



26 August 2016

Manager, Company Announcements Office  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam

**Insurance Australia Group Limited  
Off-Market Buy-Back booklet**

Insurance Australia Group Limited (IAG) attaches a copy of the off-market Buy-Back Booklet for immediate release to the market in respect of the off-market share buy-back announced to the ASX on 19 August 2016.

Yours sincerely

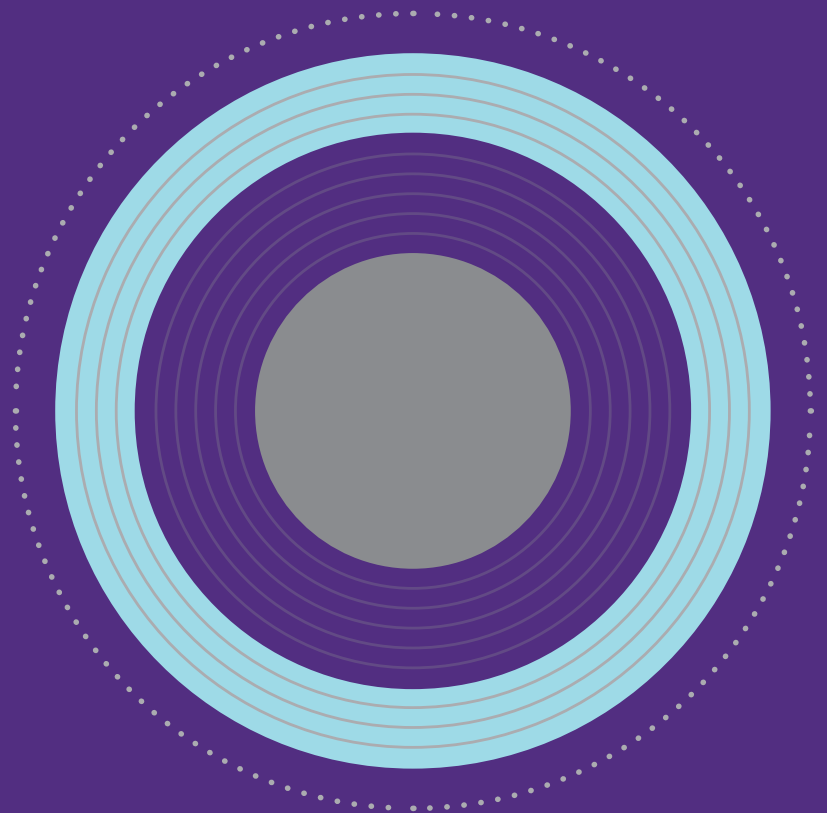
A handwritten signature in black ink, appearing to read 'Chris Bertuch', written over a light blue horizontal line.

Chris Bertuch  
**Group General Counsel and Company Secretary**

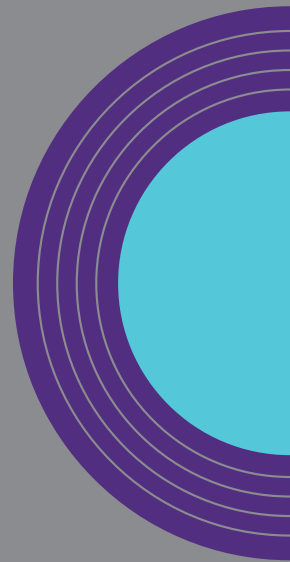


# OFF-MARKET BUY-BACK BOOKLET.

Insurance Australia Group Limited.







## Important Notice

Section 5 of this booklet defines the capitalised words used in this booklet and sets out other rules of interpretation.

This is an important booklet. It invites you to make an offer to sell your Shares to IAG in the Buy-Back. It contains information to assist you in making a decision as to whether to participate in the Buy-Back.

It does not provide financial product advice and by making the Invitation and in setting the Tender Discount Range, IAG is not making any recommendation or giving any advice on the value of its Shares, or whether (or how) you should sell your Shares. This booklet has been prepared without taking into account your particular objectives, financial situation, taxation circumstances or other needs. You should consider the appropriateness of the Buy-Back having regard to these factors. If you are in any doubt as to the action you should take, IAG strongly recommends that you consult your financial, taxation or other professional adviser.

In reviewing this booklet, you should also have regard to other information previously made available to you about IAG, such as its FY16 statutory accounts, which are available on IAG's website ([www.iag.com.au](http://www.iag.com.au)) under "Results and reports" and the ASX website ([www.asx.com.au](http://www.asx.com.au)).

Please note that this Invitation does not constitute or give rise to a legally binding offer capable of your acceptance. If you tender your Shares into the Buy-Back, you make a formal offer to sell those Shares on the terms and conditions set out in the Buy-Back Documents. If IAG accepts your Tender, a Buy-Back Contract is formed and your tendered Shares will be sold to IAG on those terms and conditions.

## Forward-looking statements

Certain statements contained in this booklet, including statements regarding the implementation of the Buy-Back and its effect on IAG's business and securities, may constitute "forward-looking statements" for the purposes of applicable securities laws. IAG undertakes no obligation to revise the forward-looking statements included in this booklet to reflect any future events or circumstances.

IAG's actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences include the number of Shares bought back, the Buy-Back Price and general trading and economic conditions affecting IAG.

Further information about IAG, its business and factors affecting its operations is contained in the publications accompanying IAG's full year results for FY16 and other reports, which can be accessed from IAG's website.

## Distribution restrictions

The distribution of this booklet in some jurisdictions outside Australia and New Zealand may be restricted by law and does not constitute an Invitation to participate in any place where, or to any person to whom, it would be unlawful or impractical for IAG to do so. Persons who come into possession of this booklet should seek advice on it and observe any restrictions on distribution.

Copies of the Buy-Back Documents are not being mailed or otherwise distributed or sent outside Australia and New Zealand, including into the US or Canada.

Any person receiving any of the Buy-Back Documents must not distribute or send them into the US or Canada, or make them available to any Ineligible Shareholder or any person who is in the US or Canada.

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# CHAIRMAN'S LETTER.

## Dear Shareholder,

On 19 August 2016, IAG announced its intention to buy-back Shares to the value of around \$300 million in an off-market buy-back (Buy-Back). On behalf of the Board of IAG, I am pleased to invite you to consider participating in the Buy-Back.

IAG seeks to maximise shareholder returns through active management of its capital position while targeting a high quality asset portfolio and a strong regulatory capital position. This involves investing in our businesses and growth opportunities, responding to changes in our customer needs, the operating environment and creating value through capital management initiatives.

In line with these objectives, we are conducting the Buy-Back to return capital to shareholders, while ensuring we have sufficient flexibility to invest in growth and maintain a strong balance sheet and regulatory capital position.

We believe that the Buy-Back will benefit all of our shareholders, whether or not they participate, due to the expected enhancement in IAG's earnings per share because of a reduction in the number of shares on issue.

We are aiming to buy back Shares to the value of around \$300 million which represents approximately 2.3%<sup>1</sup> of our outstanding Shares.

If you decide that you would like to participate, you can offer to sell your Shares in IAG through this tender process by either a:

- Tender with a nominated discount of between 4% and 14% (inclusive) to the VWAP Market Price; or
- Final Price Tender (where the price will be determined by IAG following the process described in this booklet).

Further details of the Buy-Back tender process and how to participate can be found in the "Buy-Back Summary" and "How to Participate" sections of this booklet.

IAG has obtained a draft Class Ruling from the Australian Taxation Office (ATO) indicating that for Australian tax purposes, the Buy-Back Price includes a Capital Component of \$2.99<sup>2</sup> with the balance deemed to be a fully franked dividend. We expect this Class Ruling to be confirmed by the ATO after completion of the Buy-Back.

If after reading this booklet you wish to submit a Tender, please follow the instructions in the "Buy-Back Summary" and "How to Participate" sections of this booklet. Tenders must be received by the Registry, or if you are a CHESS Holder your Tender must be processed by your controlling participant (sponsoring broker or custodian), before 7.00pm

(Sydney time) on Friday, 7 October 2016. If you have any questions on how the Buy-Back operates, please refer to our website at [www.iag.com.au](http://www.iag.com.au) or contact the IAG Buy-Back Information Line on 1300 640 412 from within Australia or on +61 3 9415 4067 from outside Australia.

Participation in the Buy-Back is voluntary. You should be aware that the Buy-Back will have different outcomes for different shareholders and that a decision to participate should take into account your own personal circumstances, including your marginal tax rate. For some shareholders, participating in the Buy-Back may provide a greater after-tax return than if they sold the Shares on market. General information on the Australian tax consequences for participants is provided in Section 2 of this booklet which highlights some circumstances where selling Shares under the Buy-Back may be more advantageous than selling Shares on market. Please consider this document carefully and seek professional advice on the financial and taxation implications of participating in the Buy-Back relevant to your individual financial position before deciding whether or not to participate.

**Yours sincerely,**

**Elizabeth Bryan AM  
Chairman**

<sup>1</sup> Based on approximately 2,431 million IAG Shares on issue, an assumed VWAP Market Price of \$5.85 and an assumed 8% Buy-Back Discount.

<sup>2</sup> This amount is subject to ATO approval (see Section 2).

## IMPORTANT DATES<sup>1</sup>

### August 2016

<ul style="list-style-type: none"><li>• Announcement of Buy-Back and FY16 results</li><li>• Dispatch of information flyer</li></ul>	Friday, 19 August
<ul style="list-style-type: none"><li>• Last day that Shares can be acquired on market to be eligible to participate in the Buy-Back and to qualify for franking credit entitlements in respect of the Buy-Back consideration</li></ul>	Tuesday, 23 August
<ul style="list-style-type: none"><li>• Buy-Back Ex-Entitlement Date: The date that Shares commence trading on an ex-Buy-Back basis. Shares acquired on market on or after this date will generally not confer an entitlement to participate in the Buy-Back</li></ul>	Wednesday, 24 August
<ul style="list-style-type: none"><li>• Buy-Back Record Date: Determination of shareholders entitled to participate in the Buy-Back at 7.00pm (Sydney time)</li></ul>	Thursday, 25 August
<ul style="list-style-type: none"><li>• Buy-Back booklet available to shareholders on IAG website</li></ul>	Friday, 26 August

### September 2016

<ul style="list-style-type: none"><li>• Record date for determination of shareholders entitled to receive the Final Dividend at 7.00pm (Sydney time)</li></ul>	Wednesday, 7 September
<ul style="list-style-type: none"><li>• IAG must receive your DRP form to join, withdraw or vary your participation in the DRP by 5.00pm (Sydney time)</li></ul>	Thursday, 8 September
<ul style="list-style-type: none"><li>• Tender Period opens</li></ul>	Friday, 9 September

### October 2016

<ul style="list-style-type: none"><li>• Final Dividend payment date</li></ul>	Wednesday, 5 October
<ul style="list-style-type: none"><li>• Five trading days over which VWAP is calculated (for the purposes of determining the VWAP Market Price)</li></ul>	Monday, 3 October to Friday, 7 October
<ul style="list-style-type: none"><li>• Closing Date: Tenders must be received by the Registry no later than 7.00pm (Sydney time)<sup>2</sup></li></ul>	Friday, 7 October
<ul style="list-style-type: none"><li>• Buy-Back Date: Announcement of Buy-Back Price and scale back (if any) to ASX and entry into Buy-Back Contracts</li></ul>	Monday, 10 October
<ul style="list-style-type: none"><li>• Dispatch/crediting of Buy-Back proceeds to participating shareholders completed</li></ul>	Monday, 17 October

**Note:**

- 1 While IAG does not anticipate any changes to these dates and times, it reserves the right to vary them by ASX announcement. Such an announcement will be taken to amend this booklet (and the other Buy-Back Documents) accordingly. IAG may, at its absolute discretion, also decide not to proceed with the Buy-Back.
- 2 If you have a CHESS Holding and choose to participate, IAG strongly recommends that you submit your Tender with sufficient time for your controlling participant to process your Tender or confirm acceptance with the Registry by 7.00pm on the Closing Date. Neither IAG nor the Registry will be responsible if your controlling participant does not acknowledge and confirm your Tender in sufficient time.

## BUY-BACK SUMMARY

<b>Buy-Back size</b>	<ul style="list-style-type: none"> <li>IAG is seeking to buy back Shares to the value of around \$300 million through an off-market tender. IAG may vary the size of the Buy-Back depending on a number of factors including shareholder demand, market conditions and future capital requirements.</li> </ul>
<b>Eligible shareholders</b>	<ul style="list-style-type: none"> <li>You are eligible to participate in the Buy-Back if: <ul style="list-style-type: none"> <li>– you are in Australia or New Zealand; and</li> <li>– Shares are registered in your name on the Buy-Back Record Date (Thursday, 25 August 2016); and</li> <li>– you are not an Ineligible Shareholder (see below).</li> </ul> </li> </ul>
<b>How the Buy-Back works</b>	<ul style="list-style-type: none"> <li>You can offer to sell some or all of your Shares to IAG provided you are not an Ineligible Shareholder: <ul style="list-style-type: none"> <li>– at a discount to the VWAP Market Price that is within the Tender Discount Range; or</li> <li>– at the final Buy-Back Price (as a Final Price Tender).</li> </ul> </li> <li>If you wish, you can also select a Minimum Price below which none of your Shares will be bought back.</li> <li>If you decide to participate you can offer to sell any or all of your Shares, but you must offer to sell at least 850 Shares unless you hold less than 850 shares, in which case you must submit a Tender for all of your Shares at one Tender Discount or as a Final Price Tender.</li> </ul>
<b>Tender Discount Range</b>	<ul style="list-style-type: none"> <li>Tenders can be lodged at discounts of 4% to 14% inclusive (at 1% intervals) to the VWAP Market Price.</li> </ul>
<b>VWAP Market Price</b>	<ul style="list-style-type: none"> <li>The VWAP Market Price is calculated as the VWAP of Shares over the five trading days up to and including the Closing Date.</li> <li>The VWAP Market Price will be announced to the market as soon as possible after 4.30pm (Sydney time) on the Closing Date and will be available to shareholders on IAG's website or by calling the Buy-Back Information Line.</li> </ul>
<b>Buy-Back Price</b>	<ul style="list-style-type: none"> <li>The Buy-Back Price will be calculated by applying the Buy-Back Discount selected by IAG to the VWAP Market Price<sup>1</sup>.</li> <li>The Buy-Back Price will be determined as the lowest price at which IAG can buy back the targeted amount of capital based on the Tenders received from all participating eligible shareholders, subject to not being more than the Tax Market Value<sup>2</sup>.</li> </ul>
<b>Capital Component of the Buy-Back Price</b>	<ul style="list-style-type: none"> <li>\$2.99<sup>3</sup></li> </ul>
<b>Dividend Component of the Buy-Back Price</b>	<ul style="list-style-type: none"> <li>The Buy-Back Price less the Capital Component which will be fully franked.</li> </ul>
<b>Multiple Tender Discounts</b>	<ul style="list-style-type: none"> <li>Eligible shareholders (other than those with 850 Shares or less) can tender different parcels of Shares at different Tender Discounts.</li> </ul>
<b>Final Price Tender</b>	<ul style="list-style-type: none"> <li>Shareholders may submit a Final Price Tender which is the offer to sell the Shares to IAG at the final Buy-Back Price within the 4% to 14% discount range as determined by IAG.</li> </ul>
<b>Minimum Price</b>	<ul style="list-style-type: none"> <li>Shareholders can specify a Minimum Price (being one of four prices set out on the Tender Form) in conjunction with their Tender Discount(s) and/or Final Price Tender. If you specify a Minimum Price, this will make your Tender conditional upon the Buy-Back Price being no less than the Minimum Price you select.</li> </ul>
<b>Scale back</b>	<ul style="list-style-type: none"> <li>Tenders may be scaled back, at IAG's discretion, so that less Shares are bought back than were specified in a Tender.</li> <li>The application of the scale back to a particular Tender will depend on the Tender Discount selected (if applicable), the Buy-Back Discount, any Priority Allocation and whether the Tender is a Final Price Tender.</li> <li>Small Residual Tenders will be accepted in full, subject to Section 1.19.</li> </ul>
<b>Ineligible Shareholders</b>	<ul style="list-style-type: none"> <li>Excluded Foreign Shareholders as defined in Section 5 (Definitions and Interpretations) of this booklet.</li> <li>The trustee of IAG's share plans of right plans will not participate in the Buy-Back in respect of the Shares held by it.</li> </ul>

**Note:**

- The market price of Shares on market may be, or may move, higher than the Buy-Back Price during the Tender Period. It may also change materially in the future.
- The Tax Market Value broadly represents the 5 day VWAP of IAG shares prior to announcement on 19 August 2016 adjusted by movements in the S&P/ASX 200 in the period up to the Closing Date, however see the definition of Tax Market Value in Section 5 of this booklet for more details.
- This amount is subject to ATO approval (see Section 2).

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## HOW TO PARTICIPATE

If you are an eligible shareholder, it is your choice as to whether or not to participate in the Buy-Back. If you choose not to participate in the Buy-Back, you do not need to take any action, and the number of Shares you hold will not change as a result of the Buy-Back (however, your proportional shareholding in IAG will increase if other shareholders participate in the Buy-Back).

The following provides a summary of the steps you need to follow if you have read this booklet, obtained any relevant advice and choose to participate in the Buy-Back. Further details regarding each of these steps are set out in Section 1.

<b>Step 1:</b> <b>Decide how many Shares you wish to sell</b>	<ul style="list-style-type: none"><li>• If you hold 850 Shares or less and want to participate, you must tender all of your Shares in one parcel at one of the specified Tender Discounts or as a Final Price Tender.</li><li>• If you hold more than 850 Shares, you can tender different parcels of Shares at different Tender Discounts and/or as a Final Price Tender. However, you must tender a minimum of 850 Shares in aggregate. Each parcel of Shares tendered at a different Tender Discount or as a Final Price Tender is a separate Tender.</li><li>• The total number of Shares you tender must not exceed the number of Shares you held as at the Buy-Back Record Date (stated on the online tender system or on your Tender Form).</li></ul>
<b>Step 2:</b> <b>Select your Tender Discount(s) and/or a Final Price Tender</b>	<ul style="list-style-type: none"><li>• You can select the Tender Discount(s) between 4% and 14% inclusive (at 1% intervals) to the VWAP Market Price as set out on the Tender Form at which you are willing to sell some or all of your Shares (your Tender price):<ul style="list-style-type: none"><li>– If the Buy-Back Price is higher than your Tender price, you will receive the higher Buy-Back Price for all of your Shares that are bought back by IAG; or</li><li>– If the Buy-Back Price is less than your Tender price, IAG will not buy back your Shares.</li></ul></li><li>• Alternatively, you can choose to tender some or all of your Shares as a Final Price Tender. This means you are willing to sell your Shares at the Buy-Back Price determined by IAG following the tender process.</li></ul>
<b>Step 3:</b> <b>Select your Minimum Price (optional)</b>	<ul style="list-style-type: none"><li>• Determine whether you wish to make your Tender conditional on one of the four Minimum Prices set out on your Tender Form. This means your Tender will not be accepted if the Buy-Back Price is less than the Minimum Price you select.</li><li>• If you select a Minimum Price, you must ensure that you still nominate a Tender Discount or a Final Price Tender otherwise your Tender will be invalid and will not be accepted by IAG. If you do not wish to specify a Minimum Price, leave the Minimum Price section on the Tender Form blank.</li></ul>
<b>Step 4:</b> <b>Submit your Tender(s)</b>	<ul style="list-style-type: none"><li>• If you are an Issuer Sponsored Holder, you can lodge your Tender online at <a href="http://www.iag.com.au">www.iag.com.au</a> or you can complete, sign and return the applicable Tender Form that accompanies this booklet.<ul style="list-style-type: none"><li>– You will need your Securityholder Reference Number (SRN) (starts with an “I”) which is located on your information flyer or personalised Tender Form.</li></ul></li><li>• If you are a CHESSE Holder, you should instruct your controlling participant (sponsoring broker or custodian) to process your Tender via CHESSE or you can lodge your Tender online at <a href="http://www.iag.com.au">www.iag.com.au</a>.<ul style="list-style-type: none"><li>– You will need your Holder Identification Number (HIN) which is located on your information flyer or personalised Tender Form; and</li><li>– Your broker has to confirm acceptance of any online submission of your Tender before it is taken as validly submitted.</li></ul></li><li>• Tenders must be processed or confirmed by your broker through CHESSE, by no later than 7.00pm (Sydney time) on the Closing Date. You should ensure your Tender is lodged online or received by your broker with sufficient time for this to occur.</li><li>• Proceeds will only be remitted by direct electronic credit so you should ensure the bank account nominated for your holdings is correct.</li></ul>

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## ENQUIRIES

Information on the Buy-Back is available on the IAG website at [www.iag.com.au](http://www.iag.com.au).

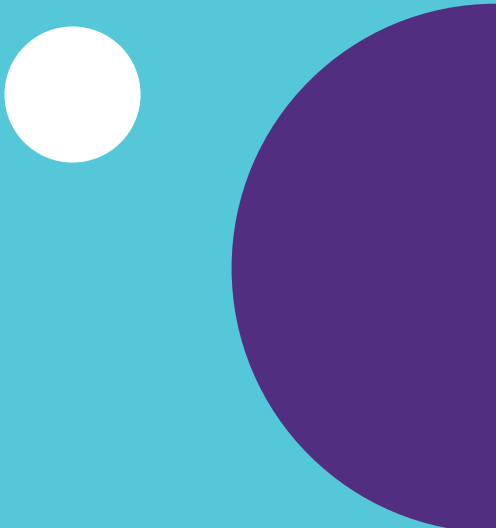
If you have any questions in relation to the Buy-Back, the content of this booklet or the information on the IAG website relating to the Buy-Back, you can call the Buy-Back Information Line on 1300 640 412 from within Australia or on +61 3 9415 4067 from outside Australia between 8.30am and 5.00pm (Sydney time), Monday to Friday.

## DEFINITIONS

Section 5 of this booklet defines the capitalised words used in this booklet and sets out other rules of interpretation.

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# SECTION 1

## DETAILS OF THE BUY-BACK AND THE TENDER PROCESS.

This section sets out the terms of the Buy-Back and information to assist you in making a decision on whether to participate in the Buy-Back.



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## OVERVIEW OF THE BUY-BACK

### 1.1 What is an off-market buy-back tender?

Under an off-market buy-back tender, a company invites eligible shareholders to offer to sell some or all of their shares to the company by way of a tender process. If the company accepts the offer, then a buy-back agreement is formed on the applicable terms. Any shares bought back are cancelled, which reduces the number of Shares on issue.

### 1.2 Why is IAG implementing the Buy-Back?

IAG seeks to maximise shareholder returns through active management of its capital position while targeting a high quality asset portfolio and a strong regulatory capital position. This involves investing in IAG's businesses and growth opportunities, responding to changes in its customer needs, the operating environment and creating value through capital management initiatives.

In line with these objectives, IAG is conducting the Buy-Back to return capital to shareholders, while ensuring IAG has sufficient flexibility to invest in growth and maintain a strong balance sheet and regulatory capital position.

The Board considered various alternatives for returning capital to shareholders and determined that the Buy-Back, conducted according to an off-market tender process, is the most effective and value-enhancing strategy based on:

- Both participating and non-participating shareholders are expected to benefit from the Buy-Back as:
  - For some shareholders, depending on their financial circumstances, the after-tax return from participating in the Buy-Back may be greater than the sale of their Shares on-market; and
  - The Buy-Back is expected to improve earnings per share for shareholders who continue to hold Shares because of a reduction in the number of Shares on issue.
- The Buy-Back seeks to enhance total shareholder returns by enabling IAG to buy back Shares at a discount of 4% to

14% to the VWAP Market Price. This is likely to enable IAG to buy back a greater number of Shares (for the same amount of capital) than under an on-market Buy-Back.

IAG may, at its discretion, vary the size of the off-market Buy-Back. This includes the discretion to buy back more or less Shares or no Shares at all.

### 1.3 What are the advantages of an off-market tender process?

IAG is conducting the Buy-Back by way of an off-market tender process. The advantages of this process include:

- The targeted amount of capital can be bought back within a relatively short period of time;
- IAG is able to determine the most appropriate number of Shares to buy back based on shareholder demand;
- Participation is optional and shareholders who choose to participate can tailor their participation to suit their own circumstances. In particular, you can choose:
  - Whether to tender your Shares into the Buy-Back;
  - How many Shares to be tendered (other than if you own 850 Shares or less, in which case you must tender all of your Shares if you choose to participate); and
  - The basis on which to tender your Shares (for example, at what Tender Discount(s) or as a Final Price Tender, with the option to make your Tender conditional on a Minimum Price).
- All eligible shareholders have an opportunity to participate in the Buy-Back;
- Shareholders with small holdings are able to sell all of their Shares into the Buy-Back so they are not left with a small parcel of Shares (however, see Section 1.19 for full details of Small Residual Tenders); and
- Shareholders should not have to pay any brokerage to sell their Shares into the Buy-Back.

The Board believes that the Buy-Back can be undertaken without prejudicing IAG's ability to maintain its ordinary dividend

payout ratio of 60-80% of Cash Earnings. The Board does not expect the Buy-Back to have any material impact on IAG's ability to fully frank its dividends in future years. Further information on the effect of the Buy-Back on IAG is set out in Section 3.

### 1.4 How long will the Buy-Back be open?

The Buy-Back will be open from Friday, 9 September 2016 to Friday, 7 October 2016. Shareholders may only lodge Tenders within this period. IAG, at its absolute discretion, may change this period but does not expect to do so. If the Tender Period is extended, the new Closing Date will be announced to ASX and disclosed on IAG's website.

### 1.5 How will the Buy-Back be conducted?

IAG is conducting the Buy-Back through an off-market tender process. All shareholders eligible to participate in the Buy-Back will be able to submit offers to sell their Shares at specific discounts in the Tender Discount Range from 4% to 14% (at 1% intervals (inclusive)) to the VWAP Market Price, or as a Final Price Tender.

At the end of the Tender Period, IAG will consider the Tenders and determine the Buy-Back Price. All successful Tenders will receive the Buy-Back Price for each share bought back, even if Shares were tendered at a Tender Discount greater than the Buy-Back Discount. Any Shares tendered at a Tender Discount lower than the Buy-Back Discount will not be accepted. If the number of Shares tendered at or above the Buy-Back Discount (including Final Price Tenders) exceeds the number of Shares IAG determines to buy back, a scale back will operate on the basis set out in Section 1.19.

## YOUR PARTICIPATION IN THE BUY-BACK

### 1.6 Can I participate in the Buy-Back?

If you are a shareholder other than an Ineligible Shareholder, you may offer to sell Shares in the Buy-Back if those Shares are registered in your name on the Buy-Back Record Date (being 7.00pm (Sydney time), Thursday, 25 August 2016).

## 1.7 What is the maximum number of Shares I can tender?

The maximum number of Shares you can tender is set out on your personalised Tender Form within the online tendering process, or (if you have requested a paper copy of the booklet) on the form that is provided to you.

Shares acquired on market on or after the Ex-Entitlement Date (Wednesday, 24 August 2016) generally will not be registered in your name by the Buy-Back Record Date and therefore will not carry an entitlement to participate in the Buy-Back.

## 1.8 Do I have to participate in the Buy-Back?

No, participation in the Buy-Back is optional. If you do not want to sell any of your Shares into the Buy-Back, you do not need to take any action.

## 1.9 What if I do not participate in the Buy-Back?

If you do not participate in the Buy-Back, or you participate but none of your Shares are bought back, the number of Shares you hold will not change as a result of the Buy-Back, although your proportional shareholding in IAG will increase slightly if the Buy-Back proceeds, as there will be fewer shares on issue (as indicated in Section 3.8). You will also benefit from any improvement in earnings per share arising from the Buy-Back.

## 1.10 Why would I participate in the Buy-Back?

Reasons you may choose to participate in the Buy-Back include:

- All of the Buy-Back Price above \$2.99<sup>1</sup> is expected to be treated as a fully-franked dividend (refer to Section 2). Depending on your individual taxation circumstances and the Australian income taxation consequences for you, this may provide a greater after-tax return than selling your Shares on market;
- No brokerage fee should be payable and there is no need to appoint a stockbroker in order to participate in the Buy-Back; and

- If you have a small holding of 340 Shares or less, it may be an efficient method of selling all of your Shares<sup>2</sup>.

Generally, Australian resident shareholders on lower marginal tax rates (including some individuals, tax exempt charities and complying superannuation funds) are more likely to wish to sell their Shares in the Buy-Back because the after-tax outcome may exceed the after-tax outcome of selling Shares on market.

Refer to Section 2.4 of this booklet for an illustrative example of the total after-tax proceeds if you sell your Shares under the Buy-Back and if you sell your Shares on market. IAG has made available a tax calculator as a guide to assist shareholders to consider the potential Australian tax consequences for them – please go to [www.iag.com.au](http://www.iag.com.au) if you wish to use this. IAG makes no recommendation as to whether or not to participate in the Buy-Back; neither does it provide advice on the value of your Shares. IAG strongly recommends you seek your own professional advice (including taxation and financial advice) about the implications of participating in the Buy-Back having regard to your individual circumstances.

## 1.11 Why wouldn't I participate in the Buy-Back?

Reasons you may choose not to participate in the Buy-Back include:

- You do not wish to dispose of any of your Shares;
- Participating in the Buy-Back may not suit your individual tax circumstances (this might be the case for non-resident shareholders and Australian resident shareholders on high marginal tax rates);
- You may be able to sell your Shares for a higher price on market during or after the Buy-Back Period, and, depending on your tax position, may receive a higher after-tax return;
- IAG's share price on market may be, or may move higher, than the Buy-Back Price during, or after, the Tender Period. It may also change materially in the future;
- You may wish to retain your Shares to benefit from an increased percentage shareholding in IAG and potential

increased earnings per share after completion of the Buy-Back; and

- There is no assurance that the Buy-Back will be completed or that your Tender will be accepted and not significantly scaled back.

## 1.12 Can I participate if I am a foreign shareholder?

Shares held by Excluded Foreign Shareholders, including any person who is (or who is acting on behalf of or for the account of a person who is) in the US, a US Person or a resident of Canada, may not be tendered into the Buy-Back. However, see Section 4.1 for more information.

## 1.13 How do I participate in the Buy-Back?

### Step 1 – Decide how many Shares you wish to sell

To participate in the Buy-Back after you have read the booklet, you first need to consider how many Shares you wish to sell. If you are submitting your Tender online, you should go to [www.iag.com.au](http://www.iag.com.au) and follow the instructions. If you have chosen to tender by completing the personalised Tender Form, then Step 1 on your personalised Tender Form accompanying this booklet sets out the maximum number of Shares you may tender.

**If you hold more than 850 Shares (as at the Buy-Back Record Date)**, you may tender any number of your Shares into the Buy-Back but you must tender a minimum of 850 Shares in aggregate.

**If you hold 850 Shares or less (as at the Buy-Back Record Date)**, you may only tender all (or none) of your Shares into the Buy-Back.

You must not, before the Buy-Back Date, sell or offer to sell to others the Shares you have offered to sell to IAG, unless you have withdrawn or amended your Tender (see Section 1.14).

### Step 2 – Select your Tender Discount(s) and/or a Final Price Tender

Once you have determined the number of Shares you wish to sell, you need to indicate the Tender Discount(s) to the VWAP Market Price at which you are willing to sell those Shares.

1 This amount is subject to ATO approval (see Section 2).

2 However, see Section 1.19 for details of Small Residual Tenders.

You may tender your Shares at any of the specified discounts in the range of 4% to 14% inclusive (at 1% intervals) to the VWAP Market Price as set out on the Tender Form and/or as a Final Price Tender.

The discount at which you tender your Shares will represent the lowest price (that is, the largest discount to the VWAP Market Price) at which IAG will buy back your Shares if your Tender is successful.

### **What is a Final Price Tender?**

A Final Price Tender is an offer to sell your Shares to IAG at whatever price is ultimately determined by IAG to be the Buy-Back Price. The Buy-Back Price could be as low as a 14% discount to the VWAP Market Price or as high as a 4% discount to the VWAP Market Price.

Final Price Tenders are designed to make it easier for shareholders to successfully participate in the Buy-Back. Submitting a Final Price Tender will increase the likelihood that some or all of your Shares will be bought back.

You should understand that submitting a Final Price Tender means, provided the Buy-Back Price is higher than any Minimum Price you may specify, you will definitely sell some or all of your tendered Shares at a price per share that could be anywhere in the range of a 4% to a 14% discount (inclusive) to the VWAP Market Price if the Buy-Back proceeds. If a large number of Final Price Tenders are submitted, it is more likely that the Buy-Back Price will be at a larger discount to the VWAP Market Price, subject to the 14% maximum. Final Price Tenders will only be scaled back (see Section 1.19) if the Buy-Back Price is set at a 14% discount to the VWAP Market Price and the total number of Shares tendered is more than IAG determines to buy back.

**If you hold more than 850 Shares**, you may tender different parcels of your Shares at different Tender Discounts and/or as a Final Price Tender. However, you must tender a minimum of 850 Shares in aggregate. Further, you may not tender the same Shares at different Tender Discounts (or at both a specific Tender Discount and as a Final Price Tender). Each parcel of Shares tendered at a different Tender Discount or as a Final Price Tender is a

separate Tender. The total number of Shares you tender into the Buy-Back must not exceed the number of Shares you held as at the Buy-Back Record Date (as set out on your Tender Form).

**If you hold 850 Shares or less**, you may only submit one Tender in respect of all of your Shares and your Tender must be at one of the specific Tender Discounts or as a Final Price Tender.

Your Tender will only be successful if it is at a Tender Discount greater than or equal to the Buy-Back Discount or is a Final Price Tender.

### **Step 3 – Select your Minimum Price (optional)**

In addition to choosing to tender your Shares at the specified Tender Discounts and/or as a Final Price Tender, you may also elect to impose a Minimum Price condition on your Tender. There are four Minimum Price options set out on the Tender Form from which you can choose. The Minimum Price can only be one of these four options. Selecting a Minimum Price on your Tender Form is an option available to you, but it may affect the success of your Tender.

#### **What is a Minimum Price?**

If you are concerned that movements in the IAG share price after you lodge your Tender may result in your Tender corresponding to a lower Buy-Back Price than you are willing to sell your Shares for, then you may wish to specify a Minimum Price below which you are not prepared to sell your Shares. If the Buy-Back Price is below your Minimum Price, then your Tender will be unsuccessful and your Shares will not be bought back.

If you select a Minimum Price, you must ensure that you still nominate a Tender Discount or a Final Price Tender. If you fail to nominate a Tender Discount or a Final Price Tender, and only make your Tender conditional on a specified Minimum Price, your Tender will be invalid and will not be accepted by IAG.

If you do not wish to specify a Minimum Price, leave the Minimum Price section on the Tender Form blank.

### **Step 4 – Submission of Tenders**

Once you have determined:

- The number of Shares you wish to sell;
- Your Tender Discount(s) and/or any Final Price Tender; and
- If you so choose, your Minimum Price,

you need to submit your Tender if you wish to participate. The way you complete Step 4 and submit your Tender will depend on the type of holding you have. This will be specified on your Tender Form.

Tenders must be received no later than 7.00pm (Sydney time) on the Closing Date.

You should ensure your nominated bank account is correct. This information is particularly important for shareholders enrolled in the DRP as you may not have previously provided your bank account details. You may change your current direct credit instructions online at [www.computershare.com.au/easyupdate/iag](http://www.computershare.com.au/easyupdate/iag) before the Closing Date.

#### **a) Issuer Sponsored Holdings**

If you have an Issuer Sponsored Holding (that is, you have a Securityholder Reference Number (SRN) which starts with an “I”), you can choose to submit your Tender online or you can complete and submit your personalised purple Tender Form.

If you wish to submit your Tender online, please visit the IAG website at [www.iag.com.au](http://www.iag.com.au) and follow the instructions. You will require your SRN which is located on your information flyer or personalised Tender Form (or any shareholder forms previously sent to you). Select the “Tender” option and submit your Tender. You will receive a confirmation of submission of your Tender via email.

If you wish to submit your Tender using a Tender Form, you need to complete and sign your personalised purple Tender Form and mail it (using the reply paid envelope if posting in Australia) to:

Insurance Australia Group Limited Buy-Back C/- Computershare Investor Services Pty Limited  
GPO Box 2115  
Melbourne VIC 3001 Australia

Your completed Tender Form, whether mailed or submitted online, must be received by the Registry no later than 7.00pm (Sydney time) on the Closing Date. IAG will not accept your Tender Form unless it is actually received before 7.00pm (Sydney time) on the Closing Date. You should allow sufficient time for this if you are sending your Tender Form by mail.

Neither IAG nor the Registry will be responsible if your Tender Form is not received in time.

If you have any questions in relation to the processing of your Tender Form, please call the Buy-Back Information Line on **1300 640 412** from within Australia or on **+61 3 9415 4067** from outside Australia between 8.30am and 5.00pm (Sydney time), Monday to Friday. Alternatively, information on the Buy-Back is also available on the IAG website at [www.iag.com.au](http://www.iag.com.au).

#### **b) CHESSE Holdings**

If you have a CHESSE Holding (that is, you have a Holder Identification Number (HIN) which starts with an "X"), you can choose to submit your Tender online or contact your controlling participant (usually your broker).

If you wish to submit your Tender online, please visit the IAG website at [www.iag.com.au](http://www.iag.com.au) and follow the instructions.

You will require your HIN which is located on your information flyer or personalised Tender Form (or any shareholder forms previously sent to you). Select the "Tender" option and submit your Tender. You will receive a confirmation of submission of your Tender via email. If you have a CHESSE Holding and choose to participate, IAG strongly recommends that you submit your Tender in advance of 7.00pm on the Closing Date with sufficient time for your controlling participant to process your Tender or confirm acceptance with the Registry by 7.00pm on the Closing Date. The name of the controlling participant who manages your CHESSE Holding as at the Buy-Back Record Date is printed on your blue Tender Form. Neither IAG nor the Registry will be responsible if your controlling participant does not acknowledge and confirm your Tender in sufficient time.

Do not send your blue Tender Form to the Registry.

If you have a CHESSE Holding, you will be sent written confirmation from CHESSE of the Tenders made on your holding. For Tenders withdrawn by your controlling participant, irrespective of its wording, this confirmation is not an acceptance by IAG of any Tender.

#### **1.14 Can I withdraw or amend my Tender?**

Once you have submitted a Tender, you may only withdraw or amend your Tender by following the procedures set out below:

##### **a) Issuer Sponsored Holdings**

If you have an Issuer Sponsored Holding, you can withdraw or amend a Tender that has been received by the Registry by submitting a Withdrawal/Amendment Form, which can be accessed from the IAG website at [www.iag.com.au](http://www.iag.com.au) or obtained by calling the Buy-Back Information Line. Complete and submit the Withdrawal/Amendment Form in accordance with the instructions below. You cannot submit a withdrawal or amendment of your Tender online.

Any amendment or withdrawal will not be effective unless it is received no later than 7.00pm (Sydney time) on the Closing Date. You may not withdraw or amend any of your Tenders after this time.

By submitting a Withdrawal/Amendment Form, you will be taken to have withdrawn all of your previous Tenders and (where applicable) replaced them with the Tenders detailed on that Withdrawal/Amendment Form.

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#### **Completing and submitting a Withdrawal/Amendment Form**

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##### **Withdrawal of Tender(s)**

You may withdraw all of your Tenders by ticking the "Withdrawal" box on the Withdrawal/Amendment Form (which can be accessed from the IAG website at [www.iag.com.au](http://www.iag.com.au) or obtained by calling the Buy-Back Information Line), completing your shareholder details, signing the form and sending it to the Registry at the address provided so that it is received no later than 7.00pm (Sydney time) on the Closing Date. You may not withdraw any of your Tenders after this time.

##### **Amendment of Tender(s)**

If you wish to change the terms of some

or all of your Tender(s), you must tick the "Amendment" box on the Withdrawal/Amendment Form (which can be accessed from the IAG website at [www.iag.com.au](http://www.iag.com.au) or obtained by calling the Buy-Back Information Line), complete your shareholder details, complete the details of all your Tender(s) on that form in accordance with the instructions shown on it, and send it to the Registry as specified above.

The effect of amending your Tender(s) by submitting a Withdrawal/Amendment Form will be to withdraw all of your previous Tender(s) and replace them with the Tender(s) detailed on the Withdrawal/Amendment Form.

You must ensure that your Withdrawal/Amendment Form is received by the Registry no later than 7.00pm (Sydney time) on the Closing Date. You may not withdraw or amend any of your Tenders after this time.

##### **b) CHESSE Holdings**

If you have a CHESSE Holding, you will need to contact your controlling participant (sponsoring broker or custodian) in sufficient time for them to process your withdrawal or amendment by no later than 7.00pm (Sydney time) on the Closing Date. You may not withdraw or amend any of your Tenders after this time.

If you have a CHESSE Holding, you must not send a Withdrawal/Amendment Form to the Registry and you cannot submit a withdrawal or amendment of your Tender online.

The effect of your controlling participant withdrawing or amending one or more of your Tender(s) will be to withdraw those Tender(s) and, in the case of an amendment, to replace the amended Tender(s) with new Tender(s). You will need to give your controlling participant instructions in relation to your replacement Tender(s) (if any) as if you had not previously submitted a Tender.

If you are a CHESSE Holder, you will receive written confirmation from CHESSE of the withdrawals/amendments made in relation to your holding. Irrespective of its wording, this confirmation is not an acceptance by IAG of your withdrawal or amendment of any Tender.



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## DETERMINING THE BUY-BACK PRICE AND SUCCESSFUL TENDERS

### 1.15 What price will IAG pay to buy back my Shares?

All Shares successfully tendered will be bought back at the Buy-Back Price. The Buy-Back Price will be calculated by applying the Buy-Back Discount to the VWAP Market Price (see below).

The Buy-Back Discount is the largest Tender Discount in the range of 4% to 14% inclusive (at 1% intervals) to the VWAP Market Price that will allow IAG to purchase the amount of capital it determines to buy back.

For each share purchased from you under the Buy-Back, you will receive a cash payment determined in accordance with the following formula:

**A = B × (1 – C) where:**

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A = Buy-Back Price (that is, the price per share, rounded to the nearest cent, to be paid for all Shares bought back under the Buy-Back)

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B = VWAP Market Price

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C = Buy-Back Discount (expressed as a decimal to two places)

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For example, if the relevant VWAP Market Price is \$5.85 and the Buy-Back Discount is 8%, then the Buy-Back Price would be \$5.38 (that is,  $5.85 \times (1-0.08)$ ).

IAG will not set the Buy-Back Price at a level above the Tax Market Value. The Tax Market Value is the price used by the ATO for Australian tax purposes to determine the deemed market value of the relevant Shares when the Buy-Back occurs. See Section 2.2 for information regarding the Tax Market Value.

### 1.16 How will I know what the VWAP Market Price is?

The VWAP Market Price means the VWAP of IAG ordinary shares on ASX over the five trading days up to and including the Closing Date, calculated to four decimal places (see definitions of VWAP and VWAP Market Price in Section 5 for further details).

To provide an indication of the VWAP Market Price, IAG will make the running

VWAP available to shareholders during this five trading day period.

IAG plans to announce the VWAP Market Price as soon as possible after 4.30pm (Sydney time) on the Closing Date.

The announcement will be available on IAG's website, the ASX website ([www.asx.com.au](http://www.asx.com.au)) or by calling the Buy-Back Information Line.

### 1.17 Will all the Shares I tender be bought back?

Whether all or any of the Shares you tender are bought back by IAG will depend on the Tender Discount at which you offer to sell your Shares and the number of Shares and Tender Discounts set out in the Tender(s) lodged by you and other shareholders. Successful Tenders and the scale back process will be determined as follows:

- If your Tender Discount is equal to or greater than the Buy-Back Discount or if you lodged a Final Price Tender, your Tender will be successful and your Shares will be bought back, subject to any scale back and, if applicable, any Minimum Price condition you have nominated;
- If your Tender Discount is less than the Buy-Back Discount, your Tender will be unsuccessful and your Shares will not be bought back; and
- If you have chosen a Minimum Price and the Buy-Back Price is below that price, your Tender will be unsuccessful and your Shares will not be bought back.

### 1.18 How will I know if my Tender has been successful?

IAG intends to announce the Buy-Back Price and other Buy-Back details to ASX as soon as possible after the Tender Period closes. The proposed date of announcement is Monday, 10 October 2016.

That announcement will be effective notice to you of IAG's acceptance of valid Tenders meeting the announced acceptance criteria, adjusted in accordance with the terms and conditions set out in the Buy-Back Documents and any relevant ASX announcement (including any scale back).

You can access the announcement from the IAG website ([www.iag.com.au](http://www.iag.com.au)) or from the ASX website ([www.asx.com.au](http://www.asx.com.au)).

Also, by Monday, 17 October 2016, IAG will send all shareholders who have tendered Shares in the Buy-Back, a statement notifying them of the number of their Shares (if any) that have been bought back and the price paid for them.

Where Tenders have been successful, the notification will be accompanied by a direct credit confirmation advice for the Buy-Back proceeds as outlined in Section 1.24. If you have a CHESS Holding, CHESS will provide you with written confirmation of the successful Tender(s) made on your holding or Tender(s) withdrawn by your controlling participant. Payments for successful Tenders are expected to be completed on Monday, 17 October 2016 and will be made by direct electronic transfer.

### 1.19 How will a scale back affect my Tender?

There is no assurance that any Tender will be successful in the Buy-Back, or that successful Tenders will be accepted in full.

#### Why would IAG apply a scale back?

IAG will need to apply a scale back if the number of Shares tendered at Tender Discounts greater than or equal to the Buy-Back Discount and as Final Price Tenders exceeds the total number of Shares that IAG determines to buy back.

#### Approach to scale back

The application of the scale back to a particular Tender will depend on the Buy-Back Discount, the Tender Discount selected (if applicable) and whether a Tender is a Final Price Tender (see Section 1.20 for further details) or a Small Residual Tender.

The scale back will be undertaken on a pro-rata basis to those Tenders to which it is applicable after taking into account Small Residual Tenders and Priority Allocations. When the scale back is calculated, all fractions of Shares to be bought back will be rounded down to the nearest Share.

The details of any scale back will be announced as soon as possible after the Closing Date. IAG expects to make this announcement on Monday, 10 October 2016.

## What is a Small Residual Tender?

A Small Residual Tender is a Tender submitted by a shareholder who tenders all of their Shares:

- At one or more Tender Discounts equal to or greater than the Buy-Back Discount; and/or
- As a Final Price Tender,

and who would otherwise be left with a Small Residual of 340 Shares or less as a result of IAG's acquisition of the Priority Allocation and any Shares subject to the scale back. While Small Residual Tenders will be accepted in full, IAG retains the discretion to reduce the Small Residual amount to achieve its preferred outcomes from the Buy-Back (for instance, if it would otherwise exceed the number of Shares that it desires to buy back).

However, if you become the registered holder of additional Shares after the Buy-Back Record Date (including as a result of your participation in the DRP) and, as a result, you are the registered holder of more Shares at the Closing Date than you held on the Buy-Back Record Date, then

your Tender will not be a Small Residual Tender. The scale back will apply to your Tender as it would to any other Tender, notwithstanding that the total number of Shares you can tender into the Buy-Back cannot exceed the number of Shares you held as at the Buy-Back Record Date (as set out in the Tender Form).

## How could the DRP affect your Small Residual Tender?

As noted above, if you become the registered holder of additional Shares after the Buy-Back Record Date because of your participation in the DRP and as a result you are the registered holder of more Shares at the Closing Date than you held on the Buy-Back Record Date, then your Tender will not be a Small Residual Tender and the scale back will apply to your Tender. Should you wish to avoid the risk that your Small Residual Tender will be subject to the scale back, you can withdraw your participation in the DRP at any time, by amending your DRP instructions through the Registry's Investor Centre site or by completing a DRP form. The Registry must receive your updated DRP instructions

by 5.00pm Sydney time on Thursday, 8 September 2016. A copy of the DRP form can be downloaded from IAG's website at [www.iag.com.au/shareholder-centre/dividends/reinvestment](http://www.iag.com.au/shareholder-centre/dividends/reinvestment) or by contacting the Registry on 1300 360 688 to request a copy.

## What is a Priority Allocation?

In the event of a scale back, IAG will buy back the first 850 Shares successfully tendered by each eligible shareholder, or such lesser number of Shares determined by IAG to be the Priority Allocation. The scale back will only apply to the tendered Shares remaining after the Priority Allocation has been acquired.

If you successfully tender less than the Priority Allocation, all your Shares so tendered will be bought back without any scale back.

## 1.20 How will successful Tenders be determined?

The following examples illustrate how IAG will determine Tender outcomes and how a scale back can be applied to submitted Tenders.

### Outcome 1 – If the Buy-Back Discount is set at less than the maximum 14% discount (that is, between 4% and 13% inclusive)

Tender submitted	Outcome
Final Price Tender <sup>1</sup>	<ul style="list-style-type: none"><li>• Tenders accepted in full</li></ul>
The Tender Discount you select is <b>greater than</b> the Buy-Back Discount <sup>1</sup>	<ul style="list-style-type: none"><li>• Tenders accepted in full</li></ul>
The Tender Discount you select is <b>equal to</b> the Buy-Back Discount <sup>1</sup>	<ul style="list-style-type: none"><li>• Tenders (other than Final Price Tenders, Priority Allocations and Small Residual Tenders) will be accepted but may be scaled back on a pro-rata basis<sup>2</sup></li><li>• A Priority Allocation will be bought back from each successful tendering shareholder<sup>3</sup></li><li>• Small Residual Tenders will be accepted in full, subject to Section 1.19<sup>3</sup></li></ul>
The Tender Discount you select is <b>less than</b> the Buy-Back Discount	<ul style="list-style-type: none"><li>• Tenders will be unsuccessful</li></ul>

### Outcome 2 – If the Buy-Back Discount is set at the maximum 14% discount

Tender submitted	Outcome
Final Price Tender and/or the Tender Discount you select is <b>equal to</b> the maximum 14% Buy-Back Discount <sup>1</sup>	<ul style="list-style-type: none"><li>• Tenders (other than Priority Allocations and Small Residual Tenders) will be accepted but may be scaled back on a pro-rata basis<sup>2</sup></li><li>• A Priority Allocation will be bought back from each successful tendering shareholder<sup>3</sup></li><li>• Small Residual Tenders will be accepted in full, subject to Section 1.19<sup>3</sup></li></ul>
The Tender Discount you select is <b>less than</b> the maximum 14% Buy-Back Discount	<ul style="list-style-type: none"><li>• Tenders will be unsuccessful</li></ul>

#### Notes:

- <sup>1</sup> If a Minimum Price has been specified in addition to the Tender Discount or Final Price Tender, and the Buy-Back Price is below the Minimum Price, then the Tender will be unsuccessful in full and none of the Shares tendered will be bought back.
- <sup>2</sup> Fractions of Shares to be bought back will be rounded down to the nearest share.
- <sup>3</sup> However, IAG has a discretion to reduce the size of the Priority Allocation and/or Small Residual amount.



The following examples illustrate how IAG will apply the above mentioned Tender outcomes:

### Scenario 1: 8% Buy-Back Discount and a 25% scale back (illustrative example only)

In the example, it is assumed that the VWAP Market Price is \$5.85 and the Buy-Back Discount is 8%, resulting in a Buy-Back Price of \$5.38. It is also assumed that the Priority Allocation is 850 Shares (that is, IAG will buy back the first 850 Shares from each successful Tender), the Small Residual Tender is 340 Shares, and shareholders have not specified a Minimum Price condition. Furthermore, it is assumed there is a 25% scale back applicable to Tenders which selected an 8% discount (other than Priority Allocations and Small Residual Tenders). Final Price Tenders or Tenders which selected a Tender discount greater than 8% will not be subject to scale back. In these circumstances, the outcome of each Tender would be as follows:

Shareholders	Total Holding of Shares	Shares Tendered	Tender Discount (%)	Price Represented by Tender Discount	Outcome
A	4,000	2,000	-	Final Price Tender	Successful, all 2,000 Shares bought back
		2,000	9%	\$5.32	Successful, all 2,000 Shares bought back
B	2,500	2,500	8%	\$5.38	Partially successful, 2,087 Shares bought back
C	1,000	1,000	8%	\$5.38	Successful, all 1,000 Shares bought back
D	900	600	8%	\$5.38	Successful, all 600 Shares bought back
		300	7%	\$5.44	Unsuccessful, no Shares bought back
E	1,000	500	6%	\$5.50	Unsuccessful, no Shares bought back

- **Shareholder A** tendered 2,000 Shares as a Final Price Tender and 2,000 Shares at a 9% Tender Discount. The Final Price Tender would be successful and 2,000 of the 2,000 Shares tendered would be bought back. The Tender submitted at a 9% Tender Discount would be successful and as the Tender Discount is greater than the Buy-Back Discount, no scale back will be applied meaning 2,000 of the 2,000 Shares tendered would be bought back. Following the Buy-Back, Shareholder A would be left with no Shares.
- **Shareholder B** tendered 2,500 Shares at an 8% Tender Discount. The Tender would be successful but as the Tender Discount is equal to the Buy-Back Discount only 2,087 of the 2,500 Shares tendered would be bought back as a result of the Priority Allocation first being bought back and the 25% scale back applying to the balance of 1,650 Shares, meaning that only 2,087 of these Shares would be bought back. Following the Buy-Back, Shareholder B would be left with 413 Shares.
- **Shareholder C** tendered 1,000 Shares at an 8% Tender Discount. Shareholder C would have the entire Tender accepted in full as 850 Shares would be bought back under the Priority Allocation and as after the 25% scale back is applied to the remaining 150 Shares, Shareholder C would be otherwise left with a Small Residual of 38 Shares, the Tender is a Small Residual Tender and these Shares would also be bought back.
- **Shareholder D** tendered 600 Shares at an 8% Tender Discount and 300 Shares at a 7% Tender Discount. Shareholder D would only have the 600 Shares tendered at the Buy-Back Discount bought back under the Priority Allocation. Even though Shareholder D is left with a residual holding of 300 Shares after the 600 Shares are bought back, the residual holding would not be bought back because Shareholder D submitted the Tender at a Tender Discount less than the Buy-Back Discount.
- **Shareholder E** tendered 500 Shares at a 6% Tender Discount which is less than the Buy-Back Discount. Hence, Shareholder E's Tender would be unsuccessful as the Tender Discount is lower than the Buy-Back Discount.

### Scenario 1: Scale back table (illustrative example only)

Shareholder	Shares tendered at an 8% or greater Tender Discount or as a Final Price Tender	Shares subject to scale back <sup>1</sup>	Scale back <sup>2</sup> (%)	Tender post scale back and Priority Allocation <sup>2,3</sup>	Shares remaining <sup>4</sup>	Small Residual Tender? <sup>5</sup>	Shares that are bought back <sup>6</sup>
A	4,000	-	-	4,000	-	No	4,000
B	2,500	1,650	25%	2,087	413	No	2,087
C	1,000	150	25%	962	38	Yes	1,000
D	600	0	-	600	-	No	600
E	-	-	-	-	-	Scale back not applicable	

**Notes:**

- 1 Shares tendered at a Tender Discount which is greater than the Buy-Back Discount or as a Final Price Tender are bought back in full. Under the Priority Allocation, the first 850 Shares are bought back from each shareholder who tenders Shares at the 8% Buy-Back Discount before the scale back applies.
- 2 A scale back of 25% means 75% of the Shares subject to scale back would be bought back (not including Priority Allocations and Small Residual Tenders).
- 3 When the scale back is calculated, fractions of Shares to be bought back will be rounded down to the next share.
- 4 Shares remaining refer only to Shares remaining from those Shares which were tendered at an 8% or greater Tender Discount or as Final Price Tenders.
- 5 Shareholder C tendered all of their Shares at a Tender Discount equal to the Buy-Back Discount. As a result of the Priority Allocation and scale back, Shareholder C would otherwise be left with a Small Residual of 38 Shares meaning the Tender is a Small Residual Tender and these Shares will also be bought back.
- 6 Shares that are bought back refers only to Shares that are bought back from those Shares which were tendered at an 8% or greater Tender Discount or as a Final Price Tender.

## Scenario 2: the maximum 14% Buy-Back Discount and a 50% scale back (illustrative example only)

In the example, it is assumed that the VWAP Market Price is \$5.85 and the Buy-Back Discount is 14%, resulting in a Buy-Back Price of \$5.03. It is also assumed that the Priority Allocation is 850 Shares (that is, IAG will buy back the first 850 Shares from each successful Tender), the Small Residual Tender is 340 Shares and shareholders have not specified a Minimum Price condition. Furthermore, it is assumed there is a 50% scale back applicable to Final Price Tenders and Tenders which selected a 14% discount (other than Priority Allocations and Small Residual Tenders). In these circumstances, the outcome of each Tender would be as follows:

Shareholders	Total Holding of Shares	Shares Tendered	Tender Discount (%)	Price Represented by Tender Discount	Outcome
A	4,000	2,000	–	Final Price Tender	Partially successful, 1,425 Shares bought back
		2,000	13%	\$5.09	Unsuccessful, no Shares bought back
B	2,500	2,500	14%	\$5.03	Partially successful, 1,675 Shares bought back
C	1,000	1,000	–	Final Price Tender	Successful, all 1,000 Shares bought back
D	900	600	14%	\$5.03	Successful, all 600 Shares bought back
		300	13%	\$5.09	Unsuccessful, no Shares bought back
E	1,000	500	12%	\$5.15	Unsuccessful, no Shares bought back

- **Shareholder A** tendered 2,000 Shares as a Final Price Tender and 2,000 Shares at a 13% Tender Discount. The Final Price Tender would be successful but only 1,425 of the 2,000 Shares tendered would be bought back as a result of the Priority Allocation of 850 Shares first being bought back and the 50% scale back applying to the balance of 1,150 Shares, meaning that only 1,425 of these Shares are bought back. The Tender submitted at a 13% Tender Discount would be unsuccessful as the Tender Discount is lower than the Buy-Back Discount. Following the Buy-Back, Shareholder A would be left with 2,575 Shares.
- **Shareholder B** tendered 2,500 Shares at a 14% Tender Discount. The Tender would be successful but only 1,675 of the 2,500 Shares tendered would be bought back as a result of the Priority Allocation of 850 Shares first being bought back and the 50% scale back applying to the balance of 1,650 Shares, meaning that only 1,675 of these Shares are bought back. Following the Buy-Back, Shareholder B would be left with 825 Shares.
- **Shareholder C** tendered 1,000 Shares as a Final Price Tender. Shareholder C would have the entire Tender accepted in full as 850 Shares would be bought back under the Priority Allocation and as after the 50% scale back is applied to the remaining 150 Shares, Shareholder C would otherwise be left with a Small Residual shareholding of 75 Shares, the Tender is a Small Residual Tender and these Shares would also be bought back.
- **Shareholder D** tendered 600 Shares at a 14% Tender Discount and 300 Shares at a 13% Tender Discount. Shareholder D would only have the 600 Shares tendered at the Buy-Back Discount bought back under the Priority Allocation. Even though Shareholder D is left with a residual holding of 300 Shares after the 600 Shares are bought back, the residual holding would not be bought back because Shareholder D submitted the Tender at a Tender Discount less than the Buy-Back Discount.
- **Shareholder E** tendered 500 Shares at a 12% Tender Discount which is less than the Buy-Back Discount. Hence, Shareholder E's Tender would be unsuccessful as the Tender Discount is lower than the Buy-Back Discount.

## Scenario 2: Scale back table (illustrative example only)

Shareholder	Shares tendered at a 14% Tender Discount or as a Final Price Tender	Shares subject to scale back <sup>1</sup>	Scale back <sup>2</sup> (%)	Tender post scale back and Priority Allocation <sup>2,3</sup>	Shares remaining <sup>4</sup>	Small Residual Tender? <sup>5</sup>	Shares that are bought back <sup>6</sup>
A	2,000	1,150	50%	1,425	575	No	1,425
B	2,500	1,650	50%	1,675	825	No	1,675
C	1,000	150	50%	925	75	Yes	1,000
D	600	0	–	600	–	No	600
E	–	–	–	–	–	Scale back not applicable	

### Notes:

- 1 Under the Priority Allocation, the first 850 Shares are bought back from each shareholder who tenders Shares at the Buy-Back Discount (including Shares tendered as a Final Price Tender) before the scale back applies.
- 2 A scale back of 50% means 50% of the Shares subject to scale back would be bought back (not including Priority Allocations and Small Residual Tenders).
- 3 When the scale back is calculated, fractions of Shares to be bought back will be rounded down to the next share.
- 4 Shares remaining refer only to Shares remaining from those Shares which were tendered at a 14% Tender Discount or as Final Price Tenders.
- 5 Shareholder C tendered all of their Shares as a Final Price Tender. As a result of the Priority Allocation and scale back, Shareholder C would otherwise be left with a Small Residual shareholding of 75 Shares meaning the Tender is a Small Residual Tender and these Shares would also be bought back.
- 6 Shares that are bought back refers only to Shares that are bought back from those Shares which were tendered at a 14% Tender Discount or as a Final Price Tender.

## 1.21 Can I trade my Shares after submitting a Tender?

Once you have tendered Shares in the Buy-Back, you must not sell or offer to sell those Shares before the Buy-Back Date unless you first withdraw or amend your Tender covering these Shares. In addition, you must not convert the Shares you tender from an Issuer Sponsored Holding to a CHESS Holding or vice versa or move them between CHESS Holdings (that is you may not change your controlling participant).

Any Shares which you have not tendered into the Buy-Back may be sold or otherwise dealt with in the ordinary manner.

Once you have submitted a Tender, you will not be able to deal with those Shares unless you withdraw or amend your Tender in accordance with the procedures set out in Section 1.14 of this booklet. Withdrawals or amendments made in accordance with these procedures may not take immediate effect. You should take this into consideration if you wish to sell any of the Shares which you have tendered.

If, at the Buy-Back Date, you do not hold at least the number of Shares you successfully tendered, IAG may, at its absolute discretion, not accept your Tender(s) or treat the Tender(s) as if you had tendered the number of Shares held by you at the Closing Date (see Sections 4.10 and 4.12 for further details). Shareholders should note that they indemnify IAG for all its costs or losses arising from any breach of this under the terms and conditions in Section 4.9.

## 1.22 How does the Buy-Back compare to selling my Shares on the stock market?

Depending on your individual circumstances, if you sell your Shares on market, the Australian income taxation implications may be different from selling your Shares in the Buy-Back (see Section 2 for more details in relation to Australian tax implications).

In addition, to execute a share sale on market you may need to pay brokerage whereas you should not need to pay brokerage to participate in the Buy-Back.

However, if you were to sell your Shares on market, it is likely that you would be able to sell your Shares for a higher price than the Buy-Back Price. This is because the prices at which shareholders can tender Shares into the Buy-Back are at a discount of between 4% and 14% to the VWAP Market Price due to the benefits of the franked Dividend Component only available through the Buy-Back process. Accordingly, it is likely that IAG's share price on market, during and possibly after the Tender Period, will be higher than the Buy-Back Price.

Generally, Australian resident shareholders on lower marginal tax rates (including some individuals, tax exempt charities and complying superannuation funds) are more likely to wish to sell their Shares in the Buy-Back because the after-tax outcome may exceed the after-tax outcome of selling Shares on market.

Refer to Section 2.4 of this booklet for an illustrative example of the total after-tax proceeds if you sell your Shares under the Buy-Back and if you sell your Shares on market. IAG has made available a tax calculator as a guide to assist shareholders to consider the potential Australian tax consequences for them – please go to [www.iag.com.au](http://www.iag.com.au) if you wish to use this.

**IAG makes no recommendation to you as to whether or not to participate in the Buy-Back; neither does it provide any advice on the value of your Shares.**

**Before you decide what to do with your Shares, IAG strongly recommends that you seek your own professional advice.**

## 1.23 How have IAG Shares performed over recent times?

The closing price of Shares on ASX on Thursday, 18 August 2016, being the last trading day before IAG announced details of the Buy-Back, was \$5.85.

The highest and lowest market sale prices of Shares during each of the preceding six months were as set out below. More recent price information is available from the IAG and ASX websites.

2016 Period	Low (\$)¹	High (\$)¹	VWAP²
March	5.11	5.64	5.45
April	5.34	5.82	5.56
May	5.81	6.05	5.90
June	5.34	5.85	5.63
July	5.47	6.04	5.70
August³	5.85	6.15	6.02

Source: IRESS

### Notes:

- ¹ Based on the closing prices for Shares on ASX.
- ² As per the definition of VWAP in Section 5.
- ³ August 2016 figures represent month to date figures as at 18 August 2016.

A graph indicating the share price performance of IAG over the period from 1 January 2015 to 18 August 2016 is set out at the end of this section of the Booklet.

## 1.24 How will I receive payment for Shares bought back?

By submitting your Tender Form you authorise IAG to pay any Buy-Back proceeds electronically into your nominated bank account.

If you wish to receive your Buy-Back proceeds by direct credit to a new or different bank account, you may change your current direct credit instructions online at [www.computershare.com.au/easyupdate/iag](http://www.computershare.com.au/easyupdate/iag). In order to be effective for the Buy-Back, you must make this change before the Closing Date.

Please note that if you alter your nominated bank account details, the updated details will be taken to be your nominated bank account details for future IAG dividend payments.

Direct credit advices will be mailed or emailed to your address in accordance with elections for electronic communication as shown on the IAG Share Register at 7.00pm (Sydney time) on the Closing Date. It is your responsibility to inform the Registry of any changes to your contact details, including your postal address. Payments to bank accounts are expected to occur on Monday, 17 October 2016. Payments to the accounts will satisfy IAG's obligation to pay you for any Shares bought back.

## 1.25 What if I have more than one holding of Shares?

If you are registered for electronic communications, you will receive an email link to the booklet and a personalised Tender Form for each separate holding of Shares. Alternatively, you can request a physical copy of the Booklet and a personalised Tender form for each holding by calling the IAG Buy-Back Information Line. For example, if you hold some Shares in your name and some Shares jointly with another party, and you are registered for electronic communications, you will receive two email links.

You may tender Shares in the Buy-Back from any or all of your separate holdings provided that you complete the Tender Form and follow the instructions on each Tender Form for each holding you wish to tender. Any scale back that applies to Shares tendered from more than one of your registered holdings of Shares will be applied to each of those registered holdings as if they were held by different parties.

## 1.26 Will I still receive the Final Dividend if my Shares are bought back?

Yes. All shareholders with an entitled registered holding on 7 September 2016 will receive the fully franked Final Dividend of \$0.13 per share in respect of those Shares, whether or not they participate in the Buy-Back. If a shareholder has an entitled registered holding on 7 September 2016, submitting a Tender prior to the Closing Date will not affect a shareholder's right to receive the Final Dividend.

## 1.27 What happens if I purchase more shares?

Shareholders who tender their shares into the Buy-Back should be able to purchase additional Shares in IAG on or after Wednesday, 24 August 2016 (on an ex-entitlement basis) without compromising their Australian tax position on Shares sold into the Buy-Back. This is because:

- Those additional shares will not confer an entitlement to participate in the Buy-Back; and
- The ATO has provided indicative confirmation that Shares acquired

on an ex-entitlement basis on or after Wednesday, 24 August 2016 (which do not carry a Buy-Back entitlement) will not affect shareholders' ability to receive franking credits on Shares acquired before that date which are bought back in the Buy-Back (see Section 2.3).

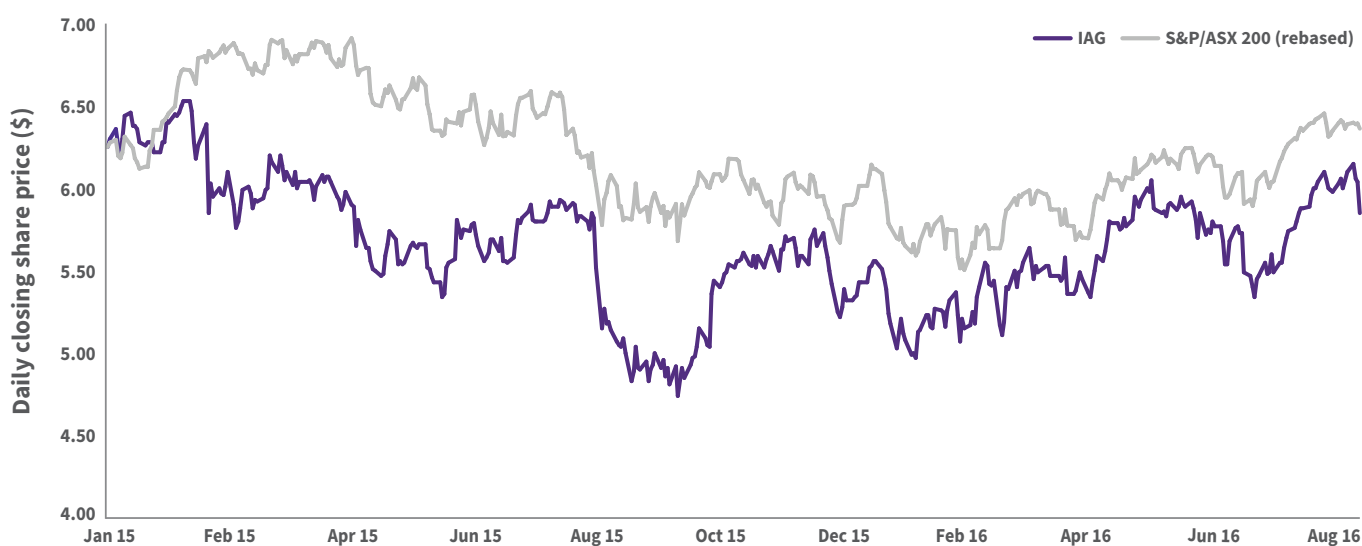
General information on the Australian tax implications for shareholders participating in the Buy-Back is included in Section 2, although eligible shareholders will need to consider their own particular tax circumstances.

## 1.28 Can I still vote if a general meeting is held during the Tender Period?

Yes. Shareholders who tender their Shares to IAG will still be entitled to vote (in accordance with the voting rights attached to their Shares) at any general meeting of IAG held during the Tender Period. There is currently no intention to hold a general meeting of IAG during the Tender Period.

Any Shares bought back under the Buy-Back will be cancelled and therefore not be able to be voted at IAG's next annual general meeting, scheduled for 21 October 2016 and after the Closing Date.

## IAG SHARE PRICE



Source: IRESS

# SECTION 2

## TAX IMPLICATIONS FOR AUSTRALIAN AND NON-RESIDENT SHAREHOLDERS.

The tax outcomes of participating in the Buy-Back will vary depending on your circumstances. It is therefore strongly recommended that you consult with your taxation professional regarding your particular circumstances.



## 2.1 Introduction

This summary has been prepared as a general guide based on Australian tax legislation and practices current as at the date of this booklet. It assumes that the income tax consequences of disposing of your Shares are determined under the CGT provisions – this will not be the case, for example, if you are a share trader, hold your Shares as revenue assets or have made certain elections under the “taxation of financial arrangements” provisions.

### Has the ATO issued a ruling about the Buy-Back?

IAG has requested an ATO Class Ruling on your behalf in relation to the tax implications of the Buy-Back and has received a draft Class Ruling from the ATO which provides indicative confirmation of a number of the statements contained in this summary. The Class Ruling cannot be given until after the Buy-Back has closed. However, this summary accords with what IAG anticipates the Class Ruling will say, based on the (non-binding) draft Class Ruling that IAG has received.

After the Class Ruling is issued, it will be available on the ATO website. A link to it will also be posted on the IAG website at [www.iag.com.au](http://www.iag.com.au).

### Tax allocation

For tax purposes, the amount you receive from selling a Share in the Buy-Back will comprise:

- The Sale Consideration (explained below); and
- The Dividend Component – which is the Buy-Back Price less the \$2.99 Capital Component. The Dividend Component will be fully franked.

## 2.2 Sale Consideration – capital gains tax

The Sale Consideration will be taken into account for tax purposes in determining whether you make a capital gain or loss on the sale of your Shares.

The Sale Consideration for the Buy-Back is the greater of:

- \$2.99; and
- The Tax Market Value (explained below) less the Dividend Component for

shareholders who are individuals and, in limited circumstances, for shareholders that are companies or normally taxed as companies.

The Sale Consideration may be significantly different from the CGT consideration which would result from an on-market sale of Shares, as illustrated in the table in Section 2.4.

The Tax Market Value and the Sale Consideration will be determined by IAG and confirmed by the ATO in the Class Ruling.

### What is the Tax Market Value?

The ATO view on how the Tax Market Value is determined is set out in Taxation Determination TD 2004/22, which can be obtained from the ATO website.

Consistent with that ATO view, the Tax Market Value will be determined in accordance with the following formula:

$$\frac{A \times \text{Closing level of S\&P/ASX 200 Index on the Closing Date}}{B}$$

where:

- A = the VWAP of Shares over the last five trading days before the announcement of the Buy-Back on 19 August 2016, adjusted to take into account the Final Dividend; and
- B = the opening level of the S&P/ASX 200 Index on 19 August 2016.

If the movement in the S&P/ASX 200 Index differs significantly from the movement in the Share price on ASX over the relevant period, IAG may seek ATO approval to vary the methodology used in determining the Tax Market Value.

### Where can I find the Tax Market Value and the Sale Consideration?

Preliminary determinations of the Tax Market Value and the Sale Consideration will be included in IAG’s ASX announcement of the Buy-Back results which is anticipated to occur on Monday, 10 October 2016. The announcement will also be posted on IAG’s website.

Alternatively, IAG’s preliminary determination of the Tax Market Value and the Sale Consideration can be obtained by calling the Buy-Back Information Line

on or after Monday, 10 October 2016. The Class Ruling will confirm the Tax Market Value and Sale Consideration.

The Tax Market Value and the Sale Consideration both depend in part on the movement of the S&P/ASX 200 Index up to the Closing Date and so they cannot be determined until the Closing Date.

## Resident individuals

### How do I calculate a capital gain or capital loss?

You will make a capital gain to the extent that the Sale Consideration exceeds the cost base of your Shares.

The cost base of a Share will generally be your original or deemed cost of acquisition, plus certain non-deductible incidental costs of acquisition and disposal.

You will make a capital loss to the extent that the reduced cost base of your Shares exceeds the Sale Consideration. You may only use a capital loss to offset a capital gain, either in the same or a later year.

### Will I be able to discount a capital gain?

If, at the time you sell your Shares in the Buy-Back, you have held the Shares for at least 12 months, then you will be entitled to the CGT discount. This means that you can discount by 50% any capital gain arising on disposal of your Shares under the Buy-Back. Any current or prior year capital losses that you have not applied against other capital gains must be applied against the capital gain before it is discounted.

If, at the time you sell your Shares in the Buy-Back, you have held the Shares for less than 12 months, the assessable amount of the capital gain (net of capital losses) cannot be discounted.

### At what time will a capital gain or capital loss arise?

For CGT purposes, any capital gain or capital loss will occur on completion of the Buy-Back, which is anticipated to occur on Monday, 10 October 2016.

## Complying superannuation funds

An Australian complying superannuation fund without current pension liabilities participating in the Buy-Back will be treated the same as a resident individual, except that the CGT discount is one-third, rather than 50%.



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This means that a complying superannuation fund shareholder that has held the Shares for at least 12 months only needs to include in its assessable income two-thirds of any net capital gain referable to that capital gain (after applying any current or prior year capital losses).

Shares held by an Australian complying superannuation fund to meet current pension liabilities are not subject to CGT.

To that extent, a complying superannuation fund shareholder will not make either a capital gain or a capital loss on disposal of Shares under the Buy-Back.

### Resident companies

A resident company will make a capital loss on disposal of Shares under the Buy-Back if the reduced cost base of each of its Shares exceeds the Sale Consideration. In the case of a company, the Sale Consideration is expected to equal the Tax Market Value.

A resident company will make a capital gain on disposal of Shares under the Buy-Back to the extent that the Sale Consideration exceeds the cost base of each of those Shares.

Companies are not entitled to the CGT discount.

### Non-residents

Australian CGT applies to some gains made by non-residents, depending on whether or not the assets in relation to which a gain is made (in this situation, the Shares) are "taxable Australian property". IAG believes that its Shares are not taxable Australian property.

Accordingly, you will not make a capital gain or capital loss for Australian tax purposes on the sale of your Shares in the Buy-Back unless:

- You have used your Shares at any time in carrying on a business through a permanent establishment in Australia; or
- You were formerly an Australian tax resident, held the Shares when you ceased to be an Australian tax resident, and elected not to recognise a capital gain or loss on the Shares when you ceased to be an Australian tax resident.

## 2.3 Dividend – taxable income

For income tax purposes, the Dividend Component will be treated in the same way as any other dividend.

### Resident individuals and complying superannuation funds

#### How much dividend income must I include in my assessable income?

You must include in your assessable income, for each Share disposed of under the Buy-Back:

- A deemed dividend equal to the Dividend Component; plus
- The attached franking credit (see Section 2.4).

The Dividend Component of Shares held by an Australian complying superannuation fund to meet current pension liabilities will be tax exempt. To that extent, a complying superannuation fund shareholder need not include either the Dividend Component or the attached franking credit in its assessable income.

#### Will I be entitled to the franking credits?

Yes. If you satisfy the requirements for franking credits (see below), you will be entitled to a tax offset equal to the amount of the franking credit.

A tax offset reduces the tax payable on your taxable income and, if your tax offset exceeds the total tax payable in the year the Buy-Back occurs, you will be entitled to a refund of the excess.

### Resident companies

The company must include in its assessable income for each Share that it sells:

- A deemed dividend equal to the Dividend Component; plus
- The attached franking credit.

If the company satisfies the requirements for franking credits (see below):

- The company will be entitled to a tax offset equal to the amount of the franking credit. A tax offset reduces the tax payable on the company's taxable income but the company will not be entitled to a refund of any excess; and

- The franking credit will generate a credit in the company's franking account and it can be used to frank dividends that the company pays.

### Requirements for franking credits

There are a number of provisions that restrict entitlement to tax offsets/franking credits. Anti-streaming rules apply to a company's shareholders generally, and holding period rules apply to particular shareholders according to their circumstances.

The ATO has provided an indication in the draft Class Ruling that the anti-streaming rules will not deny you tax offsets in respect of franking credits on the deemed dividend arising under the Buy-Back. IAG expects that this will be confirmed in the Class Ruling.

You will qualify for tax offsets/franking credits attaching to the deemed dividend arising under the Buy-Back if you hold the Shares that you sell in the Buy-Back for 45 clear days:

- At risk (where the risks of loss or opportunities for gain are not materially diminished); and
- Free of related payment obligations,

within the holding period beginning the day after you acquire your Shares and ending on Monday, 10 October 2016, being at least 45 days after the Buy-Back Ex-Entitlement Date on Wednesday, 24 August 2016.

Whether you hold your Shares at risk depends on your own particular circumstances, including whether you have any risk reduction arrangements or related payment obligation arrangements in place. Examples of risk reduction arrangements would be certain put option or hedging arrangements. An example of a related payment obligation would be a dividend swap agreement.

If you do not satisfy the holding period rules you are not entitled to the franking credit.

The ATO has provided an indication in the draft Class Ruling that the "last-in, first-out" rule applicable for the 45 day holding period rule will not treat you as selling in the Buy-Back any Shares purchased on market on or after the Ex-Entitlement Date. IAG expects that this will be confirmed in the Class Ruling.

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An exemption from the risk reduction rule, but not the related payment obligation rule, should be available to an individual shareholder who has a total franking credit/tax offset entitlement of \$5,000 or less (aggregating all dividends) for the income year in which the Buy-Back occurs. An exemption from the risk reduction rules should be available to complying superannuation funds and widely held trusts that comply with certain "benchmark portfolio" rules.

### **Non-residents**

The Dividend Component will be 100% franked and so will not be subject to Australian dividend withholding tax when paid to non-residents.

## **2.4 Worked tax example for resident individuals and complying superannuation funds**

The following table provides an illustrative example of the potential Australian tax consequences for Australian resident individuals and Australian complying superannuation funds from disposing of their Shares in the Buy-Back and a comparison to the after-tax outcomes of selling their Shares on market. IAG has made available a tax calculator as a guide to assist shareholders to consider the potential Australian tax consequences for them – please go to [www.iag.com.au](http://www.iag.com.au) if you wish to use this.

The table is an example only and is based on the following assumptions which may not reflect the actual tax consequences for a Shareholder who chooses to participate in the Buy-Back or sell shares on market:

- A Buy-Back Price of \$5.38;
- A Tax Market Value of \$5.85;
- On-market sale at \$5.85; and
- A cost base of \$5.64.



Example: Sample tax calculations for selling into the Buy-Back at \$5.38 and selling on market at \$5.85 and the Tax Market Value is assumed to be \$5.85

Per Share (\$)	Methodology	Super Fund		Australian resident individuals			
		15.0% tax rate	0.0% tax rate	\$0– \$18,200	\$18,201– \$37,000	\$37,001– \$80,000	\$80,001– \$180,000
<i>Basic assumptions</i>							
VWAP Market Price (assumed)		5.85	5.85	5.85	5.85	5.85	5.85
Less: Buy-Back Discount		(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)
(1) Tax Market Value (assumed) <sup>1</sup>		5.85	5.85	5.85	5.85	5.85	5.85
(2) Buy-Back Price (assumed)		5.38	5.38	5.38	5.38	5.38	5.38
(3) Cost base (assumed)		5.64	5.64	5.64	5.64	5.64	5.64
(4) Capital Component		2.99	2.99	2.99	2.99	2.99	2.99
(5) Marginal tax rate (%) <sup>2</sup>		15.0%	–	21.0%	34.5%	39.0%	49.0%
(6) Capital gains discount (%)		33.3%	50.0%	50.0%	50.0%	50.0%	50.0%
<i>Australian tax implications of sale of Shares into the Buy-Back Income tax consequences (deemed dividend)</i>							
(7) Fully franked dividend	= (2) – (4)	2.39	2.39	2.39	2.39	2.39	2.39
(8) Add: Gross up for franking credit <sup>3</sup>	= (7) × 0.3/0.7	1.02	1.02	1.02	1.02	1.02	1.02
(9) Assessable income <sup>3</sup>	= (7) + (8)	3.41	3.41	3.41	3.41	3.41	3.41
(10) Tax on that assessable income <sup>2</sup>	= (9) × (5)	(0.51)	–	(0.72)	(1.18)	(1.33)	(1.67)
(11) Tax offset for franking credits <sup>3</sup>	= (8)	1.02	1.02	1.02	1.02	1.02	1.02
(12) Net tax benefit/(cost) <sup>2, 3</sup>	= (10) + (11)	0.51	1.02	0.30	(0.16)	(0.31)	(0.65)
(13) After-tax dividend proceeds <sup>2, 3</sup>	= (7) + (12)	2.90	3.41	2.69	2.23	2.08	1.74
<i>Capital gains tax consequences<sup>3</sup></i>							
(14) Tax Market Value <sup>1</sup>	= (1)	5.85	5.85	5.85	5.85	5.85	5.85
(15) Less: Dividend Component	= (7)	(2.39)	(2.39)	(2.39)	(2.39)	(2.39)	(2.39)
(16) Sale Consideration <sup>1</sup>	= (14) – (15)	3.46	3.46	3.46	3.46	3.46	3.46
(17) Less: Assumed cost base	= (3)	(5.64)	(5.64)	(5.64)	(5.64)	(5.64)	(5.64)
(18) Nominal capital gain/(loss) on disposal	= (16) + (17)	(2.18)	(2.18)	(2.18)	(2.18)	(2.18)	(2.18)
(19) Discounted capital gain/(loss) <sup>4</sup>	= (18) × (100% – (6))	(1.45)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)
(20) Tax impact of loss/(gain) <sup>4</sup>	= (19) × (5)	0.22	–	0.23	0.38	0.43	0.53
(21) Add: Capital Component	= (4)	2.99	2.99	2.99	2.99	2.99	2.99
(22) After-tax capital proceeds <sup>1, 2, 4</sup>	= (20) + (21)	3.21	2.99	3.22	3.37	3.42	3.52
<b>(23) Total after-tax proceeds<sup>1, 2, 3, 4</sup></b>	<b>= (13) + (22)</b>	<b>6.11</b>	<b>6.40</b>	<b>5.91</b>	<b>5.60</b>	<b>5.50</b>	<b>5.26</b>
<i>Australian tax implications of sale of Shares on market<sup>3</sup></i>							
(24) Sale proceeds (assumed) <sup>4</sup>		5.85	5.85	5.85	5.85	5.85	5.85
(25) Less: Assumed cost base	= (3)	(5.64)	(5.64)	(5.64)	(5.64)	(5.64)	(5.64)
(26) Nominal capital gain/(loss) on disposal	= (24) – (25)	0.21	0.21	0.21	0.21	0.21	0.21
(27) Discounted capital gain/(loss) <sup>4</sup>	= (26) × (100% – (6))	0.14	0.11	0.11	0.11	0.11	0.11
(28) Tax impact of loss/(gain) <sup>5</sup>	= (27) × (5)	(0.02)	–	(0.02)	(0.04)	(0.04)	(0.05)
<b>(29) Total after-tax proceeds<sup>2, 5</sup></b>	<b>= (24) + (28)</b>	<b>5.83</b>	<b>5.85</b>	<b>5.83</b>	<b>5.81</b>	<b>5.81</b>	<b>5.80</b>

**Notes:** All figures have been rounded to two decimal places.

The table applies for Australian individual resident shareholders and complying superannuation funds. Figures assume:

- 1 Tax Market Value of the Shares is assumed to be \$5.85 for the purpose of this example. The Tax Market Value will change depending on the movement in the S&P/ASX 200 Index up to the close of the Buy-Back (see Section 2.2).
- 2 The marginal tax rate includes the Medicare Levy at a rate of 2.0%. The liability of an individual to pay the Medicare Levy depends on the individual's own particular circumstances. The marginal tax rate used for Australian resident individuals with taxable income over \$180,000 includes an additional 2% for the Temporary Budget Repair Levy.
- 3 Shareholders receive full entitlement to the franking benefits. Any capital loss made on the Buy-Back should be able to be applied to offset capital gains made in the 2017 income year or later years. For the purpose of this example, we have assumed that the capital loss will be applied against a capital gain to which the CGT discount applies. The table also assumes that capital gains are subject to discount relief and are not subject to indexation.
- 4 No brokerage fees have been included when selling on market.
- 5 As part of the 2016-17 Federal Budget, the Commonwealth Government announced that from 1 July 2016, the 34.5% (including Medicare Levy) personal income tax threshold will increase from \$80,000 to \$87,000. As at the date of this booklet, however, legislation implementing this increase has not been passed. The ATO has indicated that it will not "administratively" deliver the increase until such time as the measure is legislated. It is assumed that the personal income tax threshold measure will not be legislated by the time that the Buy-Back is undertaken. Once the increase is passed, Australian resident shareholders should read the reference to "\$80,000" and "\$80,001" in the table as "\$87,000" and "\$87,001" (respectively) instead.

# SECTION 3

## EFFECT OF THE BUY-BACK ON IAG.



### 3.1 Summary of FY16 full year results and outlook

#### Historical profit

IAG recorded a net after tax profit of \$625 million for FY16. This was 14.1% lower than the previous financial year and included:

- A significantly lower contribution from investment income on shareholders' funds, which reflected relatively weak equity market returns;
- The \$139m post-tax charge in respect of capitalised software assets; and
- A near \$100 million increase in tax expense, following a significantly reduced favourable effect from earthquake related reinsurance recoveries in a lower tax jurisdiction.

IAG reported an insurance profit<sup>1</sup> of \$1.18 billion for FY16, a 6.8% increase on the previous year's insurance profit, equating to a reported insurance margin of 14.3%. This sound result was achieved despite relatively flat gross written premium (GWP) which reflected challenging operating conditions in the Australian and New Zealand commercial markets.

#### Cash Earnings

IAG's Cash Earnings was \$867 million for FY16 compared to \$987 million for the previous financial year.

Cash ROE for FY16 was 13.0% which compares to IAG's through-the-cycle target of approximately 1.5 times weighted average cost of capital and equates to an ROE of approximately 12% on a short term basis and nearly 15% on a longer term perspective. This return is based on net profit after tax attributable to IAG shareholders, adjusted for amortisation and impairment of acquired identified intangibles and unusual items.

### Strong regulatory capital and balance sheet

IAG had a strong regulatory capital and balance sheet position with a Prescribed Capital Amount (PCA) multiple of 1.72x as at 30 June 2016 which compares with 1.70x at the end of the previous financial year. IAG's capital position remains above its target PCA multiple of 1.4–1.6x. IAG's strong balance sheet has provided the financial flexibility to enable IAG to continue to invest in growth opportunities and undertake an off-market share buy-back.

Management continues to actively pursue options to grow the business based on IAG's core capabilities. Over the long term, investments in growth opportunities and/or capital management are expected to play a role in delivering IAG's aspiration of top quartile shareholder returns.

IAG released its results for FY16 on 19 August 2016. Electronic copies of IAG's FY16 results and annual report (including full audited financial statements for FY16) can be found on its website at [www.iag.com.au](http://www.iag.com.au). IAG strongly recommends that shareholders read this information in conjunction with the information in this booklet prior to making a decision on whether to participate in the Buy-Back.

### 3.2 Material developments

Shareholders should be aware that, from time to time, IAG may be involved in strategic initiatives and corporate transactions. If a significant initiative or corporate transaction develops, IAG may make an ASX announcement. However, where it is not appropriate to immediately disclose the transaction, it may become necessary to terminate or extend the Buy-Back rather than proceed in circumstances where it is not possible to update shareholders. Any decision to terminate or extend the Buy-Back will only be made after due consideration of the best interests of IAG's shareholders and would be announced to ASX.

Announcements made by IAG in relation to any material developments in its business are released to ASX and can also be found on the IAG website at [www.iag.com.au](http://www.iag.com.au) under "News and Events".

### 3.3 How will the Buy-Back be funded?

It is intended that the Buy-Back will be funded from cash and investments. Given IAG's strong financial position, it will continue to remain well capitalised after completion of the Buy-Back. See Sections 3.6 and 3.7 for the pro-forma impact of the Buy-Back on IAG's balance sheet and regulatory capital position as at 30 June 2016.

### 3.4 Impact of the Buy-Back on key financial indicators

Although the precise impact of the Buy-Back cannot be determined until the Buy-Back Price and the size of the Buy-Back is known, the Buy-Back is expected to improve IAG's EPS and ROE, while gearing and regulatory capital are expected to remain at prudent levels. The expected impact of the Buy-Back on IAG's regulatory capital position is outlined in Section 3.7.

### 3.5 Impact of the Buy-Back on IAG's franking account

The amount of franking credits that will be utilised under the Buy-Back will not be known until the Buy-Back Price and the size of the Buy-Back are determined. By way of illustration, if the Buy-Back proceeds, IAG will distribute to shareholders around \$57 million of franking credits, assuming a Buy-Back size of \$300 million and a Buy-Back Price of \$5.38 (a discount of 8% to a VWAP Market Price of \$5.85).

While the Buy-Back will result in a reduction of IAG's available franking credit balance, the Board believes that the Buy-Back can be undertaken without prejudicing IAG's ability to fully frank ordinary share dividends at its ordinary dividend payout ratio of 60-80% of Cash Earnings in future years.

<sup>1</sup> The FY16 insurance profit is presented on a management reported basis which is not directly comparable to the equivalent statutory figure in IAG's FY16 Annual Report.

### 3.6 Impact of the Buy-Back on IAG's balance sheet

The table below sets out IAG's balance sheet as at 30 June 2016 and a pro-forma balance sheet post the Buy-Back (assuming

Shares to the value of \$300 million are bought back). The amount by which the Buy-Back Price exceeds the amount debited to share capital (\$2.39 per Share) will be debited to retained earnings.

#### PRO-FORMA BALANCE SHEET

\$m	Reported as at 30 June 2016	Adjustments for the Buy-Back <sup>1,2</sup>	Pro-forma as at 30 June 2016
<b>Assets</b>			
Cash and investments	13,209	(300)	12,909
Deferred insurance expenses	2,909		2,909
Other assets	10,502		10,502
Goodwill and intangible assets	3,410		3,410
<b>Total assets</b>	<b>30,030</b>	<b>(300)</b>	<b>29,730</b>
<b>Liabilities</b>			
Trade and other payables	2,346		2,346
Current tax liabilities	5		5
Unearned premium liability	6,220		6,220
Outstanding claims liability	11,741		11,741
Provisions	370		370
Interest bearing liabilities	1,962		1,962
Other liabilities	601		601
<b>Total liabilities</b>	<b>23,245</b>		<b>23,245</b>
<b>Net assets</b>	<b>6,785</b>	<b>(300)</b>	<b>6,485</b>
<b>Equity</b>			
Share capital	7,275	(167)	7,108
Treasury shares held in trust	(43)		(43)
Reserves	32		32
Retained earnings	(701)	(133)	(834)
<b>Total parent entity interest</b>	<b>6,563</b>	<b>(300)</b>	<b>6,263</b>
Non-controlling interest	222		222
<b>Total equity</b>	<b>6,785</b>	<b>(300)</b>	<b>6,485</b>

1 Pro-forma calculations assume the Buy-Back Price is \$5.38 (assuming an 8% Buy-Back Discount to an assumed VWAP Market Price of \$5.85), the number of Shares bought back is 56 million and Shares to the value of \$300 million are bought back. You should not rely on this price as being the Buy-Back Price as this is an example only. See Section 1.15 for an explanation on how the Buy-Back Price will be determined.

2 Assuming a Buy-Back Price of \$5.38, \$2.99 per Share of the Buy-Back Price will be debited to issued capital and the assumed balance of \$2.39 per Share will be debited to retained earnings.

### 3.7 Impact of the Buy-Back on IAG's regulatory capital position

The table below sets out IAG's regulatory capital position as at 30 June 2016 and a pro-forma regulatory capital position

post the Buy-Back (assuming Shares to the value of \$300 million are bought back). The amount by which the Buy-Back Price exceeds the amount debited to share capital (\$2.39 per Share) will be debited

to retained earnings. Post the transaction, IAG expects to maintain a capital position consistent with its targeted ranges for the PCA and CET1 multiples.

### PRO-FORMA REGULATORY CAPITAL POSITION

\$m	Reported as at 30 June 2016	Adjustments for the Buy-Back <sup>1,2</sup>	Pro-forma as at 30 June 2016
<b>Common Equity Tier 1 capital</b>			
Ordinary shares	7,275	(167)	7,108
Reserves	32		32
Retained earnings	(701)	(133)	(834)
Excess technical provisions (net of tax)	535		535
Minority interests	222		222
Less: Deductions	(4,525)		(4,525)
<b>Common Equity Tier 1 capital (CET1 capital)</b>	<b>2,838</b>	<b>(300)</b>	<b>2,538</b>
<b>Additional Tier 1 capital</b>			
Hybrid equities	707		707
<b>Total Tier 1 capital</b>	<b>3,545</b>	<b>(300)</b>	<b>3,245</b>
<b>Tier 2 capital</b>			
Subordinated term notes	1,074		1,074
<b>Total Tier 2 capital</b>	<b>1,074</b>		<b>1,074</b>
<b>Total regulatory capital</b>	<b>4,619</b>	<b>(300)</b>	<b>4,319</b>
<b>Prescribed Capital Amount (PCA)</b>			
Insurance risk charge	1,378		1,378
Insurance concentration risk charge	200		200
Diversified asset risk charge	1,445	(41)	1,404
Aggregation benefit	(682)	10	(672)
Operating risk charge	341		341
<b>Total PCA</b>	<b>2,682</b>	<b>(31)</b>	<b>2,651</b>
<i>PCA multiple</i>	<i>1.72x</i>		<i>1.63x</i>
<i>CET1 multiple</i>	<i>1.06x</i>		<i>0.96x</i>

1 Pro-forma calculations assume the Buy-Back Price is \$5.38 (assuming an 8% Buy-Back Discount to an assumed VWAP Market Price of \$5.85), the number of Shares bought back is 56 million and Shares to the value of \$300 million are bought back. You should not rely on this price as being the Buy-Back Price as this is an example only. See Section 1.15 for an explanation on how the Buy-Back Price will be determined.

2 Assuming a Buy-Back Price of \$5.38, \$2.99 per Share of the Buy-Back Price will be debited to issued capital and the assumed balance of \$2.39 per Share will be debited to retained earnings.

### 3.8 Impact of the Buy-Back on IAG's issued Shares

As at the date of this booklet, IAG has on issue approximately 2,431 million Shares. The table below sets out the number of Shares and the percentage of total issued Shares which would be bought back at different Buy-Back Discounts assuming an illustrative VWAP Market Price of \$5.85 and Shares to the value of \$300 million are bought back. All Shares that IAG buys back will be cancelled.

### 3.9 What effect will the Buy-Back have on the control of IAG?

IAG has a diverse shareholder base. Given the percentage of issued Shares expected to be bought back and IAG's current share register, the Buy-Back will not have any change of control implications for IAG.

### 3.10 Forward-looking statements

The pro forma information in this Section 3 is forward-looking information, and as a result is subject to uncertainty. See the "Important Notice" section at the beginning of this booklet for more cautions regarding forward-looking statements.

Tender Discount	Buy-Back Price assuming a VWAP Market Price of \$5.85	Number of Shares bought back (millions)	Percentage of total issued Shares (%)
14%	5.03	59.63	2.45%
13%	5.09	58.94	2.42%
12%	5.15	58.28	2.40%
11%	5.21	57.62	2.37%
10%	5.27	56.98	2.34%
9%	5.32	56.35	2.32%
8%	5.38	55.74	2.29%
7%	5.44	55.14	2.27%
6%	5.50	54.56	2.24%
5%	5.56	53.98	2.22%
4%	5.62	53.42	2.20%

# SECTION **4**

## **ADDITIONAL INFORMATION ON THE BUY-BACK.**

This section sets out further information regarding the terms of the Buy-Back, including important information for foreign shareholders, joint shareholders, trustees and nominees.



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## 4.1 Excluded Foreign Shareholders

An Excluded Foreign Shareholder is not entitled to participate in the Buy-Back. This Invitation is not made to any Excluded Foreign Shareholder.

This Invitation will not be sent to any shareholder who has a registered address in the US or Canada. Copies of the Buy-Back Documents are not being mailed to, or otherwise distributed or sent into, the US, Canada or any other jurisdiction where it would be unlawful to do so.

Any person receiving any of the Buy-Back Documents must not, directly or indirectly, distribute or send them into any jurisdiction, or otherwise make them available to any person in any jurisdiction, where to do so would breach the laws of that jurisdiction.

IAG will treat as invalid any Tender known, or reasonably known, to have been sent from the US, Canada or any other jurisdiction where it would be unlawful to do so, or by a US Person or Canadian resident. Further, IAG will not accept Tender Forms:

- From any person who does not represent that they are not an Excluded Foreign Shareholder; or
- That have been postmarked in the US or Canada, or that otherwise appear to IAG or its agents to have been sent from the US or Canada.

By submitting a Tender Form, you warrant that you are not an Excluded Foreign Shareholder.

However, without limiting the rights that IAG otherwise has in relation to Tenders, where an Excluded Foreign Shareholder can demonstrate to the satisfaction of IAG that its participation in the Buy-Back will not breach the laws of any jurisdiction, IAG may allow it to make a Tender but IAG retains the discretion to not accept such Tenders.

## 4.2 Shares held by trustees and nominees

### Notify beneficial owners other than Excluded Foreign Holders

Trustees and nominees (other than the trustee of the IAG share plans or rights plans) who hold Shares should inform the beneficial owners of the Shares about the Buy-Back, subject to any legal restrictions in the countries where such beneficial owners are resident.

Trustees or nominees who hold Shares on behalf, or for the account, of a US Person or a person located in the US, or a resident of Canada, or any other person who is an Ineligible Shareholder, must not inform any such person of the Buy-Back.

### Aggregated Tenders

Trustees and nominees should then aggregate all valid Tenders received from beneficial owners provided that none of those beneficial owners are Ineligible Shareholders.

It is the responsibility of the trustee or nominee to aggregate all instructions received from any underlying beneficial owners, and submit one combined Tender Form (if any) no later than 7.00pm (Sydney time) on the Closing Date.

It is the responsibility of the trustee or nominee to ensure that when completing an aggregated Tender Form, it does not include any Tenders on behalf of Ineligible Shareholders.

### Application of scale back

Any scale back that applies to Shares tendered by trustees and nominees will be performed on a registered shareholder basis. It is the responsibility of the trustee or nominee to aggregate all instructions received from any underlying beneficial owners, and submit one combined Tender Form (if any) no later than 7.00pm (Sydney time) on the Closing Date.

## 4.3 Margin lending arrangements

If you hold Shares under margin lending arrangements or if they are held as security for a loan or as ASX Clear Pty Limited collateral, you should ensure that your participation in the Buy-Back is permitted by those margin lending arrangements, the terms and conditions of the particular loan, or by ASX Clear Pty Limited.

## 4.4 Joint shareholders

If you hold your Shares jointly with another person (for example, your spouse), you must complete and return the Tender Form in accordance with the instructions for joint holdings on the Tender Form.

## 4.5 Shareholders who receive a government pension or allowance

The effect your participation in the Buy-Back will have on your government pensions or allowances (or those of your dependants) will depend on the value of the Shares bought back and on the level of your other income and assets. It is possible that your pension or allowance payments will not be affected at all because the social security income and assets tests allow you to have income and assets up to certain amounts without any reduction in payment. It will depend upon your particular circumstances. If you are in any doubt as to the action you should take, you should obtain advice specific to your circumstances.

If you would like information about the effect of participating in the Buy-Back on your pension or allowance, you should consult a professional adviser or contact Centrelink or the Department of Veterans' Affairs directly.



## 4.6 Restrictions on Tender acceptances

IAG will not knowingly accept any Tender which it may not lawfully accept or which, if accepted, would give rise to an illegal or unenforceable Buy-Back Contract or a Buy-Back Contract which IAG cannot otherwise perform.

## 4.7 Restrictions on the payment of Buy-Back proceeds

IAG will pay shareholders the Buy-Back Price for each of their Shares that are bought back, unless it is prohibited from doing so by law or the terms of the Buy-Back as set out in this booklet. IAG is currently prohibited from making payments to certain political regimes, and/or terrorist organisations and their sponsors under a number of acts, rules and regulations, including under the *Autonomous Sanctions Act 2011* (Cth), the *Autonomous Sanctions Regulations 2011* (Cth), the *Charter of the United Nations Act 1945* (Cth) and the *Charter of the United Nations (Dealings with Assets) Regulations 2008* (Cth).

## 4.8 Rights under the Buy-Back cannot be transferred

This Invitation is personal to the registered owner of the Shares. You cannot transfer your rights under this Invitation.

## 4.9 The effect of submitting a Tender

A Tender constitutes an offer to sell the tendered Shares to IAG on the terms and conditions set out in the Buy-Back Documents. A Tender does not, of itself, constitute a binding contract for the sale of the tendered Shares and cannot be enforced against IAG. IAG retains the discretion to accept or not accept any Tender, and may choose to not accept all Tenders.

If IAG accepts your Tender, a binding Buy-Back Contract is formed between you and IAG, and you must sell the tendered Shares to IAG on the terms and conditions set out in the Buy-Back Documents, including the terms and conditions set out below.

### By submitting a Tender Form, you:

- Agree to the terms and conditions set out in the Buy-Back Documents;
- Offer to sell to IAG on the Buy-Back Date the number of Shares nominated for sale on your Tender Form (adjusted in accordance with the terms and conditions set out in the Buy-Back Documents) at your Tender Discount(s) and/or as a Final Price Tender (subject to any Minimum Price you may have chosen);
- Agree to any scale back announced by IAG;
- Agree that IAG's ASX announcement on the Buy-Back Date in relation to the Buy-Back Price and other details is:
  - (a) Effective notice or communication of IAG's acceptance of your Tender(s) that are submitted either:
    - At a Tender Discount equal to or greater than the Buy-Back Discount; or
    - As a Final Price Tender, in either case, adjusted in accordance with the terms and conditions set out in the Buy-Back Documents, and which is submitted in accordance with the Buy-Back Documents (or treated by IAG as being so submitted) at a price which is not less than your Minimum Price (if you have chosen one) and which is accepted by IAG; and
  - (b) Effective notice of IAG's non-acceptance of any of your Tender(s) submitted at a Tender Discount less than the Buy-Back Discount or where your Minimum Price (if you have chosen one) is greater than the Buy-Back Price;
- Agree that a Buy-Back Contract is formed for the purchase of the relevant Shares upon IAG accepting your Tender in accordance with the terms and conditions of this Buy-Back and posting an ASX announcement on the Buy-Back Date in relation to the Buy-Back Price and other details, and that the purchase of the relevant Shares is taken to occur at that time;
- Waive any requirement to receive further notice or communication from IAG of its acceptance or non-acceptance of any Tender submitted by you and agree that the postal acceptance rule does not apply to Tenders;
- Warrant to IAG that:
  - At all times after you tender your Shares for sale into the Buy-Back, and on the Buy-Back Date, you are the registered holder of the Shares that you have tendered and that they are fully paid up, free from any mortgage, charge, lien or other encumbrance or security interest (whether legal or equitable) and from any third-party rights and are otherwise able to be sold freely by you;
  - You are a person to whom the Invitation may lawfully be made, you can lawfully be paid and receive the proceeds of the sale of your Shares and whose participation in the Buy-Back is permitted under the laws of the jurisdiction in which you are resident;
  - You are not (nor are you acting on behalf of or for the account of) a person located in the US, a US Person, a resident of Canada or a person who is otherwise an Ineligible Shareholder;
  - You have not distributed or sent any Buy-Back Documents or other document referring to the Buy-Back into the US, to any US Person, to any Canadian resident or into any other jurisdiction where it would be unlawful to do so; and
  - You have not utilised in connection with the Buy-Back, directly or indirectly, mail or any means of instrumentality (including without limitation, facsimile transmission, telephone and internet) of interstate or foreign commerce of, or any facility of a national securities exchange of, the US;
- Authorise IAG (and its officers, agents, contractors or advisers) to correct any error in or omission from your Tender Form and/or Withdrawal/Amendment Form, and to insert any missing details if they choose to do so;

- Acknowledge that neither IAG nor any other party involved in the Buy-Back has provided you with financial product advice, or any securities recommendation, or has any obligation to provide this advice or recommendation, concerning your decision to participate in the Buy-Back or the manner of any such participation;
- Undertake not to sell or offer to sell Shares to any other person if, as a result, you will at any time after you submit your Tender until the Buy-Back Date hold fewer Shares than the number of Shares you have tendered;
- Authorise IAG to make payment by direct credit to your nominated bank account as recorded at 7.00pm (Sydney time) on the Closing Date and acknowledge that payments made in accordance with such instructions will satisfy IAG's obligations to you for any Shares bought back;
- Agree that damages are not an adequate remedy for breach of these covenants, undertakings, agreements and warranties. If you sell Shares in breach of these terms, you will be deemed to have appointed IAG or its agent as your attorney to purchase Shares in your name and at your expense to satisfy your obligations under the Buy-Back and you will indemnify IAG for all costs incurred by it in connection with such purchase;
- Undertake that if you breach any of these covenants, undertakings, agreements or warranties you will indemnify IAG for all its costs or losses arising from the breach; and
- Agree that any obligation of IAG to buy back Shares tendered by you is conditional on your compliance with the covenants, undertakings, agreements and warranties listed above.

You will be taken to have submitted a Tender when the Registry receives your online Tender or your validly completed Tender Form or, if you have a CHESS Holding, your Tender from your controlling participant through CHESS.

#### **4.10 IAG's rights to accept or not accept Tenders and Tender Forms**

At any time, IAG may (at its sole discretion):

- Accept or not accept any Tender or Tender Form; and/or
- Accept or not accept a Tender not made on the terms and conditions set out in the Buy-Back Documents, or a Tender Form not submitted in accordance with the procedures set out in the Buy-Back Documents.

IAG reserves the right not to accept any Tender or Tender Form that has been postmarked in the US or Canada, or that otherwise appears to IAG or its agents to have been sent or lodged from the US or Canada or by an Ineligible Shareholder.

IAG may do each of these things in relation to all or some of the Tenders or the Tender Forms it receives, in its absolute discretion.

#### **4.11 IAG's rights to vary the terms or to terminate the Buy-Back**

While IAG does not anticipate changing any of the dates (including, without limitation, the Closing Date and the Buy-Back Date), times, the Tax Market Value, the Priority Allocation or the Small Residual amount set out in the Buy-Back Documents, it reserves the right to vary them. Any change will take effect from the time it is authorised by the Board and will be publicly announced on ASX as soon as practicable following the Board's authorisation. Any such change will be taken to amend this booklet (and the other Buy-Back Documents) accordingly.

IAG may also decide not to proceed with the Buy-Back. Without limitation, IAG reserves the right to terminate the Buy-Back at any time prior to the date on which IAG enters into Buy-Back Contracts by making an ASX announcement to that effect.

#### **4.12 IAG's rights to adjust Tenders**

IAG may, at its absolute discretion and at any time, deem any Tender it receives to be a valid Tender, disregard any Tender it believes should be disregarded and may waive any or all of the requirements for

validly making, amending or withdrawing a Tender (including timing). It may do each of these things in relation to some, all, or any number of Tenders it receives.

If you are an eligible shareholder, you are entitled to sell into the Buy-Back the lesser of:

- The number of Shares registered in your name on the Buy-Back Record Date (and which, in accordance with the applicable Settlement Rules, confer an entitlement to participate in the Buy-Back); and
- The number of Shares you hold on the Closing Date, (your "**Entitled Shares**").

If you submit one Tender of more than your Entitled Shares and IAG accepts your Tender, IAG will buy back only the number of your Entitled Shares.

If you submit more than one Tender and, in aggregate, you have tendered more than your Entitled Shares, IAG will buy back only the number of your Entitled Shares in the following order of priority:

- First acquiring that number of Entitled Shares as forms part of your Tender with the largest Tender Discount, which is equal to or greater than the Buy-Back Discount or submitted as a Final Price Tender (and, if you have chosen one, where your Minimum Price is satisfied); and
- Then, if after the application of the above you have Entitled Shares remaining, acquiring the remaining number of your Entitled Shares from your Tender with the second-highest Tender Discount, which is equal to or greater than the Buy-Back Discount (and, if you have chosen one, where your Minimum Price condition is satisfied), and will repeat this process until all of your Entitled Shares successfully tendered are bought back.

The above provisions are subject to any scale back and Priority Allocation.

If you select more than one Minimum Price, your Tender will be deemed conditional on the highest Minimum Price you have specified.

### 4.13 Duty

Under current law, stamp duty, transaction duty or other duty will not be payable on the cancellation of your Shares following acceptance of your Tender(s).

### 4.14 Unsuccessful Tenders

Shares that have been tendered into the Buy-Back but are not bought back will be released to shareholders' holdings as soon as practicable after processing of the Buy-Back has been completed after the Closing Date.

### 4.15 Employee share plans

If you are a participant in any of IAG's share plans or rights plans, you are not eligible to participate in the Buy-Back in respect of those Shares. Shares in these plans are currently held by the trustee and the plans restrict dealings in these Shares. Any Shares which are held in these plans are not included on your Tender Form. The trustee of the plans will not participate in the Buy-Back in respect of the Shares held by it. Only those Shares that you are free to trade will be included on your Tender Form.

### 4.16 Participation by directors and management

The Board has determined that the directors, other Key Management Personnel and certain other management involved in the implementation of the Buy-Back must not participate in the Buy-Back in respect of Shares held legally or beneficially by them.

### 4.17 ASIC and ASX Relief

#### ASIC Relief

ASIC has granted IAG an exemption under subsection 257D(4) of the Corporations Act. This exemption essentially permits IAG (without the requirement for shareholder approval):

- To conduct the Buy-Back as contemplated by this booklet;
- To use the scale back mechanism described in Section 1.19;
- To invite all shareholders to offer for sale Shares in accordance with the terms and conditions of the Invitation;
- To invite shareholders with 850 Shares or less to offer to sell Shares only if they

submit one Tender for all their Shares at the same Tender Discount or as a Final Price Tender; and

- Not to accept any Tender received from an Ineligible Shareholder,

provided certain conditions are met, including that the Buy-Back Price is calculated by applying the Tender Discount selected by IAG following the end of the Tender Period to the VWAP Market Price and that eligible shareholders are permitted to lodge a Tender conditional on a Minimum Price.

#### ASX Relief

ASX has granted IAG the following:

- A waiver from Listing Rule 7.40 to permit use of the online acceptance facility in place of some hard copy acceptance forms; and
- A waiver from Listing Rule 3.8A to permit IAG to lodge an Appendix 3F on the second business day after the Closing Date.

ASX has also confirmed that it will not require daily buy-back notifications (under Appendix 3E) to ASX during the Tender Period.

### 4.18 Privacy

IAG is carrying out the Buy-Back in accordance with the Corporations Act. This involves the personal information contained in Tender Forms being collected to enable IAG and its agents and contractors to determine the quantum of Shares, if any, and the price at which it will buy back Shares under the Buy-Back. If you do not provide this information, IAG and its agents and contractors may be hindered in, or prevented from, processing your Tender.

IAG respects your right to privacy and is committed to privacy protection. *The Privacy Act 1988* (Cth) details the ways in which private sector companies may collect, hold, use and disclose personal information.

Personal information will be collected, held and used in order to assess and process your Tender, to carry out appropriate administration of your Tender and to carry out administration in relation to your holdings, as well as corporate communications.

The personal information collected by IAG and its agents and contractors will only be disclosed to Computershare Investor Services Pty Limited in its capacity as share registrar of IAG and print and mail service provider, to IAG's related entities, other service providers and advisers in relation to the Buy-Back and to financial institutions in respect of payments to you in connection with the Buy-Back, or as required or authorised by law.

These recipients may be located outside Australia (including in New Zealand) where your personal information may not receive the same level of protection as that afforded under Australian law.

If you do not provide the information requested, your Tender may not be able to be processed efficiently, if at all.

You may access your personal information collected by IAG and its agents in relation to your shareholding by writing to IAG, c/- Computershare Investor Services at the mailing address set out on the Tender Form.

You may be required to pay a reasonable charge to the share registry in order to access your personal information.

The privacy policy of IAG is available at [www.iag.com.au/privacy-and-security](http://www.iag.com.au/privacy-and-security) and contains further information about how you may access your personal information that is held by IAG, seek to correct such information or make a privacy-related complaint and outlines how such a complaint will be dealt with.

### 4.19 Applicable law

This Invitation, your Tender, and the Buy-Back generally, are governed by the laws of New South Wales, Australia.

# SECTION 5

## DEFINITIONS AND INTERPRETATIONS.



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## DEFINITIONS

In the Buy-Back Documents unless the context otherwise requires:

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or the financial market which it operates, as applicable.

**ASX Settlement** means ASX Settlement Pty Limited (ABN 49 008 504 532), the securities clearing house of ASX.

**ATO** means the Australian Taxation Office.

**Board or IAG Board** means the Board of Directors of IAG or any duly constituted committee of the Board.

**Buy-Back** means the buy-back of Shares by way of a tender process as set out in the Buy-Back Documents.

**Buy-Back Contract** means the contract formed on the Buy-Back Date between you and IAG at the time that IAG accepts your Tender (if and to the extent that IAG accepts your Tender).

**Buy-Back Date** means the date and time that IAG announces to ASX the Buy-Back Price, the total number of Shares to be bought back and the details of any scale back.

**Buy-Back Discount** means the discount to be selected by IAG, being the largest Tender Discount within the range of 4% to 14% inclusive (at 1% intervals), which will enable IAG to buy back the amount of capital that it determines to buy back.

**Buy-Back Documents** means this booklet, the Tender Form and the Withdrawal/Amendment Form.

**Buy-Back Information Line** means 1300 640 412 from within Australia or +61 3 9415 4067 from outside Australia. These lines will be open from 8.30am to 5.00pm (Sydney time), Monday to Friday over the period the Buy-Back is implemented.

**Buy-Back Price** means the price at which IAG will buy back Shares from Tenders it accepts in the Buy-Back, rounded to the nearest cent (and, for the avoidance of doubt, rounded up in the case of half a cent). This price is determined by applying the Buy-Back Discount to the VWAP Market Price.

**Buy-Back Record Date** means 7.00pm (Sydney time) on Thursday, 25 August 2016, being the date of determination of shareholders entitled to participate in, and the number of Shares entitled to be tendered into, the Buy-Back.

**Capital Component** means the amount per Share (being \$2.99, which amount is subject to confirmation by the ATO) which will be debited to IAG's share capital account.

**Cash Earnings** means net profit after tax attributable to IAG shareholders, adjusted for the post-tax effect of any unusual items and the amortisation and impairment of acquired identifiable intangibles. This definition is generally used for the purposes of the Group's dividend policy.

**CGT** means capital gains tax.

**CHES** means the Clearing House Electronic Subregister System.

**CHES Holder** means a holder of Shares on the CHES subregister of IAG.

**CHES Holding** means a holding of Shares on the CHES subregister of IAG.

**Class Ruling** means the ruling to be issued by the ATO on the tax implications of the Buy-Back for shareholders of IAG who participate in the Buy-Back.

**Closing Date** means Friday, 7 October 2016 unless IAG announces a later date (in which case it is that later date).

**Corporations Act** means the Corporations Act 2001 (Cth), as modified by the relief described in Section 4.17.

**Dividend Component** means the Buy-Back Price less the \$2.99 Capital Component. The Dividend Component will be fully franked.

**DRP** means IAG's Dividend Reinvestment Plan.

**Entitled Shares** has the meaning given in Section 4.12.

**EPS** means earnings per Share.

**Ex-Entitlement Date** means the date that Shares commence trading on ASX on an ex-Buy-Back basis. Shares acquired on or after this date will not confer an entitlement to participate in the Buy-Back.

**Excluded Foreign Shareholder** means any person who:

- (a) Holds Shares and to whom IAG would be prohibited from paying money pursuant to any act, rule or regulation of Australia which prohibits IAG from making payments to foreign persons; or
- (b) Does not have a registered address in Australia or New Zealand and holds Shares and resides in a jurisdiction where it would be illegal under the laws of that jurisdiction to permit shareholders residing in that jurisdiction to receive an Invitation, or to participate in the Buy-Back (or which has laws which IAG determines would be impractical for it to comply with in order to permit shareholders residing in that jurisdiction to receive an Invitation, or to participate in the Buy-Back); or
- (c) Is acting on behalf of or for the account of a person who holds Shares and resides in a jurisdiction outside Australia or New Zealand where it would be illegal under the laws of that jurisdiction to permit such person residing in that jurisdiction to receive an Invitation, or to participate in the Buy-Back, for a shareholder (or which has laws which IAG determines would be impractical for it to comply with in order to permit shareholders residing in that jurisdiction to receive an Invitation, or to participate in the Buy-Back, for a shareholder).

For the avoidance of doubt, Excluded Foreign Shareholders includes any person who is (or who is acting on behalf of or for the account of a person who is) in the US, a US Person or a resident of Canada.

Further, having regard to the factors set out above, IAG has determined that it would be impractical to make Invitations to holders in jurisdictions other than Australia and New Zealand.

**Final Dividend** means IAG's dividend of \$0.13 per Share for the 2016 full year.

**Final Price Tender** means a Tender in which the shareholder elects to receive the Buy-Back Price, whatever IAG determines it to be.



**FY16** means the financial year from 1 July 2015 to 30 June 2016.

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

**IAG Share Register** means the share register of IAG.

**Ineligible Shareholder** means an Excluded Foreign Shareholder, or the trustee of IAG's share plans or rights plan.

**Invitation** means the invitation by IAG to eligible shareholders to offer to sell Shares to IAG as set out in the Buy-Back Documents.

**Issuer Sponsored Holder** means a holder of Shares on the issuer sponsored subregister of IAG.

**Issuer Sponsored Holding** means a holding of Shares on the issuer sponsored subregister of IAG.

**Key Management Personnel** means the persons identified as current Key Management Personnel in the FY16 Annual Report.

**Minimum Price** means one of the four specified minimum prices on the Tender Form, which a shareholder may select in order for their Tender to be conditional upon the Buy-Back Price being not less than that amount.

**Priority Allocation** means 850 Shares, or such lesser number of Shares as is determined by IAG (for instance, so as to ensure that IAG is able to buy back only the number of Shares it determines to buy back).

**Registry** means Computershare Investor Services Pty Limited, in its capacity as IAG's share registrar.

**ROE** means return on equity.

**Sale Consideration** has the meaning given to that term in Section 2.2.

**Settlement Rules** means the operating rules of ASX Settlement, as amended from time to time.

**Shares** means fully paid ordinary shares in the capital of IAG on issue as at the Buy-Back Record Date.

**Small Residual** means 340 Shares, or such lesser number of Shares as is determined by IAG (for instance, so as to ensure that IAG is able to buy back only the number of Shares it determines to buy back).

**Small Residual Tender** has the meaning given to that term in Section 1.19.

**Tax Market Value** for the purposes of the Buy-Back means

<b>A</b>	<b>x</b>	Closing level of S&P/ASX 200 Index on the Closing Date
<b>B</b>		

A = the VWAP of Shares over the last five trading days before the announcement of the Buy-Back, adjusted to take into account the Final Dividend.  
B = the opening level of the S&P/ASX 200 Index on Friday, 19 August 2016.

If the movement in the S&P/ASX 200 Index is significantly different from the movement in IAG's market price on ASX over the relevant period, IAG may approach the ATO to seek to vary the methodology used to determine the Tax Market Value.

**Tender** means a shareholder's offer to sell Shares to IAG at a specified Tender Discount or as a Final Price Tender and on the terms and conditions set out in the Buy-Back Documents as amended in accordance with the procedures set out in the Buy-Back Documents.

**Tender Discount** means one of the specified discounts between 4% to 14% (inclusive, at 1% intervals) to the VWAP Market Price as set out on the Tender Form.

**Tender Discount Range** means the range of Tender Discounts at which shareholders can submit Tenders, being 4% to 14% inclusive, at 1% intervals.

**Tender Form** means the form (and its online equivalent) of offer by a shareholder to sell Shares to IAG under the Buy-Back, which accompanies this booklet, or represented by instructions from a CHESS Holder's controlling participant (and includes a Tender Form amended in accordance with the procedures set out in the Buy-Back Documents).

**Tender Period** means the period within which shareholders may lodge, withdraw or amend a Tender in accordance with the Buy-Back Documents.

**US** means the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia.

**US Person** has the meaning given by Regulation S under the US Securities Act of 1933, as amended from time to time.

**VWAP** for a share over a period means the volume weighted average price of all trades on ASX including the closing single price auction, but excluding not "at market" trades (e.g. any transactions defined in the operating rules of ASX as special crossings, crossings prior to the commencement of the open session state, crossings during overnight trading, overseas trades, trades pursuant to the exercise of options over shares, and any other trades that the Board determines to exclude on the basis that the trades are not fairly reflective of natural supply and demand).

**VWAP Market Price** means the VWAP (as defined) of IAG ordinary shares on ASX over the five trading days up to and including the Closing Date, calculated to four decimal places, as determined by IAG after 4.30pm (Sydney time) on the Closing Date.

**Withdrawal/Amendment Form** means the form entitled "Withdrawal/Amendment Form", a copy of which is available on the IAG website or by calling the Buy-Back Information Line, that is required to withdraw or amend a previously submitted Tender.

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## INTERPRETATIONS

In the Buy-Back Documents, unless the context otherwise requires:

- The singular includes the plural, and vice versa;
- Words importing one gender include other genders;
- Other parts of speech and grammatical forms of a word or phrase defined in this booklet have a corresponding meaning;
- Terms used in the Buy-Back Documents and defined in the Corporations Act have the meanings given to them in the Corporations Act (unless expressly provided to the contrary in the Buy-Back Documents);
- An expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- A reference to a section, attachment and schedule is a reference to a section of and an attachment and schedule to this booklet, as relevant;
- Reference to any statute, regulation, proclamation, ordinance or law includes all statutes, regulations, proclamations, ordinances or laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- Headings and bold type are for convenience only and do not affect the interpretation of this booklet;
- A reference to writing includes facsimile transmissions;
- A reference to currency is to Australian dollars; and
- A reference to time is to Sydney time.

The postal acceptance rule does not apply to Tenders.





# CORPORATE DIRECTORY.

## REGISTERED OFFICE

Insurance Australia Group Limited (IAG)  
Level 26  
388 George Street  
Sydney NSW 2000  
Australia

## FINANCIAL ADVISER

UBS AG, Australia Branch  
Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
Australia

## LEGAL ADVISER

King & Wood Mallesons  
Level 50, Bourke Place  
600 Bourke Street  
Melbourne VIC 3000  
Australia

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## FOR MORE INFORMATION

Please see [www.iag.com.au](http://www.iag.com.au) or call the **IAG Information Line** on **1300 640 412** in Australia (+61 3 9415 4067 outside Australia)

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000001  
000  
SAM  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Return your Form:



### To Your controlling participant:

Return this form directly to your stockbroker

Your controlling participant is  
XXXX

## For all enquiries:



### Phone:

(within Australia) 1300 640 412  
(outside Australia) +61 3 9415 4067



**Tender Forms must be processed by your controlling participant by 7.00pm (Sydney time) on Friday, 7 October 2016**

# TENDER FORM – CHESS HOLDERS

This document is important. If you do not understand it please consult your financial, taxation or other professional adviser. Section 5 of the Buy-Back booklet defines the capitalised words used in this form and sets out other rules of interpretation. You must read the Buy-Back booklet before submitting a Tender. This Buy-Back is not available to persons residing outside of Australia and New Zealand and the Buy-Back Documents are not to be distributed in or into, the United States, Canada or any other jurisdiction where it is unlawful to do so, or to a US Person, a resident of Canada or a resident in any other jurisdiction where it is unlawful to do so.

If you wish to use this form to participate in the Buy-Back, you should refer to the instructions below and, for your Tender to be effective, you must instruct your controlling participant (normally your broker) to submit your Tender. Do not return this form to the Registry. **Alternatively, you can submit your Tender online.** Please refer to section 1.13 of the Buy-Back booklet for further information on how to participate in the Buy-Back.

## Step 1: Registration Details

Your name and address on the IAG register. To update your address please contact your broker or controlling participant.

The total number of Entitled Shares registered in your name as at 25 August 2016 is shown.

## Step 2: Tender Submission

**2a** Insert the number of Entitled Shares (if any) you wish to Tender as a Final Price Tender and/or:

**2b** Insert the number of Entitled Shares (if any) you wish to Tender at the specified Tender Discount.

**As you hold 850 Entitled Shares or less**, you may only submit one Tender in respect of all of your Entitled Shares. The Tender must be at one of the specified Tender Discounts in Step 2b or as a Final Price Tender (by completing Step 2a).

**Note that the number of Entitled Shares in Step 2 must not be more than the number of Entitled Shares in Step 1.** If the number of Entitled Shares in Step 2 is more than the number of Entitled Shares in Step 1, you will be deemed to have offered only the number of Entitled Shares shown in Step 1, and your Tender will be adjusted in the manner set out in Section 4.12 of the Buy-Back booklet.

## Step 3: This step is optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. If you tick one Minimum Price, you will not receive less than this amount for your Entitled Shares, however your Entitled Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a and/or Step 2b.

## Step 4: Signing instructions

You must sign this form. By signing and returning this Tender Form you acknowledge that you have read and understood the Buy-Back booklet and agree to, and make an offer to, sell your tendered Entitled Shares on the terms and conditions set out in the Buy-Back Documents (including the undertakings in section 4.9).

**Individual:** Where the holding is in one name, the shareholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders must sign.

**Power of Attorney:** Where signing as Power of Attorney (POA), you must attach an original certified copy of the POA to this form.

**Companies:** Where the holding is in the name of a company, this form must be signed in accordance with the Corporations Act, either by a sole director (who is also the sole company secretary), OR two directors, OR a director and company secretary.

**Overseas Companies:** Where the holding is in the name of a company incorporated in New Zealand, the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

**Deceased Estate:** All executors must sign and a certified copy of probate or letters of administration must accompany this form, if not already recorded.

By signing this Tender Form you confirm that you are not an Ineligible Shareholder.

Please provide your contact details in case we need to speak to you about your Tender Form.

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Insurance Australia Group Limited. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Insurance Australia Group Limited or to third parties upon direction by Insurance Australia Group Limited where related to the administration of your shareholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

# Tender Form

## STEP 1

### Registration Details

MR JOHN SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



X 123456789

IND

Entitled Shares you can Tender as at 25 August 2016

2000

As you hold 850 Entitled Shares or less, you may only **submit one Tender** in respect of all of your Entitled Shares and this Tender must be at **one** of the specified Tender Discounts **or** as a Final Price Tender.

Keep your SRN/HIN confidential.

To update your address please contact your broker or controlling participant.

## STEP 2

### Tender Submission

I/We Tender the following Entitled Shares to Insurance Australia Group Limited at the specified Tender Discount or as a Final Price Tender, on the terms and conditions set out in the Buy-Back Documents. **Choose one option only in either 2a or 2b.**

**2a** Insert the number of Entitled Shares (if any) you wish to Tender as a Final Price Tender.

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As a FINAL PRICE TENDER

**2b** Insert the number of Entitled Shares (if any) you wish to Tender next to the Tender Discount at which you wish to Tender those Entitled Shares.

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At a 4% Tender Discount

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At a 9% Tender Discount

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At a 5% Tender Discount

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At a 10% Tender Discount

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At a 6% Tender Discount

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At a 11% Tender Discount

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At a 7% Tender Discount

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At a 12% Tender Discount

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At an 8% Tender Discount

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At a 13% Tender Discount

At a 14% Tender Discount

## STEP 3

### Optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. You will not receive less than this amount for your Entitled Shares, however your Entitled Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a or Step 2b.

**Tick no more than one Minimum Price** - if you tick more than one Minimum Price, your Tender will be deemed to be conditional on the highest Minimum Price that you have specified.

A\$4.65

A\$4.90

A\$5.15

A\$5.40

## STEP 4

### Signature of Shareholder(s) *This section must be completed.*

Please sign within the appropriate boxes below. By signing this form you confirm that you are not an Ineligible Shareholder, you acknowledge that you have read and understand the terms and conditions set out in the Buy-Back Documents and you agree to the matters set out on the reverse of this form.

Individual or Shareholder 1

--

Sole director (if applicable)

Shareholder 2 (if required)

--

Director

Shareholder 3 (if required)

--

Director/Company secretary  
(cross out titles as applicable)

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_



000001  
000  
SAM  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Submit your Form:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 2115 Melbourne  
Victoria 3001 Australia



### Online:

www.iag.com.au

## For all enquiries:



### Phone:

(within Australia) 1300 640 412  
(outside Australia) +61 3 9415 4067



**Tender Forms must be received by the Registry by 7.00pm (Sydney time) on Friday, 7 October 2016**

# TENDER FORM – ISSUER SPONSORED HOLDINGS

This document is important. If you do not understand it please consult your financial, taxation or other professional adviser.

Section 5 of the Buy-Back booklet defines the capitalised words used in this form and sets out other rules of interpretation. You must read the Buy-Back booklet before submitting a Tender.

This Buy-Back is not available to persons residing outside of Australia and New Zealand and the Buy-Back Documents are not to be distributed in or into, the United States, Canada, or any other jurisdiction where it is unlawful to do so or to a US Person, a resident of Canada or a resident in any other jurisdiction where it is unlawful to do so.

If you wish to use this form to participate in the Buy-Back, you should refer to the instructions below. **Alternatively, you can submit your Tender online.** Please refer to section 1.13 of the Buy-Back booklet for further information on how to participate in the Buy-Back.

## Step 1: Registration Details

Your name and address on the IAG register is shown above and over the page. To update your address please mark the box over the page and write your new address next to the box. You can also change your address online at [www.investorcentre.com](http://www.investorcentre.com). The total number of Entitled Shares registered in your name as at 25 August 2016 is also shown over the page.

## Step 2: Tender Submission

**2a** Insert the number of Entitled Shares (if any) you wish to Tender as a Final Price Tender and/or:

**2b** Insert the number of Entitled Shares (if any) you wish to Tender at the specified Tender Discount.

**As you hold 850 Entitled Shares or less**, you may only submit one Tender in respect of all of your Entitled Shares. The Tender must be at one of the specified Tender Discounts in Step 2b or as a Final Price Tender (by completing Step 2a).

**Note that the number of Entitled Shares in Step 2 must not be more than the number of Entitled Shares in Step 1.** If the number of Entitled Shares in Step 2 is more than the number of Entitled Shares in Step 1, you will be deemed to have offered only the number of Entitled Shares shown in Step 1, and your Tender will be adjusted in the manner set out in Section 4.12 of the Buy-Back booklet.

## Step 3: This step is optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. If you tick one Minimum Price, you will not receive less than this amount for your Entitled Shares, however your Entitled Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a and/or Step 2b.

## Step 4: Signing instructions

You must sign this form. By signing and returning this Tender Form you acknowledge that you have read and understood the Buy-Back booklet and agree to, and make an offer to, sell your tendered Entitled Shares on the terms and conditions set out in the Buy-Back Documents (including the undertakings in section 4.9).

**Individual:** Where the holding is in one name, the shareholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders must sign.

**Power of Attorney:** Where signing as Power of Attorney (POA), you must attach an original certified copy of the POA to this form.

**Companies:** Where the holding is in the name of a company, this form must be signed in accordance with the Corporations Act, either by a sole director (who is also the sole company secretary), OR two directors, OR a director and company secretary.

**Overseas Companies:** Where the holding is in the name of a company incorporated in New Zealand, the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

**Deceased Estate:** All executors must sign and a certified copy of probate or letters of administration must accompany this form, if not already recorded.

By signing this Tender Form you confirm that you are not an Ineligible Shareholder.

Please provide your contact details in case we need to speak to you about your Tender Form.

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Insurance Australia Group Limited. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Insurance Australia Group Limited or to third parties upon direction by Insurance Australia Group Limited where related to the administration of your shareholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

# Tender Form

## STEP 1 Registration Details

MR JOHN SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030



I 123456789

IND

Entitled Shares you can Tender as at 25 August 2016

2000

As you hold 850 Entitled Shares or less, you may only **submit one Tender** in respect of all of your Entitled Shares and this Tender must be at **one** of the specified Tender Discounts or as a Final Price Tender.

Mark this box if you have changed your address or update your address via [www.investorcentre.com](http://www.investorcentre.com)

## STEP 2 Tender Submission

I/We Tender the following Entitled Shares to Insurance Australia Group Limited at the specified Tender Discount or as a Final Price Tender, on the terms and conditions set out in the Buy-Back Documents. **Choose one option only in either 2a or 2b.**

**2a** Insert the number of Entitled Shares (if any) you wish to Tender as a Final Price Tender.

--	--	--	--	--	--	--	--	--	--

As a FINAL PRICE TENDER

**2b** Insert the number of Entitled Shares (if any) you wish to Tender next to the Tender Discount at which you wish to Tender those Entitled Shares.

--	--	--	--	--	--	--	--	--	--

At a 4% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 9% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 5% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 10% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 6% Tender Discount

--	--	--	--	--	--	--	--	--	--

At an 11% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 7% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 12% Tender Discount

--	--	--	--	--	--	--	--	--	--

At an 8% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 13% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 14% Tender Discount

## STEP 3 Optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. You will not receive less than this amount for your Entitled Shares, however your Entitled Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a or Step 2b.

**Tick no more than one Minimum Price** - if you tick more than one Minimum Price, your Tender will be deemed to be conditional on the highest Minimum Price that you have specified.

A\$4.65

A\$4.90

A\$5.15

A\$5.40

## STEP 4 Signature of Shareholder(s) *This section must be completed.*

Please sign within the appropriate boxes below. By signing this form you confirm that you are not an Ineligible Shareholder, you acknowledge that you have read and understand the terms and conditions set out in the Buy-Back Documents and you agree to the matters set out on the reverse of this form.

Individual or Shareholder 1

--

Sole director (if applicable)

Shareholder 2 (if required)

--

Director

Shareholder 3 (if required)

--

Director/Company secretary  
(cross out titles as applicable)

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_



000001  
000  
SAM  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Submit your Form:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 2115 Melbourne  
Victoria 3001 Australia



### Online:

www.iag.com.au

## For all enquiries:



### Phone:

(within Australia) 1300 640 412  
(outside Australia) +61 3 9415 4067



**Tender Forms must be received by the Registry by 7.00pm (Sydney time) on Friday, 7 October 2016**

# TENDER FORM – ISSUER SPONSORED HOLDINGS

This document is important. If you do not understand it please consult your financial, taxation or other professional adviser.

Section 5 of the Buy-Back booklet defines the capitalised words used in this form and sets out other rules of interpretation. You must read the Buy-Back booklet before submitting a Tender.

This Buy-Back is not available to persons residing outside of Australia and New Zealand and the Buy-Back Documents are not to be distributed in or into, the United States, Canada, or any other jurisdiction where it is unlawful to do so or to a US Person, a resident of Canada or a resident in any other jurisdiction where it is unlawful to do so.

If you wish to use this form to participate in the Buy-Back, you should refer to the instructions below. **Alternatively, you can submit your Tender online.** Please refer to section 1.13 of the Buy-Back booklet for further information on how to participate in the Buy-Back.

## Step 1: Registration Details

Your name and address on the IAG register is shown above and over the page. To update your address please mark the box over the page and write your new address next to the box. You can also change your address online at [www.investorcentre.com](http://www.investorcentre.com). The total number of Entitled Shares registered in your name as at 25 August 2016 is also shown over the page.

## Step 2: Tender Submission

**2a** Insert the number of Entitled Shares (if any) you wish to Tender as a Final Price Tender and/or:

**2b** Insert the number of Entitled Shares (if any) you wish to Tender at the specified Tender Discount(s).

**As you hold more than 850 Entitled Shares**, you may Tender different parcels of Entitled Shares at one or more Tender Discounts and/or as a Final Price Tender. However, you must tender a minimum of 850 Entitled Shares in aggregate.

**2c** After indicating the number of Entitled Shares you wish to Tender as a Final Price Tender (Step 2a) and/or at a specified Tender Discount(s) (Step 2b), you need to add up the number of Entitled Shares in Steps 2a and 2b and write the total in Step 2c.

**Note that the number of Entitled Shares in Step 2c must not be more than the number of Entitled Shares in Step 1.** If the number of Entitled Shares in Step 2c is more than the number of Entitled Shares in Step 1, you will be deemed to have offered only the number of Entitled Shares shown in Step 1 and, if you have selected more than one Tender Discount and/or a Final Price Tender, your Tender will be adjusted in the manner set out in Section 4.12 of the Buy-Back booklet.

## Step 3: This step is optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. If you tick one Minimum Price, you will not receive less than this amount for your Entitled Shares, however your Entitled Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a and/or Step 2b.

## Step 4: Signing instructions

You must sign this form. By signing and returning this Tender Form you acknowledge that you have read and understood the Buy-Back booklet and agree to, and make an offer to, sell your tendered Entitled Shares on the terms and conditions set out in the Buy-Back Documents (including the undertakings in section 4.9).

**Individual:** Where the holding is in one name, the shareholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders must sign.

**Power of Attorney:** Where signing as Power of Attorney (POA), you must attach an original certified copy of the POA to this form.

**Companies:** Where the holding is in the name of a company, this form must be signed in accordance with the Corporations Act, either by a sole director (who is also the sole company secretary), OR two directors, OR a director and company secretary.

**Overseas Companies:** Where the holding is in the name of a company incorporated in New Zealand, the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

**Deceased Estate:** All executors must sign and a certified copy of probate or letters of administration must accompany this form, if not already recorded.

By signing this Tender Form you confirm that you are not an Ineligible Shareholder.

Please provide your contact details in case we need to speak to you about your Tender Form.

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Insurance Australia Group Limited. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Insurance Australia Group Limited or to third parties upon direction by Insurance Australia Group Limited where related to the administration of your shareholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.



# Tender Form

STEP 1

## Registration Details

MR JOHN SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030



I 123456789

IND

Entitled Shares you can Tender as at 25 August 2016

2000

Mark this box if you have changed your address or update your address via [www.investorcentre.com](http://www.investorcentre.com)

STEP 2

## Tender Submission

I/We Tender the following Entitled Shares to Insurance Australia Group Limited at the specified Tender Discount(s) and/or as a Final Price Tender, on the terms and conditions set out in the Buy-Back Documents.

**2a** Insert the number of Entitled Shares (if any) you wish to Tender as a Final Price Tender.

--	--	--	--	--	--	--	--	--	--

As a FINAL PRICE TENDER

**2b** Insert the number of Entitled Shares (if any) you wish to Tender next to the Tender Discount(s) at which you wish to Tender those Entitled Shares.

--	--	--	--	--	--	--	--	--	--

At a 9% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 4% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 10% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 5% Tender Discount

--	--	--	--	--	--	--	--	--	--

At an 11% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 6% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 12% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 7% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 13% Tender Discount

--	--	--	--	--	--	--	--	--	--

At an 8% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 14% Tender Discount

**2c** TOTAL NUMBER OF ENTITLED SHARES TENDERED  
 Number of Entitled Shares in 2a plus the number of Entitled Shares in 2b.

--	--	--	--	--	--	--	--	--	--

This number of Entitled Shares must not be more than the number in Step 1

STEP 3

## Optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. You will not receive less than this amount for your Entitled Shares, however your Entitled Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a and/or Step 2b.

**Tick no more than one Minimum Price** - if you tick more than one Minimum Price, your Tender will be deemed to be conditional on the highest Minimum Price that you have specified.

A\$4.65

A\$4.90

A\$5.15

A\$5.40

STEP 4

## Signature of Shareholder(s) *This section must be completed.*

Please sign within the appropriate boxes below. By signing this form you confirm that you are not an Ineligible Shareholder, you acknowledge that you have read and understand the terms and conditions set out in the Buy-Back Documents and you agree to the matters set out on the reverse of this form.

Individual or Shareholder 1

--

Sole director (if applicable)

Shareholder 2 (if required)

--

Director

Shareholder 3 (if required)

--

Director/Company secretary  
 (cross out titles as applicable)

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_





000001  
000  
SAM  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Return your Form:



### To Your controlling participant:

Return this form directly to your stockbroker

Your controlling participant is  
XXXX

## For all enquiries:



### Phone:

(within Australia) 1300 640 412  
(outside Australia) +61 3 9415 4067



**Tender Forms must be processed by your controlling participant by 7.00pm (Sydney time) on Friday, 7 October 2016**

# TENDER FORM – CHESS HOLDERS

This document is important. If you do not understand it please consult your financial, taxation or other professional adviser. Section 5 of the Buy-Back booklet defines the capitalised words used in this form and sets out other rules of interpretation. You must read the Buy-Back booklet before submitting a Tender. This Buy-Back is not available to persons residing outside of Australia and New Zealand and the Buy-Back Documents are not to be distributed in or into, the United States, Canada or any other jurisdiction where it is unlawful to do so, or to a US Person, a resident of Canada or a resident in any other jurisdiction where it is unlawful to do so.

If you wish to use this form to participate in the Buy-Back, you should refer to the instructions below and, for your Tender(s) to be effective, you must instruct your controlling participant (normally your broker) to submit your Tender(s). Do not return this form to the Registry. **Alternatively, you can submit your Tender online.** Please refer to section 1.13 of the Buy-Back booklet for further information on how to participate in the Buy-Back.

## Step 1: Registration Details

Your name and address on the IAG register. To update your address please contact your broker or controlling participant.

The total number of Entitled Shares registered in your name as at 25 August 2016 is shown.

## Step 2: Tender Submission

**2a** Insert the number of Entitled Shares (if any) you wish to Tender as a Final Price Tender and/or:

**2b** Insert the number of Entitled Shares (if any) you wish to Tender at the specified Tender Discount.

**As you hold more than 850 Entitled Shares**, you may Tender different parcels of Entitled Shares at one or more Tender Discounts and/or as a Final Price Tender. However, you must tender a minimum of 850 Entitled Shares in aggregate.

**2c** After indicating the number of Entitled Shares you wish to Tender as a Final Price Tender (Step 2a) and/or at a specified Tender Discount(s) (Step 2b), you need to add up the number of Entitled Shares in Steps 2a and 2b and write the total in Step 2c.

**Note that the number of Entitled Shares in Step 2c must not be more than the number of Entitled Shares in Step 1.** If the number of Entitled Shares in Step 2c is more than the number of Entitled Shares in Step 1, you will be deemed to have offered only the number of Entitled Shares shown in Step 1 and, if you have selected more than one Tender Discount and/or a Final Price Tender, your Tender will be adjusted in the manner set out in Section 4.12 of the Buy-Back booklet.

## Step 3: This step is optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. If you tick one Minimum Price, you will not receive less than this amount for your Entitled Shares, however your Entitled Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a and/or Step 2b.

## Step 4: Signing instructions

You must sign this form. By signing and returning this Tender Form you acknowledge that you have read and understood the Buy-Back booklet and agree to, and make an offer to, sell your tendered Entitled Shares on the terms and conditions set out in the Buy-Back Documents (including the undertakings in section 4.9).

**Individual:** Where the holding is in one name, the shareholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders must sign.

**Power of Attorney:** Where signing as Power of Attorney (POA), you must attach an original certified copy of the POA to this form.

**Companies:** Where the holding is in the name of a company, this form must be signed in accordance with the Corporations Act, either by a sole director (who is also the sole company secretary), OR two directors, OR a director and company secretary.

**Overseas Companies:** Where the holding is in the name of a company incorporated in New Zealand, the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

**Deceased Estate:** All executors must sign and a certified copy of probate or letters of administration must accompany this form, if not already recorded.

By signing this Tender Form you confirm that you are not an Ineligible Shareholder.

Please provide your contact details in case we need to speak to you about your Tender Form.

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Insurance Australia Group Limited. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Insurance Australia Group Limited or to third parties upon direction by Insurance Australia Group Limited where related to the administration of your shareholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

# Tender Form

## STEP 1 Registration Details

MR JOHN SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030



X 123456789 IND

Entitled Shares you can Tender as at 25 August 2016

2000

Keep your SRN/HIN confidential.

To update your address please contact your broker or controlling participant.

## STEP 2 Tender Submission

I/We Tender the following Entitled Shares to Insurance Australia Group Limited at the specified Tender Discount(s) and/or as a Final Price Tender, on the terms and conditions set out in the Buy-Back Documents.

**2a** Insert the number of Entitled Shares (if any) you wish to Tender as a Final Price Tender.

--	--	--	--	--	--	--	--	--	--

As a FINAL PRICE TENDER

**2b** Insert the number of Entitled Shares (if any) you wish to Tender next to the Tender Discount(s) at which you wish to Tender those Entitled Shares.

--	--	--	--	--	--	--	--	--	--

At a 4% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 9% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 5% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 10% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 6% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 12% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 7% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 13% Tender Discount

--	--	--	--	--	--	--	--	--	--

At an 8% Tender Discount

--	--	--	--	--	--	--	--	--	--

At a 14% Tender Discount

**2c** TOTAL NUMBER OF ENTITLED SHARES TENDERED  
 Number of Entitled Shares in 2a plus the number of Entitled Shares in 2b.

--	--	--	--	--	--	--	--	--	--

This number of Entitled Shares must not be more than the number in Step 1

## STEP 3 Optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. You will not receive less than this amount for your Entitled Shares, however your Entitled Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a and/or Step 2b.

**Tick no more than one Minimum Price** - if you tick more than one Minimum Price, your Tender will be deemed to be conditional on the highest Minimum Price that you have specified.

A\$4.65

A\$4.90

A\$5.15

A\$5.40

## STEP 4 Signature of Shareholder(s) *This section must be completed.*

Please sign within the appropriate boxes below. By signing this form you confirm that you are not an Ineligible Shareholder, you acknowledge that you have read and understand the terms and conditions set out in the Buy-Back Documents and you agree to the matters set out on the reverse of this form.

Individual or Shareholder 1

--

Sole director (if applicable)

Shareholder 2 (if required)

--

Director

Shareholder 3 (if required)

--

Director/Company secretary  
 (cross out titles as applicable)

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_



# Tender Withdrawal/Amendment Form

## STEP 1 Registration Details

Insert your name and address

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Insert your Securityholder Reference Number (SRN) or Holder Identification Number (HIN)

\_\_\_\_\_

I/We Tender the following Shares to Insurance Australia Group Limited at the specified Tender Discount(s) and/or as a Final Price Tender, on the terms and conditions set out in the Buy-Back Documents:

Tick one box only. One box must be completed.

**Withdrawal:** I/We withdraw my/our previous Tender(s) in accordance with the Buy-Back booklet (complete Step 4 only).

OR

**Amendment:** I/We withdraw my/our previous Tender(s) in accordance with the Buy-Back booklet and wish to submit a replacement Tender(s) as set out below (complete all boxes).

**A** Insert the number of Shares you can Tender as at 25 August 2016

\_\_\_\_\_

## STEP 2 Amend your Tender

**2a** Insert the number of Shares (if any) you wish to Tender as a Final Price Tender.

\_\_\_\_\_

As a FINAL PRICE TENDER

**2b** Insert the number of Shares (if any) you wish to Tender next to the Tender Discount(s) at which you wish to Tender those Shares. If you hold 850 Shares or less (as shown in Step 1), you may only submit one Tender in respect of all of your Shares and this Tender must be at one of the specified Tender Discounts or as a Final Price Tender (by completing Step 2a).

\_\_\_\_\_

At a 4% Tender Discount

\_\_\_\_\_

At a 10% Tender Discount

\_\_\_\_\_

At a 5% Tender Discount

\_\_\_\_\_

At an 11% Tender Discount

\_\_\_\_\_

At a 6% Tender Discount

\_\_\_\_\_

At a 12% Tender Discount

\_\_\_\_\_

At a 7% Tender Discount

\_\_\_\_\_

At a 13% Tender Discount

\_\_\_\_\_

At an 8% Tender Discount

\_\_\_\_\_

At a 14% Tender Discount

\_\_\_\_\_

At a 9% Tender Discount

**2c** TOTAL NUMBER OF SHARES TENDERED

Number of Shares in 2a plus the number of Shares in 2b

\_\_\_\_\_

This number of Shares must not be more than the number in Step 1

## STEP 3 Optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. You will not receive less than this amount for your Shares, however your Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a and/or Step 2b.

A\$4.65

A\$4.90

A\$5.15

A\$5.40

## STEP 4 Signature of shareholder(s) This section must be completed.

Please sign within the appropriate boxes below. By signing this form you confirm that you are not an Ineligible Shareholder, you acknowledge that you have read and understand the terms and conditions set out in the Buy-Back Documents and you agree to the matters set out on the reverse of this form.

Individual or Shareholder 1

\_\_\_\_\_

Sole director (if applicable)

Shareholder 2

\_\_\_\_\_

Director

Shareholder 3

\_\_\_\_\_

Director/Company secretary  
(cross out titles as applicable)

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / /

# Tender Withdrawal/Amendment Form

For all enquiries:



Phone:  
(within Australia) 1300 640 412  
(outside Australia) +61 3 9415 4067

## Return your form:

### CHESSE Holdings

#### Do not send your Withdrawal/Amendment Form to the Registry.

You will need to contact your controlling participant (usually your broker) in sufficient time for your controlling participant to process your Withdrawal/Amendment Form no later than 7.00pm (AEST) on 7 October 2016.

### Issuer Sponsored Holdings

Your completed Withdrawal/Amendment Form must be received by the Registry no later than 7.00pm (AEST) on 7 October 2016.

By mail:

IAG Buy-Back  
C/- Computershare Investor Services  
GPO Box 2115  
MELBOURNE VIC 3001  
AUSTRALIA

**WITHDRAWAL / AMENDMENT FORMS MUST BE RECEIVED IN TIME TO BE PROCESSED BY 7.00PM (AEST) ON FRIDAY, 7 OCTOBER 2016 IN ACCORDANCE WITH THE INSTRUCTIONS ON THIS FORM**

This document is important. If you do not understand it please consult your financial, taxation or other professional adviser. Section 5 of the Buy-Back booklet defines the capitalised words used in this form and sets out other rules of interpretation. You must read the Buy-Back booklet before submitting a Tender.

This Buy-Back is not available to persons residing outside of Australia and New Zealand and the Buy-Back Documents are not to be distributed in or into, the United States, Canada or any other jurisdiction where it is unlawful to do so, or to a US person, a resident of Canada or a resident in any other jurisdiction where it is unlawful to do so.

If you wish to use this form to withdraw/amend your Tender, you should refer to the instructions below. Please refer to Section 1.14 of the Buy-Back booklet for further information on how to withdraw or amend your Tender.

### Step 1: Registration Details

Complete all boxes in Step 1.

Insert your name and address.

Insert your Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**).

Insert the total number of Shares registered in your name as at 25 August 2016 that carry an entitlement to participate in the Buy-Back.

Tick the Withdrawal or Amendment box.

If you need to check the total number of Shares you may Tender into the Buy-Back, please call the IAG Information line on 1300 640 412 (within Australia) or +61 3 9415 4067 (from outside Australia).

### Step 2: Amend your Tender

**2a** Insert the number of Shares (if any) you wish to Tender as a Final Price Tender.

**2b** Insert the number of Shares (if any) you wish to Tender at the specified Tender Discount.

**If you hold 850 Shares or less**, you may only submit **one** Tender in respect of all of your Shares. The Tender must be at one of the specified Tender Discounts in Step 2b **or** as a Final Price Tender (by completing Step 2a).

**If you hold more than 850 Shares**, you may Tender different parcels of Shares at one or more Tender Discounts and/or as a Final Price Tender. However, you must tender a minimum of 850 Entitled Shares in aggregate.

**2c** After indicating the number of Shares you wish to Tender as a Final Price Tender (Step 2a) and/or at a specified Tender Discount(s) (Step 2b), you need to add up the number of Shares in Steps 2a and 2b and write the total in Step 2c.

**Note that the number of Shares in Step 2c must not be more than the number of Shares in Step 1.** If the number of Shares in Step 2c is more than the number of Shares in Step 1, you will be deemed to have offered only the number of Shares shown in Step 1 and, if you have selected more than one Tender Discount and/or a Final Price Tender, your Tender will be adjusted in the manner set out in Section 4.12 of the Buy-Back booklet.

### Step 3: This step is optional. Leave blank or tick one Minimum Price only

You should only tick a Minimum Price if you wish to make your Tender conditional on the Buy-Back Price being no less than the price that you tick. If you tick one Minimum Price, you will not receive less than this amount for your Shares, however your Shares will not be bought back if the Minimum Price you tick is higher than the Buy-Back Price. If you complete Step 3, you must also complete Step 2a and/or Step 2b.

### Step 4: Signing instructions

You must sign this form. By signing and returning this Tender Form you acknowledge that you have read and understood the Buy-Back booklet and agree to, and make an offer to, sell your tendered Shares on the terms and conditions set out in the Buy-Back Documents (including the undertakings in section 4.9).

**Individual:** Where the holding is in one name, the shareholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the shareholders must sign.

**Power of Attorney:** Where signing as Power of Attorney (POA), you must attach an original certified copy of the POA to this form.

**Companies:** Where the holding is in the name of a company, this form must be signed in accordance with the Corporations Act, either by a sole director (who is also the sole company secretary), **OR** two directors, **OR** a director and company secretary.

**Overseas Companies:** Where the holding is in the name of a company incorporated in New Zealand, the form must be signed as above, or documentation must be provided showing that the company can sign in an alternate manner.

**Deceased Estate:** All executors must sign and a certified copy of probate or letters of administration must accompany this form, if not already recorded.

By signing this Tender Form you confirm that you are not an Ineligible Shareholder.

Please provide your contact details in case we need to speak to you about your Tender Form.

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Insurance Australia Group Limited. You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to Insurance Australia Group Limited or to third parties upon direction by Insurance Australia Group Limited where related to the administration of your shareholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.