



25 March 2022

ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

IAG announces interest rate set for NZ\$ unsecured subordinated notes

Insurance Australia Group Limited (**IAG**) attaches a copy of an announcement released today on the NZX regarding the interest rate set for its NZ\$400 million unsecured subordinated notes (**Notes**) issue.

The NZX announcement is accompanied by a copy of the final terms sheet for the Notes. A modified version is attached to this announcement. The attached terms sheet has been modified to delete certain information relating to the Notes in order to comply with Australian legal requirements.

The Notes are not being offered to retail investors in Australia, and the PDS is not being made available to retail investors in Australia.

Yours sincerely

A handwritten signature in cursive script that reads 'Jane Bowd'.

Jane Bowd
Group Company Secretary
Insurance Australia Group Limited



IAG unsecured subordinated notes interest rate set

Insurance Australia Group Limited (**IAG**) has set the interest rate of its NZ\$400 million unsecured subordinated notes (**Notes**) issue until the First Optional Redemption Date (15 June 2028) at 5.32% per annum. This equals the Margin plus the swap rate.

The interest rate, from the First Optional Redemption Date until the Maturity Date (15 June 2038), will be a floating rate that equals the Margin plus the applicable 3 month bank bill rate on the first business day of each interest period. The interest rate for each interest period during the floating rate period will be announced on or about the first day of the interest period via NZX.

The Notes are expected to be quoted on the NZX Debt Market under the ticker code IAGFC on 6 April 2022. The Issue Date is 5 April 2022.

A copy of the final terms sheet for the offer, when available, will be at www.nzx.com/companies/IAG/announcements.

Details of the offer and the Notes are contained in the Product Disclosure Statement (**PDS**), which is available on the online Disclose Register maintained by the Companies Office (www.disclose-register.companiesoffice.govt.nz), offer number OFR13283).

For further information, please contact a Joint Lead Manager, Co-Manager or your usual financial adviser.

This release has been authorised by IAG's Chief Financial Officer.

About IAG

IAG is the parent company of a general insurance group with operations in Australia and New Zealand. IAG's main businesses underwrite over \$12.5 billion of insurance premium per annum under many leading brands, including: NRMA Insurance, RACV (under a distribution agreement with RACV), CGU, SGIO, SGIC and WFI (Australia); and NZI, State, AMI and Lumley (New Zealand). For further information, please visit www.iag.com.au.

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Final Terms Sheet as at 25 March 2022

For an issue of NZ\$400,000,000 IAG Unsecured Subordinated Notes.

This terms sheet (**Terms Sheet**) is a summary only. More details are contained in the Product Disclosure Statement for the Offer dated 11 March 2022 (**PDS**). The PDS is available free of charge on the online Disclose register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13283) or can be obtained from the Joint Lead Managers, Co-Managers or your usual financial advice provider.

These unsecured subordinated notes are complex financial products that are not suitable for many investors. If you do not fully understand how they work or the risks associated with them, you should not invest in them. You should read the PDS and you can seek advice from a financial advice provider to help you make an investment decision.

Capitalised terms used but not defined in this Terms Sheet have the meaning given to them in the PDS unless the context otherwise requires.

Key dates for the Offer

PDS registration	Friday, 11 March 2022
Opening Date	Monday, 21 March 2022
Closing Date	Friday, 12.00pm, 25 March 2022
Rate Set Date	Friday, 25 March 2022
Issue Date	Tuesday, 5 April 2022
Expected date of quotation on the NZX Debt Market	Wednesday, 6 April 2022

Key dates for the Notes

First Interest Payment Date	Wednesday, 15 June 2022
Interest Payment Dates	Interest is scheduled to be paid in arrear on: <ul style="list-style-type: none">• each quarterly Scheduled Interest Payment Date, being 15 March, 15 June, 15 September and 15 December in each year during the term of the Notes, commencing on 15 June 2022; and• if the Notes are repaid on a date that is not a Scheduled Interest Payment Date, the date of repayment of the Notes.
Optional Redemption Dates	Thursday, 15 June 2028 (First Optional Redemption Date) and each subsequent Scheduled Interest Payment Date
Maturity Date	Tuesday, 15 June 2038

Overview of the Notes

Issuer	Insurance Australia Group Limited ABN 60 090 739 923 (IAG)
Group	IAG and all of its subsidiaries
Description	Unsecured subordinated notes (Notes). Depending on the circumstances, the Notes may be repaid early or, if a Non-Viability Trigger Event occurs, be Converted into IAG ordinary shares (Ordinary Shares) or be Written-Off.
Purpose	The proceeds of the Offer will be used for IAG's general corporate purposes including to refinance existing indebtedness.
Regulatory capital	The Notes qualify as Tier 2 Capital for the IAG Level 2 Insurance Group for Australian regulatory capital purposes.
No guarantee	The Notes are not guaranteed by any other member of the Group, by any other person or by any government.
Issue amount	NZ\$400,000,000
Early repayment	<p>The Notes must be repaid by IAG on the Maturity Date.</p> <p>IAG may repay all (but not some only) of the Notes earlier on an Optional Redemption Date or if a Regulatory Event or a Tax Event occurs.</p> <p>In each case, early repayment is subject to the Australian Prudential Regulation Authority's (APRA) prior written approval and the satisfaction of other conditions.</p> <p>Holders have no right to request that the Notes be repaid early.</p>
Amount that is payable to Holders if the Notes are repaid	Holders will receive the Face Value plus all accrued but unpaid interest on the Notes when the Notes are repaid.
Interest rate	<p>The interest rate until the First Optional Redemption Date will be a fixed rate (Fixed Rate).</p> <p>The interest rate for subsequent interest periods will be a floating rate (Floating Rate).</p>
Margin	<p>1.90% per annum.</p> <p>The Margin for the Notes will not change once set.</p>
Fixed Rate	5.32% per annum.
Floating Rate	<p>The Floating Rate will be determined by IAG on the first Business Day of each interest period ending after the First Optional Redemption Date, and will be announced by IAG via NZX on or about that date.</p> <p>The Floating Rate will be equal to the sum of the 3 Month Bank Bill Rate plus the Margin.</p> <p>If the sum of the 3 Month Bank Bill Rate plus the Margin is less than 0% per annum, the Floating Rate will be deemed to be 0% per annum.</p>
3 Month Bank Bill Rate	The FRA rate administered by the New Zealand Financial Benchmark Facility (NZFBF) (or any person that takes over the administration of that rate) for bank bills having a term of, or of about, 3 months as displayed at or about 10.45am or such later time as IAG may determine on the first Business Day of the interest period on Bloomberg BKBK page 'GDCO 2805 1' (or any successor page) or if that rate is not displayed, the equivalent rate provided by the NZFBF (or any person that takes over the administration of that rate), in each case expressed as a percentage per annum and rounded, if necessary, to the nearest 4 decimal places with 0.00005 being rounded up.
Alternative base rate	With APRA's approval, IAG is able to replace the 3 Month Bank Bill Rate with an alternative reference rate if the 3 Month Bank Bill Rate becomes unavailable.

Interest payments	<p>Interest is scheduled to be paid quarterly in arrear on:</p> <ul style="list-style-type: none"> each quarterly Scheduled Interest Payment Date, being 15 March, 15 June, 15 September and 15 December in each year during the term of the Notes, commencing on 15 June 2022; and if the Notes are repaid on a date that is not a Scheduled Interest Payment Date, the date of repayment of the Notes. <p>For the period until the First Optional Redemption Date, interest will be payable in equal amounts on each Scheduled Interest Payment Date other than for the first Scheduled Interest Payment Date or if the Notes are repaid on a date that is not a Scheduled Interest Payment Date. In the case of:</p> <ul style="list-style-type: none"> the first Scheduled Interest Payment Date, the amount of interest that is payable will be adjusted to reflect the number of days from the Issue Date to the first Scheduled Interest Payment Date; and a repayment of the Notes on a date that is not a Scheduled Interest Payment Date, the amount of interest that is payable will be adjusted to reflect the number of days from the previous Scheduled Interest Payment Date (or the Issue Date if the Notes are repaid prior to the first Scheduled Interest Payment Date) to the date of repayment. <p>For the period from the First Optional Redemption Date, interest payable on each Interest Payment Date will be calculated on the basis of the actual number of days from the previous Interest Payment Date to the Interest Payment Date on which the interest will be paid.</p>
Deferred interest	Interest on a quarterly Scheduled Interest Payment Date that is not an early repayment date may be deferred at IAG's absolute discretion if an Interest Deferral Condition exists.
Cumulative	Interest accrues daily on interest that is deferred at the interest rate then applicable to the Notes.
No Event of Default	No Event of Default arises if IAG fails to pay an amount on the Notes on a quarterly Scheduled Interest Payment Date that is not an early repayment date because IAG has deferred payment due to an Interest Deferral Condition existing.
Interest Deferral Condition	<p>An Interest Deferral Condition will exist on a quarterly Scheduled Interest Payment Date if:</p> <ul style="list-style-type: none"> on or before that date: <ul style="list-style-type: none"> APRA requests IAG, the Group or a related insurance business in which IAG holds 20% or more of the voting rights or share capital, to restore or improve any applicable minimum or notional margin of solvency or capital adequacy levels; and no interest payments have been made on instruments that are Tier 1 Capital of the IAG Level 2 Insurance Group and no dividends have been paid to Shareholders since the date of this request; or during the financial year that the Scheduled Interest Payment Date falls in: <ul style="list-style-type: none"> no interest payments have been made on instruments that are Tier 1 Capital or Tier 2 Capital of IAG (unless the relevant Tier 2 Capital instrument does not enable IAG to defer, pass on or eliminate payments); and no other dividends or other distributions have been paid to Shareholders.
Conversion following a Non-Viability Trigger Event	<p>Some or all of the Notes must Convert into Ordinary Shares if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event will occur if APRA determines that IAG would be non-viable without:</p> <p>(i) the conversion or write-off of a class of regulatory capital instruments that includes the Notes; or</p> <p>(ii) a public sector injection of capital or equivalent capital support.</p> <p>If Notes are Converted, the value of the Ordinary Shares that a Holder receives may be significantly less than the aggregate Face Value of those Notes.</p>
Write-Off	<p>If Conversion is required and the Notes are not Converted into Ordinary Shares for any reason, those Notes will be Written-Off.</p> <p>This means Holders will receive nothing further in relation to those Notes, the Holders' rights under the Notes will be cancelled and Holders will lose all of their investment in those Notes.</p>

Ranking	<p>In a winding up of IAG, (if the Notes have not been repaid, Converted or Written-Off) the claims of Holders of Notes will rank:</p> <ul style="list-style-type: none"> (i) ahead of claims of holders of Ordinary Shares and holders of other subordinated securities that, by their terms, rank behind the Notes; (ii) equally with claims of other Holders of Notes and holders of other subordinated securities that rank equally with the Notes; and (iii) behind all other claims on IAG. <p>If the Notes are Converted into Ordinary Shares, Holders' Ordinary Shares will rank equally with other Ordinary Shares on issue and behind all other claims on IAG.</p> <p>Holders will have no claim in the winding up of IAG if all of their Notes are Written-Off.</p>
Events of Default	<p>The Notes have very limited Events of Default, as described below. In particular, proceedings cannot be brought to recover unpaid amounts on the Notes if IAG is not Solvent or would not be Solvent after making the payment.</p> <ul style="list-style-type: none"> • Payment default: an Event of Default will occur if IAG does not pay any Face Value due in respect of the Notes within 7 days of its due date, or IAG does not pay any interest due in respect of the Notes within 30 days of its due date. • Winding up default: an Event of Default will occur on the winding up of IAG. <p>To the extent that interest payable on the Notes on a quarterly Scheduled Interest Payment Date is deferred by IAG because an Interest Deferral Condition exists, the amount is not due and payable and a payment default cannot occur.</p>
Limited enforcement rights and rights in winding up of IAG	<p>If an Event of Default occurs, Holders' rights are limited, as described below.</p> <p>In the case of a payment default, the Supervisor may (or, if instructed by holders, must) bring proceedings:</p> <ul style="list-style-type: none"> • to recover any amount then due and payable but unpaid on the Notes (as long as IAG is able to make the payment and remain Solvent); • to obtain an order for specific performance of any other obligation in respect of the Notes; and/or • for the winding up of IAG. <p>In the case of a winding up default, in addition to the rights listed above, the Supervisor may (or, if instructed by Holders, must) by notice to IAG declare that the Face Value and accrued but unpaid interest on the Notes is due and payable and (if the Notes have not been Converted or Written-Off) Holders may claim in the winding up of IAG for that amount (on a subordinated basis).</p>
Minimum denominations	NZ\$5,000, and in multiples of NZ\$1,000 thereafter
Face Value / Issue Price	NZ\$1.00 per Note
Record Date	10 days before the Interest Payment Date
Business Day (for interest payment purposes)	A day other than a Saturday, Sunday or public holiday and on which commercial banks are open for general banking business in Auckland and Wellington.
Business Day convention (for interest payment purposes)	<p>If an Interest Payment Date on or before the First Optional Redemption Date is not a Business Day, IAG will make payment on the next following Business Day, but no adjustment will be made to the amount of interest payable.</p> <p>If an Interest Payment Date after the First Optional Redemption Date is not a Business Day, the Interest Payment Date will be the next following Business Day, unless that day falls in the next calendar month, in which case it will be the preceding Business Day, and the amount of interest payable will be adjusted to reflect the actual payment date.</p>
ISIN	NZIAGDT004C1
NZX code	<p>IAG intends to quote the Notes on the NZX Debt Market. NZX ticker code IAGFC has been reserved for the Notes.</p> <p>NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.</p>

Principal documents	<p>The PDS relating to the Offer dated 11 March 2022.</p> <p>Trust Deed dated 11 March 2022 (including the Conditions of the Notes).</p> <p>Other documents and information are available on the online Disclose register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz/ (offer number OFR13283).</p>
Governing law	New Zealand and the State of New South Wales, Australia
Approved issuer levy	<p>IAG intends to register the Notes for approved issuer levy (AIL) and, where it is eligible to do so in respect of interest paid to a non-resident Holder that is subject to the non-resident withholding tax rules (and unless otherwise elected by the Holder) to pay AIL in lieu of deducting non-resident withholding tax. If the Notes qualify for the 0% rate of AIL, IAG intends to apply the 0% rate, otherwise it will apply AIL at the applicable rate. The amount of any AIL paid will be deducted from payments to you.</p>
Selling restrictions	<p>The PDS only constitutes an offer of Notes to retail investors in New Zealand and to certain New Zealand and Australian institutional investors in accordance with the selling restrictions set out in the PDS. IAG has not taken and will not take any action which would permit a public offering of Notes, or possession or distribution of any offering material in respect of the Notes, in any country or jurisdiction where action for that purpose is required (other than New Zealand). The Notes may only be offered for sale, sold or delivered in a jurisdiction other than New Zealand in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.</p> <p>The re-investment option is only available to New Zealand residents.</p> <p>The PDS and any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Notes may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).</p> <p>Specific selling restrictions apply to an offer of the Notes in Australia. These selling restrictions do not apply to an offer of the Notes in New Zealand.</p> <p>By subscribing for Notes, each investor agrees to indemnify IAG, the Supervisor, the Securities Registrar, the Arranger, the Joint Lead Managers, and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred as a result of the investor breaching the selling restrictions contained in Section 11 of the PDS.</p>
Arranger	ANZ Bank New Zealand Limited (ANZ)
Joint Lead Managers	ANZ, Bank of New Zealand and Forsyth Barr Limited
Co-Managers	Commonwealth Bank of Australia ABN 48 123 123 124 (acting through its New Zealand branch) and Westpac Banking Corporation ABN 33 007 457 141 (acting through its New Zealand branch)
Registry and paying agent	<p>Computershare Investor Services Limited</p> <p>The Notes will be accepted for settlement in the NZClear system</p>