
IAG launches Capital Notes Offer.

Insurance Australia Group Limited (IAG) today announced an offer of Capital Notes to raise \$300m with the ability to raise more or less (Offer).

The Capital Notes are scheduled to pay quarterly, floating rate, discretionary distributions which are expected to be fully franked. The Capital Notes have an Optional Exchange Date on 15 June 2023 and, subject to certain conditions, will Mandatorily Convert into IAG ordinary shares on 16 June 2025.

The Capital Notes have an Issue Price of \$100 and will qualify as Additional Tier 1 Capital. IAG has applied for the Capital Notes to be quoted on the ASX where they are expected to trade under the code IAGPD.

The Offer is part of IAG's capital management strategy and the proceeds will be used for general corporate purposes and to refinance some of the existing convertible preference shares (CPS) (ASX: IAGPC) issued by IAG in May 2012. Eligible CPS Holders are invited to participate in a voluntary Reinvestment Offer, under which IAG will buy back CPS and have the proceeds applied to Capital Notes on 22 December 2016.

Key features of the Capital Notes

- Perpetual, convertible, subordinated unsecured notes, issued by IAG.
- Distributions are non-cumulative, based on a floating rate, expected to be fully franked and scheduled to be paid quarterly in arrears, subject to a Payment Condition not existing and IAG exercising its discretion to pay.
- The Distribution Rate will be the 3-month Bank Bill Rate plus the Margin multiplied by (1 – the corporate tax rate (currently 30%)).
- The Margin will be determined following the Bookbuild and is expected to be in the range of 4.70% to 4.90%.
- On 15 June 2023, IAG has the right to Redeem, Resell or Convert (Exchange) some or all of the Capital Notes, subject to certain conditions including APRA's prior written approval. Investors should not assume APRA's approval will be given if requested.
- Conversion into a variable number of IAG ordinary shares on 16 June 2025 (subject to certain conditions being satisfied), unless Exchanged earlier.
- Where a Non-Viability Trigger Event occurs, the Capital Notes are subject to Conversion into ordinary shares or Write-Off, in which case Capital Note Holders are likely to suffer a material loss.
- IAG must convert all Capital Notes if an Acquisition Event occurs, may Convert all Capital Notes if a Potential Acquisition Event occurs and may Exchange all or some Capital Notes if a Tax Event or Regulatory Event occurs, in each case subject to certain conditions.

Details of the Offer

The Offer comprises:

- an Institutional Offer to certain Institutional Investors;
- a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers; and
- a Reinvestment Offer made to Eligible CPS Holders.

The Offer is being made under a prospectus lodged with ASIC and ASX today (Prospectus). The Prospectus does not contain the Margin or an Application Form. A replacement prospectus containing the Margin and an Application Form will be lodged with ASIC and ASX once the Margin is determined and will be available from www.iag.com.au or by calling the IAG Capital Notes Offer Information Line on 1300 647 382 (within Australia) or +61 3 9415 4123 (Monday to Friday—8:30am to 5:00pm Sydney time).

Investors should read and consider the Prospectus in full before deciding whether to invest in the Capital Notes. The Capital Notes are complex and involve more risks than simple debt or ordinary equity instruments. They are not suitable for all investors and contain features which may make the Capital Notes Terms difficult to understand. IAG strongly recommends that investors seek professional advice which takes into account their particular investment objectives and circumstances from a licenced adviser before deciding whether to participate in the Offer.

UBS AG, Australia Branch (UBS) has been appointed as Arranger and UBS, National Australia Bank Limited and Westpac Institutional Branch have been appointed as Joint Lead Managers to the Offer. Crestone Wealth Management Limited and JBWere Limited have been appointed as Co-Managers to the Offer.

Voluntary Reinvestment Offer for Eligible CPS Holders

Participation in the Reinvestment Offer is voluntary.

Eligible CPS Holders are invited to apply for some or all of their CPS to be bought back on 22 December 2016 and have the buy-back proceeds applied to the Application Payment for Capital Notes. This means that no separate Application Payment is required under the Reinvestment Offer.

You will be an Eligible CPS Holder if you were a registered CPS holder at 7:00pm on 18 November 2016, are shown on the CPS register as having an address in Australia, and are not in the United States or acting as a nominee for a person in the United States.

Eligible CPS Holders have 3 options which are detailed in Section 6.3 of the Prospectus:

Option 1—apply through their Syndicate Broker to reinvest their CPS in Capital Notes

Option 2—apply directly to IAG to reinvest their CPS in Capital Notes

Option 3—take no action

Eligible CPS Holders who have some or all of their CPS reinvested in Capital Notes will receive a Pro Rata Dividend on their Reinvested CPS, which is expected to be on 22 December 2016, subject to the payment tests in the CPS Terms (including that the Board resolves to pay the dividend). Under the CPS Terms, IAG may elect to exchange the CPS on 1 May 2017 but no decision has yet been made.

Key dates for the Offer

Lodgement of the Prospectus with ASIC	21 November 2016
Bookbuild to determine the Margin	28 November 2016
Announcement of the Margin	29 November 2016
Opening Date and lodgement of the replacement prospectus with ASIC	29 November 2016
Closing Date for the Broker Firm Offer (excluding applications to reinvest CPS)	10:00am Sydney time on 21 December 2016
Issue Date	22 December 2016
Commencement of deferred settlement trading	23 December 2016
Last date for despatch of Holding Statements	29 December 2016
Commencement of normal settlement trading	30 December 2016

Key dates for the Capital Notes

First Distribution Payment Date	15 March 2017
Optional Exchange Date	15 June 2023
Mandatory Conversion Date	16 June 2025

Key dates for CPS holders

Record date for determining Eligible CPS Holders for the Reinvestment Offer	7:00pm Sydney time on 18 November 2016
Opening Date for the Reinvestment Offer	29 November 2016
Closing Date for the Reinvestment Offer	5:00pm Sydney time on 16 December 2016
Closing Date for the Broker Firm Offer (applications to reinvest CPS)	5:00pm Sydney time on 16 December 2016
Reinvested CPS Buy-Back Date and payment date for Pro Rata Dividend on Reinvested CPS	22 December 2016
First optional exchange date for remaining CPS	1 May 2017

All of the above dates are indicative only and may change.

IAG will announce any such change to ASX. IAG and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early, accepting late Applications, whether generally or in particular cases, or withdrawing the Offer at any time before the Capital Notes are issued, at their discretion. You are encouraged to apply as soon as possible after the Opening Date.

Additional information

Unless otherwise specified, capitalised terms in this announcement have the meaning given to them in the Prospectus.

For enquiries about the Offer, please refer to www.iag.com.au, or call the IAG Capital Notes Offer Information Line on 1300 647 382 (within Australia) or +61 3 9415 4123 (Monday to Friday—8:30am to 5:00pm Sydney time).

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, employing more than 15,000 people. 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, AMI and Lumley Insurance (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). The Group 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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