on certain junior or equal ranking securities or on which a dividend or other distribution on any class of IAG's share capital is paid or becomes payable;</li> <li>• the date on which no regulatory</li> </ul>
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intervention that has occurred is or will be continuing, unless IAG is otherwise entitled to defer at such time under the conditions of the Notes;

- subject to certain exceptions, the date on which IAG commences and does not abandon a public offer to redeem, purchase or acquire any junior ranking securities or equal ranking securities
- subject to certain exceptions, the date on which a winding up of IAG occurs; or
- the date fixed for any redemption of the Notes.

## Part 2 - Pro rata issue

11	Is security holder approval required?	Not applicable.
12	Is the issue renounceable or non-renounceable?	Not applicable.
13	Ratio in which the +securities will be offered	Not applicable.
14	+Class of +securities to which the offer relates	Not applicable.
15	+Record date to determine entitlements	Not applicable.
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable.
17	Policy for deciding entitlements in relation to fractions	Not applicable.
18	Names of countries in which the entity has security holders who will not be sent new offer documents	Not applicable.

Note: Security holders must be told how their entitlements are to be dealt with.

Cross reference: rule 7.7.

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19 Closing date for receipt of  
acceptances or renunciations

Not applicable.

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+ See chapter 19 for defined terms.



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

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- 32 How do security holders dispose of their entitlements (except by sale through a broker)?
- 33 <sup>+</sup>Issue date

**Part 3 - Quotation of securities**

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

- 34 Type of <sup>+</sup>securities  
(tick one)
- (a)  <sup>+</sup>Securities described in Part 1
- (b)  All other <sup>+</sup>securities  
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

**Entities that have ticked box 34(a)**

**Additional securities forming a new class of securities**

*Tick to indicate you are providing the information or documents*

- 35  If the <sup>+</sup>securities are <sup>+</sup>equity securities, the names of the 20 largest holders of the additional <sup>+</sup>securities, and the number and percentage of additional <sup>+</sup>securities held by those holders
- 36  If the <sup>+</sup>securities are <sup>+</sup>equity securities, a distribution schedule of the additional <sup>+</sup>securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over
- 37  A copy of any trust deed for the additional <sup>+</sup>securities

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<sup>+</sup> See chapter 19 for defined terms.

**Entities that have ticked box 34(b)**

38 Number of +securities for which +quotation is sought Not applicable.

39 +Class of +securities for which quotation is sought Not applicable.

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

Not applicable.

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

Not applicable.

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	Not applicable.	Not applicable.

+ See chapter 19 for defined terms.