
IAG prices institutional subordinated debt issue

Insurance Australia Group Limited (IAG) today advised that it has successfully priced \$350 million of securities under the wholesale A\$ subordinated debt offering announced on 22 March 2018. The securities are scheduled to be issued on 29 March 2018.

The subordinated debt qualifies as Tier 2 Capital under the Australian Prudential Regulation Authority's (APRA) capital adequacy framework for general insurers.

IAG's Chief Financial Officer, Nick Hawkins, said "we are very pleased with the broad-based support from domestic and international institutions."

The \$350 million issue will pay investors interest quarterly at a floating rate equal to the three month bank bill swap rate (BBSW) plus a margin of 2.10% per annum.

For further information, please see following:

- Investor Terms Sheet

About IAG

IAG is the parent company of a general insurance group (the Group) with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia. The Group's businesses underwrite over \$11 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, State, AML and Lumley Insurance (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia and India. For further information, please visit www.iag.com.au.

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Insurance Australia Group Limited
(ABN 60 090 739 923)
AUD Floating Rate Subordinated Medium Term Notes
(Subordinated MTNs)

This is a summary only and is not to form the basis of or be relied on for the purposes of any investment decision. Please refer to the Information Memorandum for the Programme for full details. Capitalised terms which are not defined in this document have the meaning given to them in the terms and conditions for the Subordinated MTNs issued by IAG under the Programme (**Terms**). References to “**Conditions**” are conditions contained in the Terms.

*The Subordinated MTNs are complex financial instruments intended for issue and sale solely to professional and sophisticated investors who have the skill and experience necessary to make their own investigations and analysis of the risks involved in investments in instruments of that kind and of Insurance Australia Group Limited (the **Issuer**) without the need for disclosure to investors under the Corporations Act. If you are not such an investor then the Subordinated MTNs are not a suitable investment for you. If in any doubt, consult your financial adviser.*

Issuer	Insurance Australia Group Limited (IAG or the Issuer).
Security	The Subordinated Medium Term Notes (Subordinated MTNs) are direct, unsecured, subordinated debt obligations of the Issuer. The Subordinated MTNs are convertible in certain circumstances into ordinary shares of IAG (Ordinary Shares).
Rating	The Subordinated MTNs will be rated BBB by S&P. <i>A credit rating is not a recommendation to buy, sell or hold securities including the Subordinated MTNs and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency. Each credit rating should be evaluated independently of any other credit rating.</i>
Status and ranking	Subordinated MTNs are intended to rank behind all claims of Senior Creditors and all liabilities mandatorily preferred by law, equally among themselves and with the claims of holders of Equal Ranking Securities, and ahead of the claims of holders of Junior Ranking Creditors. The ranking of the Subordinated MTNs may be affected by certain laws as described in the Information Memorandum. The Issuer's obligations to make payments in respect of the Subordinated MTNs (including to pay interest and to repay the principal on maturity) are at the discretion of the Issuer in certain circumstances, and are conditional on the Issuer being Solvent at the time of the payment and immediately after making the payment. <i>Subordinated MTNs are not policy liabilities of the Issuer, and are not guaranteed or insured by any government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction, by IAG or any of its Subsidiaries or by any other person.</i> See the Information Memorandum for further details.
Pricing Date	22 March 2018
Settlement	29 March 2018 (T+5)

Maturity	15 June 2044 (as adjusted by the Business Day convention) (Year 26).
Optional redemption	Subject to APRA prior written approval and the other conditions in Condition 6.7 being satisfied, the Issuer may redeem the Subordinated MTNs early on 15 June 2024 (Year 6) and each subsequent Interest Payment Date until and including 15 June 2025 (Year 7). <i>Investors should not expect APRA's approval will be given to the redemption of the Subordinated MTNs.</i> Holders have no right to require early redemption of the Subordinated MTNs. See the Information Memorandum for further details.
Early redemption for tax or regulatory event	Subject to APRA prior written approval and the other conditions in Condition 6.7 being satisfied, the Issuer may redeem the Subordinated MTNs early at any time upon a Regulatory Event or Tax Event. <i>Investors should not expect APRA's approval will be given to the redemption of the Subordinated MTNs.</i> See the Information Memorandum for further details.
Issue Size	A\$350,000,000.
Coupon	3m BBSW + Margin payable quarterly in arrears with a short first coupon interpolated between 2 month and 3 month BBSW.
Margin	2.10% per annum.
Issue price	100%
Interest Payment Dates	Subject to Condition 5.7, on 15 March, 15 June, 15 September and 15 December (as adjusted by the Business Day Convention) each year, commencing on 15 June 2018 (as adjusted by the Business Day Convention).
Day Count Fraction	Actual/365 (Fixed).
Business Day Convention	Modified Following Business Day Convention.
Optional Interest Deferral	The Issuer has the right to defer payment of Interest in its absolute discretion if, on or before the relevant Interest Payment Date: • APRA requests IAG, the Group or a Regulated Subsidiary to restore or improve any applicable minimum or notional margin of solvency or capital adequacy levels and no interest payments have been made on the Issuer's Junior Ranking Securities and no dividends have been paid to shareholders since the date of that request; or • no payments have been made on Equal Ranking Securities (other than an Equity Ranking Security where the terms of that security do not enable the Issuer to defer) or Junior Ranking Securities in each case during the Financial Year in

	which such Interest Payment Date falls, and no other dividends or distributions have been paid to shareholders of the Issuer or IAG during the Financial Year in which such Interest Payment Date falls. Any deferral of Interest is not an event of default and does not give any Holder the right to accelerate repayment of the Subordinated MTNs. See the Information Memorandum for further details.
Deferred Interest Accrues	Any deferred Interest is cumulative and will accrue Interest at the Interest Rate until it is paid. Deferred Interest must be paid in certain circumstances, including if a payment is made on any Junior Ranking Securities or Equal Ranking Securities (excluding any such payment on an Equal Ranking Security in a case where the terms of that security do not enable the Issuer to defer, pass on or eliminate the relevant payment on such Equal Ranking Securities), if a dividend or other distribution on any class of the Issuer's share capital is paid. See the Information Memorandum for further details.
Holder Conversion	On each Interest Payment Date on and from 15 June 2027 (Year 9), Holders have the option to require the Conversion of the Subordinated MTNs into Ordinary Shares at a 1% discount to the VWAP of Ordinary Shares during the 20 Business Days immediately prior to (but not including) the relevant Interest Payment Date. The number of Ordinary Shares to be issued upon Holder Conversion is capped at the Maximum Conversion Number set at 50% of the Issue Date VWAP. See the Information Memorandum for further details.
Non-Viability Trigger Event	A Non-Viability Trigger Event occurs when: • APRA issues a written determination to IAG that conversion or write-off of Relevant Securities is necessary because, without it, APRA considers that IAG would become non-viable; or • APRA determines, and notifies IAG in writing, that without a public sector injection of capital, or equivalent support, IAG would become non-viable. If Conversion occurs, Holders will become holders of Ordinary Shares and, in a winding up of IAG, will rank equally with all other holders of Ordinary Shares.
Conversion (or Write-off) on Non-Viability Trigger Event	If a Non-Viability Trigger Event occurs, IAG must immediately convert or write-off such nominal amount of Relevant Securities (including Subordinated MTNs) (which amount may, and in certain circumstances must, be all Relevant Securities, including all Subordinated MTNs, and in certain limited circumstances may be a lesser amount as is sufficient to satisfy APRA that IAG is viable without further conversion or write-off). If less than all Relevant Securities are required to be converted, IAG will first convert or write-off all Relevant Tier 1 Securities, and if that is not sufficient to satisfy APRA that IAG is viable without further conversion or write-off, the Issuer will Convert some or all of the Subordinated MTNs. Subordinated MTNs may be Written-Off in full or in part. The relevant nominal amount of Subordinated MTNs will Convert into a number of Ordinary Shares calculated by reference to the VWAP during the 5 Business Days immediately prior to (but not including) the Trigger Event Date. The number of Ordinary Shares to be issued is capped at the Maximum Conversion Number (20% of the Issue Date VWAP).

	If Conversion of the relevant Subordinated MTNs has not been effected within five Business Days after the relevant Trigger Event Date for any reason (including, without limitation, an Inability Event), the relevant Subordinated MTNs (or portions thereof) will permanently and irrevocably be Written-Off and all rights under the relevant Subordinated MTNs (or portions thereof) (including to payments of Interest and repayment of the Face Value) will be terminated. See the Information Memorandum for further details.
Issue of Ordinary Shares	In all cases the issue of Ordinary Shares on Conversion is subject to certain conditions including IAG having received all necessary information and being satisfied that the issue complies with applicable laws. See the Information Memorandum for further details.
Events of Default	There are no events of default other than: • payment default by IAG (broadly, non-payment of interest or principal, subject to applicable grace periods); and • winding up of IAG. Holders' remedies for default are limited to: • for a payment default, recovery of unpaid amounts, subject to IAG remaining solvent after making the payment; or • for a winding up default, proving as a subordinated creditor in the winding up. A Holder has no rights of acceleration (other than on a winding up of IAG). See the Information Memorandum for further details.
Interest Withholding Tax	Non-Australian Holders should not generally be subject to Australian income tax in respect of interest payments received on their Subordinated MTNs. This is on the basis that the Issuer intends to satisfy the requirements of section 128F of the Australian Tax Act in respect of Interest paid on Subordinated MTNs. See the Information Memorandum for further details.
Selling Restrictions	The offer, sale and delivery of Subordinated MTNs and the distribution of the Information Memorandum and other materials in relation the Subordinated MTNs are subject to such restrictions as may apply in any country in which such offer, sale, delivery or distribution may occur. See the Information Memorandum for further details.
Joint Lead Managers	1 JP Morgan Australia Limited (ABN 52 002 888 011) 2 Westpac Banking Corporation (ABN 33 007 457 141)
Business Day	Sydney and Melbourne
Denominations	A\$10,000, provided that the aggregate consideration payable by the Issuer is at least A\$500,000 (disregarding moneys lent by the Issuer or its associates) unless: • the Subordinated MTNs are otherwise issued in a manner which does not require disclosure in accordance with Part 6D.2 or Part 7 of the Corporations Act; and • the offer or invitation from which the issue results does not constitute an offer to

	a “retail client” as defined for the purposes of section 761G of the Corporations Act.
ISIN	AU3FN0041687
Common Code	179981203
Settlement	Austraclear; and Euroclear and Clearstream via Austraclear bridge.
Calculation Agent	Computershare Investor Services Limited (ABN 48 078 279 277).
Paying Agent	Computershare Investor Services Limited (ABN 48 078 279 277). <i>Computershare Investor Services Limited acts solely as paying agent pursuant to its agreement with the Issuer and has no obligation to holders. The Subordinated MTNs are not deposit liabilities of, or guaranteed by, Computershare Investor Services Limited. See the Information Memorandum for further details.</i>
Registrar	Computershare Investor Services Limited (ABN 48 078 279 277)
Listing	Unlisted.
Governing law	New South Wales, Australia.
S&P treatment	Qualifies as “Intermediate’ equity credit.
Regulatory treatment	Tier 2 capital.

The **DISCLAIMER** on the following pages contains important information which is an integral part of this Indicative Term Sheet.

Insurance Australia Group Limited
(ABN 60 090 739 923)
AUD Floating Rate Subordinated Medium Term Notes
(Subordinated Notes)

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

This indicative term sheet is subject to and must be read in conjunction with the terms and conditions of the Subordinated MTNs and the Information Memorandum dated 22 March 2018 ("**Information Memorandum**") for the Programme. This indicative term sheet and such other documents are not an offer to sell the Subordinated MTNs, nor soliciting an offer or a recommendation to buy the Subordinated MTNs in any jurisdiction where such offering or sale is not permitted and should not be treated as giving investment advice. In particular, this indicative term sheet is for distribution only to professional investors whose ordinary business includes the buying or selling of securities such as Subordinated MTNs, and who are not "retail clients" as defined in section 761G of the Corporations Act, in circumstances where disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act 2001 of Australia ("**Corporations Act**") and in such other circumstances as may be permitted by applicable law. The Subordinated MTNs have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("**Securities Act**") or the securities laws of any state in the United States. Subordinated MTNs may not be offered or sold within the U.S. or to or for the account of U.S. persons (as defined in Regulation S under the Securities Act) except as described in the Information Memorandum.

This material is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the materials. It should not be regarded by recipients as a substitute for the exercise of their own judgement.

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This indicative term sheet is subject to and must be read in conjunction with the terms and conditions of relevant securities (the "**Notes**"), the Information Memorandum (including the documents incorporated by reference therein) and the Pricing Supplement relating to the Notes.

This indicative term sheet and such other documents are not an offer to sell the Notes, nor soliciting an offer or a recommendation to buy the Notes in any jurisdiction where such offering or sale is not permitted and should not be treated as giving investment advice.

In particular, this indicative term sheet is for distribution only to professional investors whose ordinary business includes the buying or selling of securities such as Notes in circumstances where disclosure is not required under Parts 6D.2 or 7.9 of the Corporations Act 2001 of Australia and in such other circumstances as may be permitted by applicable law. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("**Securities Act**"), the rules of the U.S. Office of the Comptroller of the Currency or the securities laws of any state in the United States. Notes may not be offered or sold within the U.S. or to or for the account of U.S. persons (as defined in Regulation S under the Securities Act) except as described in the Information Memorandum.

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long or short positions in the securities or other financial instruments referred to herein and may at any time make purchases and/or sales in them as principal or agent. The Lead Manager may act or have acted as market-maker in the securities or other financial instruments discussed in this material. Furthermore, the Lead Manager may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant companies. The Lead Manager, in its capacity as principal or agent is involved in a wide range of commercial banking and investment banking activities globally from which conflicting interests or duties may arise. The Lead Manager may provide services to any member of the same group as the Issuer or any other entity or person (a **"Third Party"**), engage in any transaction (on its own account or otherwise) with respect to the Issuer or a Third Party, or act in relation to any matter for itself or any Third Party, notwithstanding that such services, transactions or actions may be adverse to the Issuer or any member of its group, and the Lead Manager may retain for its own benefit any related remuneration or profit.

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