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TAXATION LETTER

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The Directors
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23 October 2009

Dear Directors

Taxation Letter
Amendment to Terms of Reset Exchangeable Securities

We have been instructed by the Issuer and IAG to prepare this Taxation Letter for inclusion in the Explanatory Statement dated 23 October 2009 for the proposed amendment of the terms of the Existing RES.

1 SCOPE OF ADVICE

This Taxation Letter is based on the documents referred to in this Explanatory Statement and provides a summary of the Australian income tax and GST consequences to a RES Holder arising from the proposal to amend the terms of the Existing RES.

This Taxation Letter deals with the position of persons who hold Amended RES, Amended Preference Shares or Ordinary Shares on capital account for tax purposes. This Taxation Letter does not deal with the position of persons who hold Amended RES, Amended Preference Shares or Ordinary Shares for resale at a profit, or as trading stock as part of a securities trading business.

The information contained in this Taxation Letter is of a general nature only and does not constitute taxation advice to any particular investor. It does not attempt to address all of the taxation consequences that may be relevant to investors. Investors should seek independent taxation advice for their own particular circumstances.

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All legislative references in this Taxation Letter are to provisions of the Income Tax Assessment Act 1936 (Cwlth) and to the provisions of the Income Tax Assessment Act 1997 (Cwlth) (each, the “**Act**”). The capitalised words and expressions in this letter have the same meaning as in this Explanatory Statement unless indicated otherwise.

This Taxation Letter is based on the Australian income tax and GST laws applicable as at the date of this Taxation Letter.

2 AMENDMENTS TO EXISTING RES

No gain or loss should arise to a RES Holder for Australian income tax purposes as a result of the Amendments to the Existing RES.

For the purposes of the capital gains tax (CGT) rules, to the extent that a CGT event may happen to a RES Holder, the RES Holder would not receive, and would not be deemed to receive, any capital proceeds in respect of that CGT event. Accordingly, no capital gain or capital loss would arise to the RES Holder as a result of the Amendments. Confirmation of this conclusion has been sought, and is expected to be obtained, from the Commissioner of Taxation (“**Commissioner**”) in a Class Ruling to be issued after the date of this letter.

There will be no adjustment to the cost base of the Amended RES in the hands of a RES Holder as a result of the Amendments to the Existing RES.

Further, no assessable amount will arise to a RES Holder under section 26BB of the Act, nor will any deductible loss arise under section 70B (being the provisions relating to traditional securities) as a result of the Amendments. Confirmation of this conclusion has been sought, and is expected to be obtained, from the Commissioner in a Class Ruling to be issued after the date of this letter.

Except as described in section 4 below, the Australian income tax treatment of the acquisition, holding and sale of Amended RES by a RES Holder remains as set out in the Taxation Letter contained in the Prospectus dated 29 November 2004.

3 AMENDMENTS TO EXISTING PREFERENCE SHARE TERMS

No gain or loss should arise to a RES Holder for Australian income tax purposes as a result of the Amendments to the Existing Preference Share Terms, whether under the CGT rules or other provisions of the Act.

Except as described in section 4 below, the Australian income tax treatment of the acquisition, holding and sale of Amended Preference Shares by a person whose Amended RES are Exchanged into Amended Preference Shares remains as set out in the Taxation Letter contained in the Prospectus dated 29 November 2004.

4 DEVELOPMENTS IN AUSTRALIAN INCOME TAX LAW

The issues discussed in this section 4 relate to changes in Australian tax law or the interpretation of such laws that have arisen since the Existing RES were issued. These issues do not arise as a result of the proposed Amendments.

Pay-As-You-Go withholding tax: change in tax rate

The rate at which tax will be deducted from Interest Payments or Dividends where the Issuer or IAG has not being notified of the RES Holder’s TFN, ABN or relevant exemption has changed from 48.50% to 46.50%.

Australian Taxation Office (ATO) views on traditional securities

The ATO has recently released two public rulings, Taxation Determinations TD 2008/21 and TD 2009/14, which consider the issue of what is a “security” for the purposes of the traditional security provisions. Although the instruments and transactions described in these Taxation Determinations differ to the Existing RES or Amended RES in material respects, the Commissioner there indicates that where payments under an instrument are contingent, the instrument would not have sufficient debt-like obligations to be a “security.”

If that view is correct and the Existing RES or Amended RES are not traditional securities, then if the Existing RES or Amended RES are sold, Redeemed for cash or Exchanged for Preference Shares, no assessable gain would arise under section 26BB and no deductible loss would arise under section 70B. Instead, any gain or loss would be subject to the CGT rules.

A RES Holder should seek independent advice on the treatment of their RES in their particular circumstances, including in relation to a disposal, Redemption or Exchange of their RES.

ATO views on franking credits and certain convertible notes

Since the Existing RES were issued, the anti-avoidance provisions of the Act relating to franking credits have been amended. Following that amendment, the Commissioner has recently issued a public ruling, TR 2009/3, which calls into question the availability of franking credits to holders of certain convertible notes. It is also possible that the amendments may be the subject of litigation with the Commissioner by issuers of instruments which have certain features in common with the Existing RES and Amended RES. Whilst we consider that the issues raised by the amendments have no application to the Amended RES, if litigation eventuates and the Commissioner’s views are upheld then the franking credits attaching to the Amended RES may be affected and a Tax Event entitling the Issuer to Redeem (subject to APRA’s prior written approval) or Convert or Resell Amended RES may occur.

Taxation of Financial Arrangements (TOFA) rules

The Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 was recently enacted and introduces into the Australian income tax legislation, new provisions (Division 230) representing a code for the taxation of amounts arising in relation to financial and other specified arrangements. The new Division 230 defines a “financial arrangement” as a way which includes the Existing RES and Amended RES and sets out six methods (four of which are elective, subject to certain safeguards) for bringing to account gains or losses on financial arrangements. These methods determine the tax-timing treatment of arrangements covered by the rules. The new rules also tax gains and losses from financial arrangements as being on revenue account (and not as capital gains or losses).

The new rules apply to financial arrangements acquired on or after 1 July 2010 unless a taxpayer makes an election for those rules to apply to the income year commencing on or after 1 July 2009. Further, under transitional rules, a taxpayer may elect for the new rules to apply to all financial arrangements they hold at the start of the first applicable income year. Therefore, as the Existing RES and Amended RES were entered into prior to the commencement date for Division 230, the new rules would not necessarily apply to a RES Holder who acquired their Existing RES or Amended RES before 1 July 2010, unless the RES Holder elects for them to do so.

Further, not all taxpayers are intended to be subject to the new rules. In particular, entities with an annual turnover below specified thresholds, and individuals, may be outside the Division 230 rules unless they elect for the rules to apply to them. A RES Holder should seek independent advice on how the new rules could apply to their RES in their particular circumstances.

5 GST

RES Holders will not be liable for GST in respect of Amendments to the terms of the Existing RES.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Malleons Stephen Jaques". The signature is written in a cursive style with a long horizontal stroke at the end.

Malleons Stephen Jaques