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APPENDIX C AMENDED PREFERENCE SHARE TERMS

The following copy of the Amended Preference Share Terms is marked to show changes from the Existing Preference Share Terms.

Provisions which will be removed by the Amendments are shown with a line struck through the middle of the text. Provisions which will be inserted by the Amendments are shown as underlined. All other text is unchanged by the Amendments.

For example, in clause 2.3(b) the words “~~IAG having profits available for the payment~~ no APRA Condition existing in respect of the relevant Dividend Payment Date” show that under the Amended Preference Share Terms, payments of Dividends in respect of Amended Preference Shares are subject to there being no APRA Condition existing in respect of the relevant Dividend Payment Date.

Preference Share Terms (amended and restated)

1 Preference Shares

- (a) Preference Shares are fully paid preference shares in the capital of Insurance Australia Group Limited (**IAG**). They are issued, and may be Redeemed ~~or~~, Converted or Resold, according to these Preference Share Terms.
- (b) The issue price of each Preference Share (~~Preference Share Issue Price~~) is ~~[state amount which is the Preference Share Issue Price being an amount equal to the Redemption Amount as defined in the RES Terms]~~ is the RES Holder's obligation to transfer the RES to IAG or its nominee when RES are Exchanged in accordance with the RES Terms.
- (c) The Preference Share Issue Date is ~~[state date which is the Realisation Date as defined in the RES Terms]~~.

2 Dividends

2.1 Dividends

Subject to these Preference Share Terms, each Preference Share entitles the Preference Shareholder on a Record Date to receive on the relevant Dividend Payment Date a dividend (**Dividend**) calculated according to the following formula:

$$\text{Dividend} = \frac{\text{Dividend Rate} \times \text{Preference Share Issue Price} \times \$100 \times N}{365}$$

where:

Dividend Rate (expressed as a percentage per annum) is calculated according to the following formula:

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

where:

Bank Bill Rate (expressed as a percentage per annum) means:

- (a) for the first Dividend Period, *[insert the percentage per annum which is applicable under the RES Terms being:*
- (i) *if the Preference Share Issue Date is 15 March, 15 June, 15 September or 15 December (or the Business Day following that day if that day is not a Business Day), the Bank Bill Rate as determined according to clause 2.1(b) on that date; or*
 - (ii) *if the Preference Share Issue Date is any other date, the Bank Bill Rate applicable to RES immediately prior to the issue of the Preference Shares]; and*
- (b) for any other Dividend Period, the average mid-rate for bills of a term of 90 days which average rate is displayed on Reuters page BBSW (or any page which replaces that page) on the first Business Day of the Dividend Period or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30 am (Sydney time) on that date, the rate specified in good faith by IAG at or around that time on that date having regard, to the extent possible, to:
- (i) the rates otherwise bid and offered for bills of a term of 90 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at that time on that date; or
 - (ii) if bid and offer rates for bills of a term of 90 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

Preference Share Margin (expressed as a percentage per annum) means in respect of the period:

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- (a) to (but not including) the ~~Step-Up~~ first Reset Date after the Preference Share Issue Date, [*insert RES Margin immediately prior to the issue of the Preference Shares*] (**Preference Share Initial Margin**); and
- (b) from (and including) the ~~Step-Up~~ first and any succeeding Reset Date to (but not including) the Reset Date immediately after that Reset Date, the Preference Share ~~Initial Margin plus 1.00% per annum~~ determined according to clause 4; and

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

N means in respect of:

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

2.2 Franking adjustments

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

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

where:

D means the Dividend calculated under clause 2.1;

T has the meaning given in clause 2.1; and

F means the applicable Franking Rate.

2.3 Payment of a Dividend

Each Dividend (including an Optional Dividend) is subject to:

- (a) the IAG Directors, at their absolute discretion, ~~determining~~ resolving to pay the Dividend to be payable on the relevant Dividend Payment Date; and
- (b) ~~IAG having profits available for the payment~~ no APRA Condition existing in respect of the relevant Dividend Payment Date;
- (c) ~~such payment of the Dividend not resulting in the Total Capital Adequacy Ratio or the Tier 1 Capital Ratio of the Group (on a consolidated basis) not complying with APRA's then current capital adequacy guidelines as they are applied to the Group at the time;~~
- (d) ~~unless APRA indicates that it has no objection, the amount of the Dividend not exceeding the profits after tax of the Group (on a consolidated basis) for the immediately preceding two half-yearly financial periods for which results have been publicly announced by IAG (or any other amount as determined by APRA in its discretion to be applicable for the purpose of the Group's Tier 1 Capital instruments) less the aggregate amount of dividends or other distributions paid or payable by a member of the Group on its Tier 1 Capital instruments (but not including a dividend or distribution paid or payable to a member of the Group by another member of the Group) in the 12 month period up to and including the Dividend Payment Date; and~~
- (e) ~~APRA not otherwise objecting to the payment of the Dividend.~~

The IAG Directors, at their absolute discretion, may determine an Optional Dividend to be payable on any date, subject to this clause ~~2.3~~ 2.3 and according to clause 2.8(f).

2.4 Dividends are non-cumulative

Dividends are non-cumulative. ~~If and accordingly, if~~ all or any part of a Dividend (including an Optional Dividend) is not paid because of clause ~~2.3, 2.3;~~

- (a) IAG has no liability to pay the unpaid amount of the Dividend ~~and;~~ and
- (b) notwithstanding the IAG Directors' discretion to pay an Optional Dividend under clause ~~2.3, 2.3;~~
 - (i) Preference Shareholders have no claim or entitlement in respect of such non-payment;
 - (ii) such non-payment does not constitute an event of default as these Preference Share Terms contain no events of default; and
 - (iii) Preference Shareholders have no right to initiate a winding up of, an administration in respect of, or the appointment of a receiver or a receiver and manager to, IAG for such non-payment.

2.5 Dividend Payment Dates

Subject to this clause 2, Dividends (other than Optional Dividends) will be payable in arrears on the following dates (each a **Dividend Payment Date**):

- (a) each 15 March, 15 June, 15 September or 15 December occurring after the Preference Share Issue Date until the Preference Share Exchange Date; and
- (b) the Preference Share Exchange Date.

If a Dividend Payment Date is a day which is not a Business Day, then the Dividend Payment Date will be the next day which is a Business Day.

2.6 Record Dates

A Dividend is only payable on a Dividend Payment Date to those persons registered as Preference Shareholders on the Record Date for that Dividend.

An Optional Dividend is only payable on the date of payment determined by the IAG Directors to those persons registered as Preference Shareholders on the Record Date for that Optional Dividend.

2.7 Deductions

IAG may deduct from any Dividend payable the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by IAG to the relevant revenue authority and the balance of the Dividend payable has been paid to the relevant Preference Shareholder, then the full amount payable to such Preference Shareholder shall be deemed to have been duly paid and satisfied by IAG.

IAG shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring any penalty under the applicable law and shall, if required by any Preference Shareholder, deliver to that Preference Shareholder the relevant receipt issued by the revenue authority without delay after it is received by IAG.

2.8 Restrictions in the case of non-payment

If:

- (a) for any reason a Dividend has not been paid in full within 20 Business Days after the relevant Dividend Payment Date; or
- (b) an Interest Payment scheduled to be paid on a RES that has been ~~exchanged~~ Exchanged for a Preference Share was not paid in full within 20 Business Days of the relevant Interest Payment Date ~~because of clause 3.3(b) of the RES Terms~~ and remains unpaid,

IAG must not, without approval of a Special Resolution:

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- (c) declare or pay a dividend or make any distribution on any capital over which Preference Shares rank in priority for participation in profits; or
- (d) redeem, reduce, cancel or acquire for any consideration any capital of IAG other than Preference Shares or capital ranking equally with or in priority to Preference Shares,

unless:

- (e) four consecutive Dividends stated to be payable on Preference Shares after the Dividend Payment Date of the Dividend that has not been paid have been paid in full; or
- (f) with the prior written approval of APRA ~~(if approval is then required)~~, an optional dividend (**Optional Dividend**) has been paid to Preference Shareholders equal to the aggregate unpaid amount of any unpaid Dividends and Interest Payments which were scheduled to be paid in the 12 months prior to the date of payment of the Optional Dividend; or
- (g) all Preference Shares have been Redeemed or Converted.

3 ~~Redemption or~~ **Conversion or Resale**

3.1 ~~Redemption or~~ **Conversion or Resale**

- (a) **Redemption** means to redeem, buy back (other than by an on-market buy-back) or reduce capital in connection with Preference Shares (or any combination of these) for an amount of cash equal to ~~the Preference Share Issue Price~~ **\$100** according to clause ~~3.6~~**3.9**; and
- (b) **Conversion** means to convert Preference Shares to a number of Ordinary Shares ~~equivalent in value to the Preference Share Issue Price~~ according to clause ~~3.7~~**3.10**; and
- (c) **Resale** means the Preference Shares are purchased by a Nominated Purchaser for the Resale Price according to the Resale Mechanics.

3.2 ~~Redemption or~~ **Conversion by Preference Shareholders**

A Preference Shareholder may, by giving a notice in writing to IAG (a **Preference Shareholder Conversion Notice**), request that IAG Convert some or all of its Preference Shares:

- (a) on any Reset Date which occurs while the Preference Shares are on issue (or to which clause 4.4 relates, unless the Preference Shareholder had already given a RES Holder Conversion Notice in respect of that Reset Date) (a **Preference Shareholder Conversion Notice (Reset)**); or
- (b) following the occurrence of any Acquisition Event (a **Preference Shareholder Conversion Notice (Acquisition)**).

Preference Shareholders have no right to seek or initiate Redemption or ~~Conversion~~Resale.

3.3 ~~Redemption or~~ **Preference Shareholder Conversion by IAG Notice**

- (a) A Preference Shareholder Conversion Notice (Reset) must be given at least 35 Business Days but no more than 50 Business Days prior to the relevant Reset Date; and
- (b) A Preference Shareholder Conversion Notice (Acquisition) must be given no more than 15 Business Days after the date the Acquisition Event Notice is given.

3.4 **Preference Share Exchange Notice as to Redemption, Conversion or Resale**

If the Preference Shareholder gives a Preference Shareholder Conversion Notice, IAG must, no later than:

- (a) where a Preference Shareholder Conversion Notice (Reset) is given, 25 Business Days before the Reset Date; or
- (b) where a Preference Shareholder Conversion Notice (Acquisition) is given, 25 Business Days after the Acquisition Event Notice is given or taken to be given,

give a Preference Share Exchange Notice which complies with clause 3.6 in relation to each Preference Share the subject of the Preference Shareholder Conversion Notice provided that the Preference Share Exchange Notice may only specify that Redemption applies if IAG has received the prior written approval of APRA.

If IAG fails to give a Preference Share Exchange Notice according to this clause 3.4, it will be taken to have given a Preference Share Exchange Notice to Convert Preference Shares, with the Conversion to occur on the Preference Share Exchange Date determined according to clause 3.7.

3.5 Redemption, Conversion or Resale by IAG

IAG may require Redemption (subject to the prior written approval of APRA) or Conversion or Resale by giving a notice to Preference Shareholders (**Preference Share Exchange Notice**):

- (a) at any time and in respect of all or some Preference Shares, if a Regulatory Event or Tax Event occurs (**a Preference Share Exchange Notice (Regulatory or Tax Event)**);
- (b) at any time and in respect of all (but not some only) Preference Shares, if the number of Preference Shares on issue is less than one million (**a Preference Share Exchange Notice (Clean Up)**);
- (c) ~~no later than 35 Business Days after IAG has announced that an Acquisition Event has occurred according to clause 3.10,~~ at any time and in respect of all (but not some only) Preference Shares, if a Potential Acquisition Event or an Acquisition Event occurs (whether or not the Potential Acquisition Event or Acquisition Event occurred prior to the Preference Share Issue Date) (a Preference Share Exchange Notice (Acquisition)); or
- (d) at least 35 Business Days (but not more than three months) before any ~~Dividend Payment Date from (and including) the Step-Up Date~~ Reset Date which occurs while the Preference Shares are on issue, in respect of all or some Preference Shares (**a Preference Share Exchange Notice (Reset)**).

3.6 3.4 Preference Share Exchange Notices

- (a) A Preference Share Exchange Notice given by IAG ~~under clause 3.3~~ is irrevocable, subject to paragraph (g).
- (b) ~~If IAG gives a~~ IAG must elect and specify in the Preference Share Exchange Notice ~~under clause 3.3, it must elect and specify~~ which of the following it intends to do in respect of each Preference Share which is the subject of the Preference Share Exchange Notice:
 - (i) Redeem according to clause ~~3-6~~ 3.9; or
 - (ii) Convert according to clause ~~3-7~~ 3.10; or
 - (iii) Resell according to the Resale Mechanics.
- (c) A Preference Share Exchange Notice may specify that ~~some~~ a combination of Redemption, Conversion or Resale will be used in respect of Preference Shares which are the subject of the Preference Share Exchange Notice ~~will be Redeemed and that some will be Converted.~~
- (d) ~~A Preference Share Exchange Notice must:~~
 - (i) ~~state the date~~ A Preference Share Exchange Notice must state the Preference Share Exchange Date, which will be the date determined in accordance with clause 3.7 on which the Redemption or Conversion or Resale is to occur (Preference Share Exchange Date) which, in the case of a Preference Share Exchange Notice given under:
 - (A) ~~clause 3.3(a), 3.3(b) or 3.3(c), will be the last Business Day of the month following the month in which the Preference Share Exchange Notice was given by IAG unless IAG determines an earlier Preference Share Exchange Date having regard to the best interests of Preference Shareholders (collectively) and the relevant event; and~~
 - (B) ~~clause 3.3(d), will be the Dividend Payment Date immediately following the date the Preference Share Exchange Notice was given by IAG;~~
- (e) ~~(ii) if the~~ Where a Preference Share Exchange Notice provides that Preference Shares are to be Redeemed, it must state whether the \$100 per Preference Share Issue Price payable upon Redemption is payable by way of redemption, buy-back or reduction of capital or any combination of these; and,

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- (f) ~~(iii) If~~ if less than all Preference Shares are being Redeemed, Converted, or Resold, the Preference Share Exchange Notice must state the number of Preference Shares in each Preference Shareholder's holding that are to be Redeemed, Converted or Resold.
- (g) A Preference Share Exchange Notice given under clause 3.5 prevails over any Preference Shareholder Conversion Notice and any Preference Share Exchange Notice given in response to a Preference Shareholder Conversion Notice in respect of the same Preference Share to the extent of any inconsistency regardless of which notice was given first.

3.7 Preference Share Exchange Date

The Preference Share Exchange Date will be:

- (a) where a Preference Shareholder Conversion Notice (Acquisition) or a Preference Share Exchange Notice (Acquisition) has been given and the Preference Share Exchange Notice specifies Conversion, the earlier of:
- (i) a Business Day reasonably determined by IAG that allows holders of Ordinary Shares to participate in the bid or scheme concerned or such other date as IAG may reasonably determine having regard to the timing for implementation of the bid or scheme concerned and the process of issuing the Ordinary Shares; and
 - (ii) the date which is no later than:
 - (A) in the case of a Preference Shareholder Conversion Notice (Acquisition), 50 Business Days after the date on which the Acquisition Event Notice is given; and
 - (B) in the case of a Preference Share Exchange Notice (Acquisition), 50 Business Days after the Potential Acquisition Event or Acquisition Event occurred (as applicable); orin either case, such later date as APRA may require;
- (b) where a Preference Shareholder Conversion Notice (Acquisition) or a Preference Share Exchange Notice (Acquisition) has been given and the Preference Share Exchange Notice specifies Redemption or Resale, the date which is no later than:
- (i) in the case of a Preference Shareholder Conversion Notice (Acquisition), 50 Business Days after the date on which Acquisition Event Notice is given; and
 - (ii) in the case a Preference Share Exchange Notice (Acquisition), 50 Business Days after the date on which the Potential Acquisition Event or Acquisition Event occurred (as applicable);
- (c) where a Preference Share Exchange Notice (Regulatory or Tax Event) or a Preference Share Exchange Notice (Clean Up) has been given, the last Business Day of the month following the month in which the Preference Share Exchange Notice was given by IAG unless IAG determines an earlier Preference Share Exchange Date having regard to the best interests of Preference Shareholders (collectively) and the relevant event (provided that, in the case of a Conversion, the Preference Share Exchange Date must be at least 20 Business Days after the date of the Preference Share Exchange Notice); and
- (d) where a Preference Shareholder Conversion Notice (Reset) or a Preference Share Exchange Notice (Reset) has been given, the Reset Date immediately following the date the Preference Share Exchange Notice was given by IAG.

3.8 ~~3.5~~ Partial Redemption, Conversion or Resale

- (a) ~~IAG cannot give a Preference Share Exchange Notice in respect of only some Preference Shares under clause 3.3 if, as at the date of the Preference Share Exchange Notice, the Redemption or Conversion would result in the number of Preference Shares on issue being less than one million.~~

~~(b)~~ If some but not all Preference Shares are Redeemed, Converted, or Resold, subject to clause 3.21, IAG must, in each case, endeavour to treat all Preference Shareholders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels and other logistical considerations.

3.9 ~~3.6~~ Redemption

Subject to APRA's prior written approval ~~(if approval is then required)~~, if IAG elects to Redeem the following provisions apply:

- (a) IAG may Redeem the Preference Shares specified in the Preference Share Exchange Notice by payment of ~~the \$100 per Preference Share Issue Price~~ to the Preference Shareholder on the relevant Preference Share Exchange Date;
- (b) upon payment of ~~the \$100 per Preference Share Issue Price~~ to the Preference Shareholder, all other rights conferred, or restrictions imposed, by the Preference Shares held by that Preference Shareholder which are Redeemed under these Preference Share Terms will no longer have effect;
- (c) if the Redemption involves a buy-back of Preference Shares, each Preference Shareholder agrees to accept the buy-back offer for their Preference Shares to which the Preference Share Exchange Notice relates and will be deemed to have sold those Preference Shares to IAG on the Preference Share Exchange Date; and
- (d) if the Redemption involves a reduction of capital with respect to Preference Shares and under applicable law Preference Shareholders are entitled to vote on a resolution to approve that reduction of capital, each Preference Shareholder agrees to vote in favour of that resolution.

3.10 ~~3.7~~ Conversion

If IAG elects to Convert, the following provisions apply:

- (a) each Preference Share that is being Converted will Convert into one Ordinary Share on the Preference Share Exchange Date;
- (b) each Preference Shareholder will be allotted, for no consideration, an additional number of Ordinary Shares for each Preference Share that is being Converted on the Preference Share Exchange Date equal to **one less than** the Conversion Number, where the Conversion Number is an amount calculated according to the following formula:

$$\text{Conversion Number} = \frac{\text{Preference Share Issue Price} \mathbf{\$100}}{\text{VWAP} \times (1 - \text{Preference Share Conversion Discount})}$$

where:

VWAP (expressed as a dollar value) means the VWAP during the VWAP Period; and

Preference Share Conversion Discount ~~(expressed as a decimal) means a conversion discount of [insert decimal, being 0.025 or such other decimal as changed according to clause 9 of the RES Terms];~~ means 0.025;

- (c) if the total number of additional Ordinary Shares to be allotted to a Preference Shareholder in respect of their aggregate holding of Preference Shares upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded;
- (d) a Preference Share, upon Conversion, confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5:00pm (Sydney time) on the Preference Share Exchange Date. At that time:
 - (i) all other rights conferred or restrictions imposed on that Preference Share under these Preference Share Terms will no longer have effect (except for rights relating to a Dividend which has been determined to be payable but has not been paid on or before the Preference Share Exchange Date which will continue); and
 - (ii) the Ordinary Share resulting from a Conversion will rank equally with all other Ordinary Shares.

Conversion does not constitute a redemption, buy-back, cancellation or termination of a Preference Share or an issue, allotment or creation of a new Ordinary Share (other than the additional Ordinary Shares allotted under clause ~~3.7~~ 3.10(b)); and

- (e) for the purposes of calculating VWAP under clause ~~3.7~~ 3.10(b):
 - (i) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Preference Shares

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will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (**Cum Value**) equal to:

- (A) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;
 - (B) (in the case of any other entitlement which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
 - (C) (in the case of any other entitlement not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the IAG Directors; and
- (ii) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and Preference Shares will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value; and
 - (iii) where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during the VWAP Period, the VWAP shall be adjusted by the IAG Directors as they consider appropriate to ensure that the Preference Shareholders are in an economic position in relation to their Preference Shares that is as similar as reasonably practicable to the economic position prior to the occurrence of the event that gave rise to the need for the adjustment. Any adjustment made by the IAG Directors will constitute an alteration to these Preference Share Terms and will be binding on all Preference Shareholders and these Preference Share Terms will be construed accordingly. Any such adjustment will promptly be notified to all Preference Shareholders.

3.11 ~~3.8~~ Power of attorney

Each Preference Shareholder appoints each of IAG, its officers ~~and~~, any liquidator or administrator of IAG and any Designated Agent (each an **Attorney**) severally to be the attorney of the Preference Shareholder with power in the name and on behalf of the Preference Shareholder to sign all documents and transfers and to hold and apply monies and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Preference Shareholder to observe or perform the Preference Shareholder's obligations under these Preference Share Terms including, but not limited to, accepting any buy-back offer or exercising voting power in relation to any consent or approval required for Redemption ~~or~~ Conversion or Resale.

The power of attorney given in this clause ~~3.8~~ 3.11 is given for valuable consideration and to secure the performance by the Preference Shareholder of the Preference Shareholder's obligations under these Preference Share Terms and is irrevocable.

3.12 ~~3.9~~ On-market buy-backs

Subject to APRA's prior written approval ~~(if approval is then required)~~, IAG may buy back Preference Shares at any time and at any price by an on-market buy-back.

3.13 ~~3.10~~ Notice of Acquisition Event

IAG must notify Preference Shareholders of the occurrence of an Acquisition Event by sending a notice of the Acquisition Event to Preference Shareholders and by announcement to ASX as soon as practicable after becoming aware of that event: (a notice sent to Preference Shareholders concerning an Acquisition Event, an **Acquisition Event Notice**).

An Acquisition Event Notice given under clause 6.2 of the RES Terms is taken to be an Acquisition Event Notice for the purpose of this clause 3.13.

3.14 Preference Shareholder Conversion Notices are irrevocable

A Preference Shareholder Conversion Notice is irrevocable once given. Once a Preference Shareholder has given a Preference Shareholder Conversion Notice, the Preference Shareholder must not deal with, transfer or dispose of or otherwise encumber Preference Shares that are the subject of the Preference Shareholder Conversion Notice, except in accordance with the Redemption, Resale or Conversion procedures.

3.15 Effect of Exchange Notice after Issuer Notice or RES Holder Conversion Notice

Where an Exchange Notice specifying the details listed in clause 8.4(b) of the RES Terms was given in respect of a RES (or taken to have been given) after an Issuer Notice or RES Holder Conversion Notice was given in respect of that RES:

- (a) the Preference Share issued in respect of that RES will be automatically Converted, Redeemed or Resold on the Preference Share Exchange Date, as specified in the Exchange Notice which is given or deemed to be given under clause 8.2 of the RES Terms; and
- (b) where a RES Holder Conversion Notice was given in respect of RES, the Preference Shareholder must not deal with, transfer or dispose of or otherwise encumber the Preference Shares issued upon an Exchange of the RES except in accordance with Redemption, Resale or Conversion procedures.

3.16 Appointment of Nominated Purchaser in connection with Resale

IAG must appoint one or more Nominated Purchasers for a Resale on such terms as may be agreed between IAG and the relevant Nominated Purchaser. If IAG appoints more than one Nominated Purchaser, all or any of the Preference Shares held by a Preference Shareholder which are being Resold may be purchased by any one or any combination of the Nominated Purchasers, as determined by IAG.

The obligation of a Nominated Purchaser to pay the aggregate Resale Price on the Preference Share Exchange Date may be subject to conditions.

IAG will reasonably endeavour, in light of the circumstances then existing, to minimise the conditionality of a Nominated Purchaser's obligation to pay the aggregate Resale Price but gives no assurance as to the existence or details of any such conditions.

IAG may additionally appoint one or more underwriters in connection with a Resale (subject to the requirements of clause 3.17) and such underwriter may be substituted as a "Nominated Purchaser" for the purposes of these Preference Share Terms if and when required by the terms of their appointment.

3.17 Identity of Nominated Purchaser

IAG may only appoint a person as a Nominated Purchaser if that person:

- (a) has undertaken on such terms and subject to such conditions as IAG reasonably determines for the benefit of each Preference Shareholder to acquire the relevant number of Preference Shares from the Preference Shareholder for the Resale Price on the Preference Share Exchange Date;
- (b) has a long term counterparty credit rating from S&P of not less than the rating assigned to Preference Shares at that time; and
- (c) is not an IAG Entity (unless otherwise approved in writing by APRA).

3.18 Irrevocable offer to sell Preference Shares

Each Preference Share Holder is taken irrevocably to offer to sell each Preference Share the subject of a Resale to the relevant Nominated Purchaser on the Preference Share Exchange Date for a cash amount equal to the Resale Price.

3.19 Resale Price

The Resale Price for each Preference Share is \$100.

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3.20 Effect of Resale

On the Preference Share Exchange Date, subject to payment by the relevant Nominated Purchaser of the aggregate Resale Price to the Preference Shareholders for Preference Shares which the Nominated Purchaser is purchasing, all right, title and interest in such Preference Shares (excluding the right to any Dividend payable on that date) will be transferred to that Nominated Purchaser and the Preference Shareholder who sold the Preference Shares will be treated as the Preference Shareholder of the Preference Shares for the purposes of any Dividend which may be payable on that Preference Share Exchange Date.

3.21 Preference Share Terms after Resale

If Preference Shares are Resold in accordance with these Preference Share Terms, unless otherwise agreed between IAG and the Nominated Purchaser with the prior written approval of APRA, these Preference Share Terms will apply in all respects to Preference Shares held by the Nominated Purchaser on and from the Preference Share Exchange Date (including that Preference Shares will Convert or be Redeemed in accordance with these Preference Share Terms).

Notwithstanding any other provision of these Preference Share Terms, after Preference Shares have been Resold, any provision of these Preference Share Terms as it relates to Preference Shares held by the Nominated Purchaser (including without limitation any term relating to Conversion) may be amended by agreement between the Nominated Purchaser and IAG without the consent of any other Preference Shareholder but with the prior written approval of APRA.

For the purposes of any such amendment, Preference Shares held by:

- (a) any Nominated Purchaser whose Preference Shares are subject to such amendment (a **Relevant Nominated Purchaser**); and
- (b) other Preference Shareholders (including other Nominated Purchasers whose Preference Shares are not subject to such amendment),

shall be treated as though they were separate classes of security, so that, without limitation, where Preference Shares are held by a person other than the Relevant Nominated Purchaser, then:

- (i) amendments may be made to Preference Shares held by the Relevant Nominated Purchaser; and
- (ii) Preference Shares held by the Relevant Nominated Purchaser can be Redeemed or Converted,

in each case without the consent of or consideration for the interests of any Preference Shareholders other than the Relevant Nominated Purchaser and without any corresponding amendment, Redemption or Conversion (as the case may be) to Preference Shares held by other Preference Shareholders. Any Preference Shares so amended may not be sold or otherwise transferred to any person other than a Nominated Purchaser.

Preference Shareholders, by virtue of holding Preference Shares, are taken to have consented to any division of Preference Shares into separate classes achieved under this clause 3.21.

3.22 Effect of failure by a Nominated Purchaser to pay

If a Nominated Purchaser does not pay the Resale Price to the Preference Shareholders on the Preference Share Exchange Date (a **Defaulting Nominated Purchaser**) (whether as a result of a condition to purchase not being satisfied or otherwise):

- (a) the Preference Share Exchange Notice as it relates to Preference Shares referable to the Defaulting Nominated Purchaser will be void;
- (b) those Preference Shares will not be transferred to the Defaulting Nominated Purchaser;
- (c) those Preference Shares will not Convert, be Redeemed or Resold despite the Preference Shareholder Conversion Notice or the Preference Share Exchange Notice which initiated the Resale;
- (d) the Preference Shareholder will continue to hold those Preference Shares until otherwise Redeemed, Converted, Exchanged or Resold in accordance with these Preference Share Terms; and
- (e) IAG:

- (i) must Convert, Redeem (subject to the prior written approval of APRA) or Resell those Preference Shares (in any combination) where a Preference Shareholder Conversion Notice has been given in respect of the Preference Shares referable to the Defaulting Nominated Purchaser or where clause 3.15 applies and a RES Holder Conversion Notice was given in respect of RES which have been Exchanged into Preference Shares; or
- (ii) in any other case may, without prejudice to any other rights of IAG under these terms to elect a Conversion, Redemption or Resale, elect to Convert, Redeem (subject to the prior written approval of APRA) or Resell (in any combination) all (but not some) Preference Shares referable to the Defaulting Nominated Purchaser.

on a date no later than 45 Business Days after the Preference Share Exchange Date on which Resale was scheduled to occur by giving notice specifying a date to serve as a Preference Share Exchange Date, such notice to be given at least 25 Business Days prior to the rescheduled Preference Share Exchange Date. If on a rescheduled Preference Share Exchange Date, a Nominated Purchaser does not pay the Resale Price as contemplated by this clause 3.22 (including where there is a prior application of this clause), this clause 3.22 shall reapply.

4 **Reset provisions**

4.1 **Reset of distribution provisions**

Subject to clauses 4.2 and 4.3, IAG may on a Reset Date change either or both of:

- (a) the next Reset Date; and
- (b) the Preference Share Margin for all Dividend Periods commencing on and after that Reset Date.

These new terms will apply from (and including) the relevant Reset Date until (but not including) the next Reset Date. Any change made by IAG under this clause 4.1 must be notified according to clause 4.3 (**Reset Notice**).

4.2 **Limitations on reset**

Unless otherwise approved by APRA in writing, any variation in the terms as specified in the Reset Notice will be subject to the following:

- (a) the next Reset Date must be ten years from the immediately preceding Reset Date; and
- (b) the Preference Share Margin as specified in the Reset Notice must not exceed the least of:
 - (i) the Preference Share Margin that applied on the previous Reset Date (or RES Margin on that Reset Date if the Preference Shares were not on issue at that time) plus 2.00% per annum;
 - (ii) 6.00% per annum; and
 - (iii) 4.00% per annum x $\frac{\text{FR} - \text{FRG}}{\text{FP} - \text{FPG}}$

where:

FR is the Fair Market Yield for 'A' rated seven year AUD corporate securities on the Business Day immediately prior to the day on which the Reset Notice is despatched;

FP is the Fair Market Yield for 'A' rated seven year AUD corporate securities on the Amendment Date;

FRG is the Fair Market Yield for Australian government seven year AUD securities on the Business Day immediately prior to the day on which the Reset Notice is despatched; and

FPG is the Fair Market Yield for Australian government seven year AUD securities on the Amendment Date; and

- (c) the Preference Share Margin may not be reset where IAG's Credit Rating on the day the Reset Notice is despatched is less than IAG's Credit Rating on the Amendment Date.

C AMENDED PREFERENCE SHARE TERMS

FOR INFORMATION ONLY: APRA has advised IAG that as of the Amendment Date, while the Preference Shares remain Tier 1 Capital or Tier 2 Capital of the Group, its policy is not to approve any reset of the Preference Share Margin or the Reset Date other than in accordance with the above prescribed limitations. IAG has no control over APRA's policies.

4.3 Notification

- (a) Subject to clause 4.4, for a change made under clause 4.1 to be effective, the Reset Notice must be sent to the Preference Shareholder no later than 50 Business Days before the relevant Reset Date.
- (b) Subject to clause 4.4, if IAG does not send a Reset Notice, the terms applying at the relevant Reset Date will continue. In this case, the next Reset Date will be such that the period to the next Reset Date is ten years (in the case of the first Reset Date) or the same period as measured from the immediately preceding Reset Date (in any other case) until the relevant Reset Date.

4.4 Carry-over of RES Reset Notice

If a Reset Notice has been given under the RES Terms but the relevant Reset Date had not occurred as of the Preference Share Issue Date then the Reset Notice given under the RES Terms is deemed to be the Reset Notice for the purposes of these Preference Share Terms and treated as if it was given under these Preference Share Terms on the day it was given under the RES Terms.

5 4-Preference Shares general rights

5.1 4.1-Ranking

~~Preference Shares rank equally among themselves and with RPS1 and RPS2 in all respects and are subordinated to any depositors and creditors of IAG. The issue of any other preference shares or the conversion of any existing shares into preference shares which rank in priority to Preference Shares in respect of dividends or return of capital on a winding-up constitutes an alteration of the rights attached to Preference Shares and must not occur without the approval of a Special Resolution.~~ present and future policy holders and creditors of IAG. IAG reserves the right to issue further Preference Shares or preference shares, or permit the conversion of shares to preference shares, which rank equally with ~~or~~ behind or in priority to existing Preference Shares, whether in respect of dividends, return of capital on a winding-up or otherwise. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing Preference Shares.

5.2 4.2-Preferential dividend

Preference Shares rank in priority to Ordinary Shares for the payment of dividends.

5.3 4.3-Calculations of payments

All calculations of payments will be rounded to four decimal places. For the purposes of making any payment in respect of a Preference Shareholder's aggregate holding of Preference Shares, any fraction of a cent will be disregarded.

5.4 4.4-No set-off

~~Any amount due to a~~ Neither the Preference Shareholder in respect of Preference Shares may not be set off nor IAG has any right to set off any amounts owing by it to the other against any claims owing by IAG on the Preference Shareholder ~~the other to it.~~

5.5 4.5-Return of capital

If there is a return of capital on a winding-up of IAG, Preference Shareholders will be entitled to receive out of the assets of IAG available for distribution to Preference Shareholders, in respect of each Preference Share held, an amount of cash (**Liquidation Sum**) equal to the sum of:

- (a) the amount of any Dividend (including any Optional Dividend) determined to be paid but unpaid; and
- (b) ~~the Preference Share Issue Price, \$100.~~

before any return of capital is made to Ordinary Shareholders or any other class of shares ranking behind Preference Shares.

5.6 ~~4.6~~ **Shortfall on winding-up**

If, upon a return of capital on a winding-up of IAG, there are insufficient funds to pay in full the Liquidation Sum and the amounts payable in respect of any other shares in IAG ranking equally with Preference Shares on a winding-up of IAG, Preference Shareholders and the holders of any such other shares will share in any distribution of assets of IAG in proportion to the amounts to which they are entitled respectively.

5.7 ~~4.7~~ **No participation in surplus assets**

Preference Shares do not confer on their Preference Shareholders any further right to participate in the surplus assets of IAG on a winding-up beyond payment of the Liquidation Sum.

~~4.8~~ ~~Takeover bids and schemes of arrangement~~

~~If a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the IAG Directors, or the IAG Directors recommend a scheme of arrangement in respect of the Ordinary Shares which takeover bid or scheme would result in a person other than IAG having a relevant interest in more than 50% of Ordinary Shares that will be on issue after the takeover or scheme of arrangement is implemented, the IAG Directors will use reasonable endeavours to procure that equivalent takeover offers are made to Preference Shareholders or that they are entitled to participate in the scheme of arrangement or a similar transaction.~~

5.8 ~~4.9~~ **No other rights**

Preference Shares do not confer on Preference Shareholders any right to participate in profits or property of IAG except as set out in these Preference Share Terms.

Preference Shares do not confer on Preference Shareholders any right to subscribe for new securities in IAG or to participate in any bonus issues of shares in IAG's capital.

6 ~~5~~ **Voting rights**

Preference Shareholders will not be entitled to vote at any general meeting of IAG except in the following circumstances:

- (a) on a proposal:
 - (i) to reduce the capital of IAG;
 - (ii) that affects rights attached to Preference Shares;
 - (iii) to wind up IAG; or
 - (iv) for the disposal of the whole of the property, business and undertaking of IAG;
- (b) on a resolution to approve the terms of a buy-back agreement other than a resolution to approve a Redemption;
- (c) during a period in which a Dividend or part of a Dividend is in arrears; or
- (d) during the winding-up of IAG.

Each Preference Shareholder who has a right to vote on a resolution is entitled to the number of votes specified in Article 11.23 of IAG's constitution (or any provision or provisions that revise or replace that Article).

7 ~~6~~ **Notice and reports**

Each Preference Shareholder is entitled to receive notice of any general meeting of IAG and a copy of every circular and like document sent out by IAG to Ordinary Shareholders and to attend and speak at general meetings of IAG.

C AMENDED PREFERENCE SHARE TERMS

8 **Quotation on ASX and Foreign Preference Shareholders**

8.1 ~~7~~ **Quotation on ASX**

IAG must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of Preference Shares on ASX.

8.2 **Foreign Preference Shareholders**

~~Where Preference Shares held by a Foreign Preference Shareholder are to be Converted, unless IAG is satisfied that the laws of the Foreign Preference Shareholder's country of residence (as shown in the register of Preference Shares and Preference Shareholders) permit the issue of Ordinary Shares to the Foreign Preference Shareholder (but as to which IAG is not bound to enquire), either unconditionally or after compliance with conditions which IAG in its absolute discretion regards as acceptable and not unduly onerous, the Ordinary Shares which the Foreign Preference Shareholder is obliged to accept will be issued to a nominee who will sell those Ordinary Shares and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Foreign Preference Shareholder.~~

9 ~~8~~ **Amendment of these Preference Share Terms**

9.1 ~~8.1~~ **Amendment without consent**

Subject to complying with all applicable laws and with APRA's prior written approval ~~(if approval is then required)~~, IAG may amend these Preference Share Terms:

- (a) if IAG is of the opinion that the amendment is:
 - (i) of a formal, minor or technical nature;
 - (ii) made to cure any ambiguity or correct any manifest error;
 - (iii) expedient for the purpose of enabling the Preference Shares to be listed for quotation or to retain listing on any stock exchange or to be offered for, or subscription for, sale under the laws for the time being in force in any place and it is otherwise not considered by IAG to be materially prejudicial to the interests of Preference Shareholders as a whole; or
 - (iv) necessary to comply with the provisions of any statute or the requirements of any statutory authority;
- (b) according to IAG's right in clause ~~3.73.10~~(e)(iii); or
- (c) generally, in any case where such amendment is considered by IAG not to be materially prejudicial to the interests of Preference Shareholders as a whole; or
- (d) in respect of any time period stated, required or permitted in connection with any notice required for a Redemption, Conversion or Resale.

9.2 ~~8.2~~ **Amendment with consent**

Without limiting clause ~~8.1.9.1~~, IAG may, with APRA's prior written approval ~~(if approval is then required)~~, amend these Preference Share Terms if the amendment has been approved by a Special Resolution.

~~8.3~~ **Meanings**

~~In this clause 8, amend includes modify, cancel, alter or add to and amendment has a corresponding meaning.~~

9.3 **Notification of Amendment to APRA**

IAG will promptly notify APRA of any amendments made in accordance with this clause 9.

10 Governing law and jurisdiction

10.1 Governing law

These Preference Share Terms are governed by the law in force in the State of New South Wales, Australia.

10.2 Jurisdiction

IAG and each Preference Share Holder submits to the non-exclusive jurisdiction of the courts of the State of New South Wales, Australia for the purpose of any legal proceedings arising out of these Preference Share Terms.

11 9-Interpretation and definitions

11.1 9-1-Interpretation

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Preference Share Terms and IAG's constitution then, to the maximum extent permitted by law, the provisions of these Preference Share Terms will prevail.
- (b) Unless otherwise specified, the IAG Directors may exercise all powers of IAG under these Preference Share Terms as are not, by the Corporations Act or by IAG's constitution, required to be exercised by IAG in general meeting.
- (c) Notices may be given by IAG to a Preference Shareholder in the manner prescribed by IAG's constitution for the giving of notices to members of IAG and the relevant provisions of IAG's constitution apply with all necessary modification to notices to Preference Shareholders.
- (d) Unless otherwise specified, a reference to a clause is a reference to a clause of these Preference Share Terms.
- (e) If a calculation is required under these Preference Share Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (f) Definitions and interpretation under IAG's constitution will also apply to these Preference Share Terms unless the contrary intention is expressed.
- ~~(g) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to IAG only if IAG is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time.~~
- ~~(g)~~ (h) The terms takeover bid, relevant interest, scheme of arrangement, buy-back, related body corporate and on-market buy-back when used in these Preference Share Terms have the meaning given in the Corporations Act.
- ~~(h)~~ (i) Headings and boldings are for convenience only and do not affect the interpretation of these Preference Share Terms.
- ~~(i)~~ (j) The singular includes the plural and vice versa.
- ~~(j)~~ (k) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- ~~(k)~~ (l) If an event under these Preference Share Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- ~~(l)~~ (m) A reference to dollars, AUD, A\$, \$ or cents is a reference to the lawful currency of Australia.
- ~~(m)~~ (n) Calculations, elections and determinations made by IAG under these Preference Share Terms are binding on Preference Shareholders in the absence of manifest error.
- ~~(n)~~ (o) Any reference to any requirements of APRA or any other prudential regulatory requirements in these Preference Share Terms will apply or be operative with respect to IAG only if IAG is an entity, or the holding company of an entity, or is a direct or indirect subsidiary of a holding company, which is subject to regulation and supervision by APRA at the relevant time.

C AMENDED PREFERENCE SHARE TERMS

- (o) Any requirement for APRA's consent or approval in any provision of these Preference Share Terms will apply only if APRA requires that such consent or approval be given at the relevant time. FOR INFORMATION ONLY: It is noted, however, that APRA has advised IAG that as at the Amendment Date, while the Preference Shares remain Tier 1 Capital or Tier 2 Capital of the Group, its policy is to not waive any requirement for its consent or approval. IAG has no control over APRA's policies.
- (p) Unless otherwise specified, a reference to a notice being given either under the RES Terms or these Preference Share Terms includes any notice which is deemed or taken to be given under the RES Terms or these Preference Share Terms.
- (q) Where IAG is required to give or serve a notice by a certain date under these Preference Share Terms, IAG is required to despatch the notice by that date (including at IAG's discretion, by posting or lodging notices with a mail house) and delivery or receipt (or deemed delivery) is permitted to occur after that date.
- (r) Where a Preference Shareholder is required to give or deliver a notice to IAG by a certain date under these Preference Share Terms, the notice must be received by IAG by that date.

11.2 ~~9.2~~ Definitions for Preference Share Terms

Acquisition Event means:

- (a) a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and:
 - (i) the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - (ii) the IAG Directors issue a statement ~~recommending~~ that at least a majority of its directors who are eligible to do so recommend acceptance of the offer (which may be stated to be in the absence of a higher offer); or
- (b) a court approves a scheme of arrangement which, when implemented, will result in a person other than IAG having a relevant interest in more than 50% of the Ordinary Shares,

and all regulatory approvals necessary for the acquisition to occur have been obtained.

Acquisition Event Notice means a notice given (or taken to be given) by IAG in accordance with clause 3.13.

amend includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

Amendment Date means 15 December 2009, the date on which the amendment of RES was effective.

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of IAG or the Group.

APRA Condition means, with respect to a Dividend on a Dividend Payment Date or an Optional Dividend:

- (a) unless APRA otherwise approves in writing:
 - (i) paying the Dividend or the Optional Dividend on the payment date would result in the Minimum Capital Requirement of the Group on a Level 2 basis not complying with APRA's then current capital adequacy standards as they are applied to the Group on a Level 2 basis at the time; or
 - (ii) the Dividend or the Optional Dividend on the payment date would exceed Distributable Profits as at the Record Date for the Dividend or the Optional Dividend;
- (b) making the Dividend or the Optional Dividend would result in IAG becoming, or becoming likely to become, insolvent for the purposes of the Corporations Act; or
- (c) APRA objecting to the Dividend or the Optional Dividend being made on the payment date.

ASX means ~~Australian Stock Exchange~~ ASX Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of ASX with any modifications or waivers in their application to IAG, which ASX may grant.

ASX Market Rules means the market rules of ASX.

Bank Bill Rate has the meaning given in clause 2.1.

Business Day means a business day as defined in the ASX Listing Rules.

Collection of Data Act means the Financial Sector (Collection of Data) Act 2001 (Cwth).

Conversion has the meaning given in clause 3.1(b) and **Convert** and **Converted** have corresponding meanings.

Conversion Number has the meaning given in clause ~~3.7~~3.10(b).

Core Operating Companies means the IAG Entities identified by S&P as core operating companies from time to time for the purpose of assigning IAG's Credit Rating and which are, as at the Amendment Date: Insurance Australia Limited, CGU Insurance Limited, IAG New Zealand Limited, Swann Insurance (Aust) Pty Limited and IAG Re Australia Limited.

Corporations Act means the Corporations Act 2001 (Cwth).

Designated Agent means any agent of IAG who is designated for the purposes of the Preference Shares and who may hold an Australian Financial Services Licence which is relevant for the purposes of the Preference Shares.

Distributable Profits means the Group's after-tax earnings determined in a manner consistent with the Group's prudential reporting to APRA under the Collection of Data Act (but determined before any interest, dividends or distributions paid or payable by a member of the Group on its Tier 1 Capital or Upper Tier 2 Capital) for the last two six monthly periods for which the Group was required to submit semi-annual returns according to reporting standards made under the Collection of Data Act less the aggregate amount of interest, dividends or other distributions paid or payable by a member of the Group on its Tier 1 Capital or Upper Tier 2 Capital (including any Dividend) but not including a dividend or distribution paid or payable to a member of the Group by another member of the Group) in the 12 month period up to and including the relevant Dividend Payment Date.

Dividend has the meaning given in clause 2.1.

Dividend Payment Date has the meaning given in clause 2.5 whether or not a Dividend is paid on that date.

Dividend Period means in respect of:

- (a) the first Dividend Period, the period from (and including) the Preference Share Issue Date until (but not including) the first Dividend Payment Date following the Preference Share Issue Date; and
- (b) each subsequent Dividend Period, the period from (and including) the preceding Dividend Payment Date until (but not including) the next Dividend Payment Date.

Dividend Rate has the meaning given in clause 2.1.

Exchange and **Exchanged** each have the meaning given in the RES Terms.

Exchange Notice has the meaning given in the RES Terms.

Fair Market Yield means in respect of a security on any day:

- (a) the yield applicable to a security of the relevant class of issuer, rating (if applicable) and tenor (the "**relevant security**") as displayed at or about 10:00am Sydney time on Bloomberg page FMC (or any successor page); or
- (b) if that yield is not available at that time, the yield in respect of the relevant security determined by IAG in its absolute discretion as the arithmetic mean of the yields quoted to it for the relevant security on or about 10:00am Sydney time by three leading dealers in the relevant security as selected by IAG.

Foreign Preference Shareholder means a Preference Shareholder whose address in IAG's register is a place outside Australia.

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

C AMENDED PREFERENCE SHARE TERMS

Group means ~~IAG and its controlled entities~~ each IAG Entity which is treated by APRA as forming the Level 2 group of IAG.

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

IAG Directors means some or all of the directors of IAG acting as a board.

IAG Entity means IAG and each of its related bodies corporate.

IAG's Credit Rating means the insurance financial strength rating of the Group's Core Operating Companies, as published by S&P, which as of the Amendment Date is AA-.

Innovative Tier 1 Capital has the meaning given by APRA from time to time.

Interest Payment has the meaning given in the RES Terms.

Interest Payment Date has the meaning given in the RES Terms.

Issuer Notice has the meaning given in the RES Terms.

Level 2 means a Level 2 insurance group as defined by APRA from time to time.

Liquidation Sum has the meaning given in clause ~~4.5.5.5.~~

Minimum Capital Requirement means that requirement as defined by APRA from time to time, or any successor requirement as designated by APRA.

Nominated Purchaser means a person appointed according to clause 3.16.

Optional Dividend has the meaning given in clause 2.8(f).

Ordinary Share means a fully paid ordinary share in the capital of IAG.

Ordinary Shareholder means a person whose name is registered as the holder of an Ordinary Share.

Potential Acquisition Event means:

(a) an event within paragraph (a) of the definition of Acquisition Event occurs (without the need that all regulatory approvals necessary for the acquisition to occur have been obtained); or

(b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act and the scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented.

Preference Share has the meaning given in clause 1(a).

Preference Share Conversion Discount has the meaning given in clause ~~3.73.10(b).~~

Preference Share Exchange Date has the meaning given in clause ~~3.4(d), 3.7 or 3.22.~~

Preference Share Exchange Notice has the meaning given in clause ~~3.3.3.5.~~

Preference Share Exchange Notice (Acquisition) has the meaning given in clause 3.5(c).

Preference Share Exchange Notice (Clean Up) has the meaning given in clause 3.5(b).

Preference Share Exchange Notice (Regulatory or Tax Event) has the meaning given in clause 3.5(a).

Preference Share Exchange Notice (Reset) has the meaning given in clause 3.5(d).

Preference Share Initial Margin has the meaning given in clause 2.1.

Preference Share Issue Date has the meaning given in clause 1(c).

~~**Preference Share Issue Price** has the meaning given in clause 1(b).~~

Preference Share Margin has the meaning given in clause 2.1.

Preference Share Terms means these terms of issue of Preference Shares.

Preference Shareholder means a person whose name is registered as the holder of a Preference Share.

Preference Shareholder Conversion Notice has the meaning given in clause 3.2.

Preference Shareholder Conversion Notice (Acquisition) has the meaning given in clause 3.2(b).

Preference Shareholder Conversion Notice (Reset) has the meaning given in clause 3.2(a).

Record Date means for payment of:

- (a) a Dividend, the date which is ~~11 Business Days~~ seven calendar days before the Dividend Payment Date for that Dividend (or, in the case of the first Dividend Payment Date, if the Preference Share Issue Date is less than ~~11 Business Days~~ seven calendar days before the first Dividend Payment Date, the Preference Share Issue Date); and
- (b) an Optional Dividend, the date prior to the payment of the Optional Dividend that is determined by the IAG Directors,

or such other date as may be required by ASX.

Redemption has the meaning given in clause 3.1(a) and **Redeem** and **Redeemed** have corresponding meanings.

Regulatory Event means:

- (a) the receipt by IAG of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a prospective change) in, any law or regulation affecting securities laws of Australia or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the ~~Preference Share Issue~~ Amendment Date, additional requirements would be imposed on IAG which the IAG Directors determine at their absolute discretion, to be unacceptable; or
- (b) the determination by the IAG Directors that IAG is not or will not be entitled to treat all Preference Shares ~~as Tier 1 Capital~~;
 - (i) as Innovative Tier 1 Capital except where the reason the Group is not or will not be entitled to treat all Preference Shares as Innovative Tier 1 Capital is because the Group has exceeded a limit on Innovative Tier 1 Capital which was in effect on the Amendment Date; or
 - (ii) as Upper Tier 2 Capital, to the extent the Group is not entitled to treat all Preference Shares as Innovative Tier 1 Capital because the Group has exceeded a limit on Innovative Tier 1 Capital which was in effect on the Amendment Date, except where the reason the Group is not or will not be entitled to treat all such Preference Shares as Upper Tier 2 Capital is because the Group has exceeded a limit on Upper Tier 2 Capital which was in effect on the Amendment Date.

RES means perpetual reset exchangeable securities that are redeemable for cash, convertible into Ordinary Shares and exchangeable into Preference Shares and issued by IAG Finance (New Zealand) Limited (ABN 97 111 268 243) according to the RES Terms.

RES Holder has the meaning given in the RES Terms.

RES Holder Conversion Notice has the meaning given in the RES Terms.

RES Terms means the terms of issue of RES (as amended and restated on the Amendment Date) contained in schedule 1 to the Trust Deed.

Resale has the meaning given in clause 3.1(c) and **Resell** and **Resold** have corresponding meanings.

Resale Mechanics means the mechanics for Resale described in clauses 3.16 through to 3.22 (inclusive).

Resale Price has the meaning given in clause 3.19.

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Reset Date means, for the first Reset Date, 16 December 2019 (or if that date is not a Business Day, the next succeeding Business Day) and each subsequent Reset Date will occur on the first Business Day ten years from the immediately preceding Reset Date unless changed according to clause 4.

Reset Notice has the meaning given in clause 4.1.

RPS1 means the reset preference shares issued by IAG according to the terms of issue set out in appendix A of the prospectus dated 6 May 2002.

~~**RPS2** means the reset preference shares issued by IAG according to the terms of issue set out in appendix A of the prospectus dated 20 May 2003.~~

S&P means Standard & Poor's (Australia) Pty. Ltd. (ABN 62 007 324 852).

Special Resolution means a resolution passed at a meeting of Preference Shareholders by a majority of at least 75% of the votes validly cast by Preference Shareholders in person or by proxy and entitled to vote on the resolution.

~~**Step-Up Date** means the first Dividend Payment Date on or after the ten-year anniversary of the Preference Share Issue Date.~~

Tax Act means:

- (a) the Income Tax Assessment Act 1936 (Cwlth) or the Income Tax Assessment Act 1997 (Cwlth) as the case may be and a reference to any section of the Income Tax Assessment Act 1936 (Cwlth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1997 (Cwlth); and
- (b) any other Act setting the rate of income tax payable and any regulation promulgated under it.

Tax Event means the receipt by IAG of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or
- (c) any amendment to, clarification of, or change in, an Administrative Action that provides for a position that differs from the current generally accepted position,

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or such pronouncement or decision is announced, on or after the Preference Share Issue Date, there is more than an insubstantial risk that IAG would be exposed to more than a de minimis increase in its costs (having regard to any tax deductions available to IAG and the ability of IAG to frank Dividends) in relation to Preference Shares.

~~**Tier 1 Capital** means the core capital of IAG (on a solo basis if relevant) or the Group (on a consolidated basis) in each case, as defined by APRA.~~ **Tier 1 Capital** has the meaning given by APRA from time to time.

~~**Tier 1.2 Capital Ratio** means~~ **Tier 1.2 Capital Ratio** has the ratio so described meaning given by APRA from time to time.

~~**Total Capital Adequacy Ratio** means the ratio so described by APRA.~~

Trust Deed means the trust deed initially executed by IAG Finance (New Zealand) Limited (ABN 97 111 268 243), IAG, IAG Portfolio Limited (ABN 38 111 769 843) and Trust Company Fiduciary Services Limited (ABN 21 000 000 993) (formerly known as Permanent Trustee Company Limited (ABN 21 000 000 993) on or around 20 November 2004.2004 and amended and restated on or around the Amendment Date.

Upper Tier 2 Capital has the meaning given by APRA from time to time.

VWAP means, subject to any adjustments under clause ~~3.73.10~~(e), the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the

relevant days but does not include any ~~transaction~~ “Crossing” transacted outside the “Open Session State” or any “Special Crossing” transacted at any time, each as is defined in the ASX Market Rules as “special” crossings prior to the commencement of normal trading, crossings during the after hours adjust phase, crossings during the closing phase, overnight crossings, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding the relevant Preference Share Exchange Date.