



# Product Disclosure Statement.

For an offer of unsecured subordinated notes by Insurance Australia Group Limited.

Date: 11 March 2022

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

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 can seek advice from a financial advice provider to help you make an investment decision.

Insurance Australia Group Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013.

Joint Lead Managers



Co-Managers



# 1

## Key Information Summary.

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### What is this?

This is an offer of unsecured subordinated notes (**Notes**). The Notes are debt securities issued by Insurance Australia Group Limited (**IAG**). You give IAG money, and in return IAG promises to pay you interest and repay the money at the end of the term.

If a Non-Viability Trigger Event occurs (eg because IAG or another entity in the Group encounters severe financial difficulty), some or all of your Notes will be Converted into ordinary shares in IAG (**Ordinary Shares**) or Written-Off if Conversion does not occur when required, in which case you will lose your investment.

If your Notes Convert into Ordinary Shares, you may receive a return if dividends are paid or if you subsequently sell those Ordinary Shares. If IAG runs into financial trouble, you might lose some or all of the money you invested.

### About the Group

IAG is an ASX-listed company incorporated in Australia. IAG is the holding company of a group of general insurance businesses with leading and established brands in Australia and New Zealand.

References in this PDS to IAG are to the holding company on a standalone basis and references to the **Group** are to IAG and all of its subsidiaries on a consolidated basis.

### Purpose of this Offer

This Offer forms part of IAG's capital management strategy and proceeds will be used for IAG's general corporate purposes, including to refinance existing indebtedness. The Notes will qualify as Tier 2 Capital for the IAG Level 2 Insurance Group for Australian regulatory capital purposes.

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## Key terms of the Offer

<b>Description of the debt securities</b>	Unsecured subordinated notes.
<b>Term</b>	The Notes are a long-term investment that are scheduled to be repaid on the Maturity Date (15 June 2038) if not repaid, Converted or Written-Off before that date.
<b>Interest rate</b>	<p>The interest rate will be the Fixed Rate until the First Optional Redemption Date (15 June 2028). The Fixed Rate will be determined on the Rate Set Date (25 March 2022) and announced via NZX on or about that date.</p> <p>From the First Optional Redemption Date, the interest rate will be the Floating Rate. The Floating Rate will be determined on the first Business Day of each quarterly Interest Period and announced via NZX on or about that date.</p>
<b>Opening Date</b>	21 March 2022
<b>Closing Date</b>	12.00pm on 25 March 2022
<b>Interest Payment Dates</b>	<p>Interest is scheduled to be paid in arrear on:</p> <ul style="list-style-type: none"><li>• 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</li><li>• if the Notes are repaid on a date that is not a Scheduled Interest Payment Date, the date of repayment of the Notes</li></ul>
<b>Deferral of interest</b>	IAG may defer the payment of interest on the Notes on a Scheduled Interest Payment Date (unless the Notes are being repaid on that date) if an Interest Deferral Condition exists – see Section 6.3 of this PDS (Deferral of interest).
<b>Fees and charges</b>	IAG as issuer will not charge you brokerage or any other fees to apply or subscribe for Notes. However, you may have to pay brokerage to the firm that gives you an allocation of Notes.
<b>Conversion</b>	Some or all of your Notes must Convert into Ordinary Shares if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event may occur if IAG or another entity in the Group encounters severe financial difficulty. See Section 6.5 of this PDS (Conversion and Write-Off).
<b>Write-Off</b>	If Conversion is required and your Notes are not Converted into Ordinary Shares for any reason, those Notes will be Written-Off. <b>This means you will receive nothing further in relation to those Notes, your rights under them will be cancelled and you will lose all of your investment in them.</b> You will not receive any compensation, and you have no right to take action against IAG if any of your Notes are Written-Off.
<b>Receipt of Ordinary Shares on Conversion</b>	You will receive approximately NZ\$1.01 worth of Ordinary Shares for each of your Notes that is Converted, unless a cap referred to as the "Maximum Conversion Number" applies – see Section 6.6 of this PDS (Conversion formula). <b>If the Maximum Conversion Number applies (which is likely if a Non-Viability Trigger Event has occurred) you may receive significantly less than NZ\$1.01 worth of Ordinary Shares for each of your Notes that is Converted.</b>

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## No guarantee

IAG is solely responsible for paying interest on the Notes and for the repayment of the Notes while they remain outstanding.

The Notes are not policy liabilities of IAG or any other member of the Group. The Notes are not guaranteed by any other member of the Group, by any other person or by any government.

## How you can get your money out early

### Early repayment

The Notes are a long-term investment with a scheduled Maturity Date of 15 June 2038.

However, IAG may, subject to conditions, at its option repay all (but not some only) of the Notes on an Optional Redemption Date or if a Regulatory Event or Tax Event occurs. **You should not assume that IAG will choose to repay the Notes early.**

The Optional Redemption Dates are the First Optional Redemption Date (15 June 2028) and each subsequent Scheduled Interest Payment Date.

**You have no right to request that your Notes be repaid early.**

### Sale of Notes or Ordinary Shares (if Notes are Converted)

IAG intends to quote these Notes on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Notes, the price you get will vary depending on factors such as the financial condition of the Group and movements in the market interest rates. You may receive less than the full amount that you paid for them.

If the Notes are Converted, IAG does not intend to quote the Ordinary Shares on a licensed market in New Zealand. The existing Ordinary Shares are currently able to be traded on the securities market operated by ASX and IAG must use reasonable endeavours to quote the Ordinary Shares issued on Conversion of your Notes on ASX. This means you may be able to sell any Ordinary Shares you receive on Conversion of your Notes on ASX if those

Ordinary Shares are quoted and there are interested buyers. You may get less than you invested. The price will depend on the demand for the Ordinary Shares.

## How Notes rank for repayment

### Ranking if no Conversion or Write-Off

In a winding up of IAG (if your Notes have not been Converted or Written-Off in full), your claim for payment of the Face Value of your Notes and accrued interest will rank:

- ahead of claims of Shareholders and holders of other subordinated securities that, by their terms, rank behind the Notes;
- equally with claims of other Holders and holders of other subordinated securities that rank equally with the Notes; and
- behind all other claims on IAG.

### Ranking following Conversion

If you become a Shareholder following the Conversion of your Notes, in a winding up of IAG your Ordinary Shares will rank equally with other Ordinary Shares on issue and behind all other claims on IAG.

### Ranking on Write-Off

You will have no claim in the winding up of IAG if all of your Notes are Written-Off.

Section 6.9 of this PDS (Ranking) explains how the Notes rank in comparison to other capital instruments currently issued by IAG. Section 7.4 of this PDS (Table of capital instruments) contains more information on those capital instruments.

## No security

The Notes are not secured against any asset of IAG.

## Where you can find the Group's financial information

The financial position and performance of the Group are essential to an assessment of IAG's ability to meet its obligations under the Notes. You should also read Section 7 of this PDS (Group's financial information).

## Key risks affecting this investment

Investments in debt securities have risks. A key risk is that IAG does not meet its commitments to repay you or pay you interest (credit risk). Section 8 of the PDS (risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Notes should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair. IAG considers that the most significant risk factors are:

### Catastrophes

Large-scale claims arising from inherently unpredictable catastrophes (such as cyclones, earthquakes, tsunamis, wind, hail, floods, fire and volcanic activity) may adversely affect the Group's earnings and financial condition. Reinsurance is used extensively to mitigate these risks.

### Latent claims

New types of latent claims may arise under certain product classes offered by the Group that could have a material adverse impact on the Group's financial position and performance. A historical example includes claims arising from asbestos. Reinsurance and policy exclusions are used to manage these risks.

### Reinsurance

The Group may suffer losses if:

- its reinsurance cover is not adequate, does not match its risk profile or cannot be maintained on a cost-effective basis; or
- a reinsurer defaults on its obligation to pay claims due to financial difficulties or disputed coverage.

## Uncertainty of future policy liabilities

The Group's liabilities for future policy benefits and unpaid claims in its general insurance business is uncertain. There is no certainty that the ultimate costs will not materially exceed the amounts of the Group's estimated liabilities, which can adversely affect the Group's financial position and performance.

## Investment performance

The Group maintains investment portfolios for funds set aside to pay expected future claims and capital provided to the Group. These investment portfolios are exposed to risk and volatility, which may result in a material adverse impact on the Group's financial position and performance.

If one or more of these risks eventuate, it may adversely affect the financial position and performance of IAG, which may in turn adversely affect the market price and liquidity of the Notes. In certain circumstances, such as where a combination of these or other risks eventuate at the same time, the impact of these risks may:

- lead to an Interest Deferral Condition existing, meaning interest may not be paid on the Notes when scheduled;
- result in IAG not being Solvent, or not being Solvent if it made a payment on the Notes, in which case IAG cannot be compelled to make a payment on the Notes; or
- result in a Non-Viability Trigger Event, meaning some or all of your Notes will be Converted into Ordinary Shares or, if any of those Notes cannot be Converted for any reason, those Notes will be Written-Off and you will lose your investment in them.

If these Notes convert into Ordinary Shares, these risks will change significantly. You should consider whether the degree of uncertainty about the Group's future performance and returns is suitable for you.

This summary does not cover all of the risks of investing in the Notes. You should also read Section 6 (Key features of Notes) and Section 8 (Risks of investing) of this PDS.

## What is the Notes' credit rating?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

The Notes have been rated by S&P Global Ratings Australia Pty Ltd (**S&P**). S&P gives ratings from AAA through to C, excluding ratings attached to entities in default, as set out in the table below.

Credit ratings by S&P may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories and can be varied or withdrawn at any time.

As at the date of this PDS, the Notes have a credit rating of BBB from S&P.

Range of credit ratings for S&P	AAA	AA	A	BBB Credit rating for the Notes	BB	B	CCC	CC	C
<b>Summary description of the rating</b>	<b>Capacity to make timely payment</b>				<b>Vulnerability to non-payment</b>				
	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Highly vulnerable	Currently highly vulnerable

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# Letter from the chairman of IAG's Board.

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Dear Investor,

On behalf of the directors of Insurance Australia Group Limited (**IAG**), it is my pleasure to provide you with the opportunity to invest in a new issue of unsecured subordinated notes (**Notes**) issued by IAG.

IAG is the ASX-listed parent of a leading general insurance group in Australia and New Zealand (**Group**).

In New Zealand, the Group's businesses, which include State, NZI, AMI and Lumley Insurance, have a deep heritage dating back 160 years. These businesses are some of the country's leading providers of general insurance, distributing products both directly to customers and indirectly through insurance brokers and agents.

IAG intends to issue up to NZ\$400 million of Notes. The Notes will qualify as Tier 2 Capital for the IAG Level 2 Insurance Group for Australian regulatory capital purposes. The offer of the Notes is a key component of IAG's capital management strategy, with the proceeds used for general corporate purposes, including to refinance IAG's existing NZ\$350 million unsecured subordinated convertible notes quoted as IAGFB on NZX.

The Notes are complex securities which may not be suitable for many investors and you should read this Product Disclosure Statement carefully before deciding whether to invest in the Notes.

The Notes are expected to be quoted on the NZX Debt Market and to be assigned a credit rating of BBB by S&P.

This document sets out the terms of the offer as well as key features, the risks of investing and key dates. We encourage you to lodge your application at your earliest convenience.

Investors in IAG's IAGFB issue are welcome to continue their association with IAG, including through the re-investment option that is available to those investors.

On behalf of the directors of IAG, I look forward to welcoming you as an investor in the new issue of Notes.

Yours faithfully

**Tom Pockett**  
**Chairman**

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## Key dates and Offer process.

<b>Opening Date</b>	21 March 2022
<b>Closing Date</b>	12.00pm on 25 March 2022
<b>Rate Set Date</b>	25 March 2022
<b>Issue Date/allotment date</b>	5 April 2022
<b>Expected date of initial quotation and trading of the Notes on the NZX Debt Market</b>	6 April 2022
<b>First Interest Payment Date</b>	15 June 2022
<b>Scheduled Interest Payment Dates</b>	15 March, 15 June, 15 September and 15 December in each year
<b>First Optional Redemption Date</b>	15 June 2028
<b>Maturity Date</b>	15 June 2038

The Opening Date and the Closing Date are indicative only and are subject to change. IAG has the right in its absolute discretion to open or close the Offer early, to extend the Closing Date and to accept late applications. If IAG changes any of the Opening Date and/or the Closing Date, the changes will be announced via NZX as soon as reasonably practicable.

If the Closing Date is extended, the Rate Set Date, the Issue Date/allotment date and the expected date of initial quotation and trading of the Notes on the NZX Debt Market may be delayed accordingly, but no changes will be made to the First Interest Payment Date and the other Scheduled Interest Payment Dates, the First Optional Redemption Date or the Maturity Date.

Any such changes will not affect the validity of any applications received. Dates may be adjusted if they do not fall on a Business Day.

IAG reserves the right to cancel both the Direct Re-investment Offer and the Primary Offer and the issue of the Notes.



# 3

## Terms of the Offer.

### 3.1 Description of the Notes

The Notes	
<b>Issuer</b>	Insurance Australia Group Limited.
<b>Description</b>	Unsecured subordinated notes.
<b>Term</b>	The Notes are a long-term investment with a scheduled Maturity Date of 15 June 2038.
<b>Face Value</b>	NZ\$1.00 per Note.
<b>Interest rate</b>	The interest rate until the First Optional Redemption Date (15 June 2028) will be the Fixed Rate. From the First Optional Redemption Date, the interest rate will be the Floating Rate. See Section 6.2 of this PDS (Interest).
<b>Interest payments</b>	Interest is scheduled to be paid in arrear on: <ul style="list-style-type: none"> <li>• 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</li> <li>• if the Notes are repaid on a date that is not a Scheduled Interest Payment Date, the date of repayment of the Notes.</li> </ul>
<b>Deferral of interest</b>	IAG may defer the payment of interest on the Notes on a Scheduled Interest Payment Date (unless the Notes are being repaid on that date) if an Interest Deferral Condition exists. Interest accrues daily on interest that is deferred in accordance with the Conditions at the applicable interest rate – see Section 6.3 of this PDS (Deferral of interest).
<b>Early repayment</b>	IAG may at its option repay all (but not some only) of the Notes on an Optional Redemption Date or if a Regulatory Event or Tax Event occurs. In each case, early repayment is subject to APRA’s prior written approval and the satisfaction of other conditions. <b>You should not assume that IAG will choose to repay the Notes early or that the conditions to early repayment (including APRA’s approval) will be satisfied.</b>  The Optional Redemption Dates are the First Optional Redemption Date (15 June 2028) and each subsequent Scheduled Interest Payment Date.  See Section 6.4 of this PDS (Repayment of the Face Value) for more information on when a Regulatory Event or Tax Event may occur.  <b>You have no right to request that your Notes be repaid early.</b>

## The Notes

<b>Conversion</b>	<p>Some or all of your Notes must be Converted into Ordinary Shares if a Non-Viability Trigger Event occurs. A Non-Viability Trigger Event may occur if IAG or another entity in the Group encounters severe financial difficulty.</p> <p>See Sections 6.5 (Conversion and Write-Off), 6.6 (Conversion formula) and 6.7 (Receipt of Ordinary Shares on Conversion) of this PDS for more information on Conversion.</p> <p><b>You have no right to request that your Notes be Converted.</b></p>
<b>Write-Off</b>	<p>If Conversion is required and your Notes are not Converted into Ordinary Shares for any reason, those Notes will be Written-Off. <b>This means you will receive nothing further in relation to those Notes, your rights under them will be cancelled and you will lose all of your investment in them.</b></p> <p>See Section 6.5 of this PDS (Conversion and Write-Off).</p>
<b>Business Day convention</b>	<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 Business Day, but no adjustment will be made to the amount of interest payable as a result of the delay.</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 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 the interest payment will be adjusted to reflect the actual payment date.</p>
<b>Entitlement to payments</b>	<p>Payments will be made to persons who are registered as Holders on the Record Date.</p> <p>The Record Date is:</p> <ul style="list-style-type: none"><li>• in respect of payments of interest on the Notes, 5pm (New Zealand time) on the 10<sup>th</sup> day before the relevant Interest Payment Date (whether or not the Interest Payment Date is a Business Day) or if that 10<sup>th</sup> day is not a Business Day, the immediately preceding Business Day or such other day as may be required by NZX; and</li><li>• in respect of payments of any other amount, 5pm (New Zealand time) on the date as is determined by IAG and notified to Holders or as may be required by NZX.</li></ul>
<b>Limited rights of Holders to enforce payment</b>	<p>Holders have only very limited rights to enforce IAG's payment obligations and, in particular, cannot enforce IAG's obligation to pay interest on the Notes or to repay the Face Value if IAG is not Solvent or would not be Solvent after making that payment.</p> <p>See Section 6.8 of this PDS (Events of Default).</p>
<b>Ranking of Notes</b>	<p>The Notes are unsecured subordinated obligations of IAG.</p> <p>See Section 6.9 of this PDS (Ranking).</p>
<b>Supervisor</b>	<p>The Supervisor is appointed by IAG under the Trust Deed to act on behalf of Holders including in relation to IAG and matters connected with the Trust Deed or the terms of the Notes.</p> <p>The Supervisor is The New Zealand Guardian Trust Company Limited or such other supervisor as may hold office as supervisor under the Trust Deed from time to time.</p>

## 3.2 Description of the Offer

The Offer	
<b>Offer</b>	The Notes are offered under the Direct Re-investment Offer and the Primary Offer.
<b>Offer amounts</b>	<p>The Offer is for up to NZ\$400 million, and consists of two separate parts:</p> <ul style="list-style-type: none"> <li>• a Direct Re-investment Offer for up to NZ\$30 million; and</li> <li>• a Primary Offer for up to NZ\$370 million (plus any unallocated amount under the Direct Re-investment Offer).</li> </ul> <p>There is no public pool for the Notes.</p>
<b>Offer timetable</b>	See Section 2 of this PDS (Key dates and Offer process).
<b>Direct Re-investment Offer</b>	<p>The Direct Re-investment Offer is only available to New Zealand resident investors in 2016 Notes whose investment is not held under a Custody arrangement and who are registered holders of 2016 Notes on 18 March 2022.</p> <p>If you decide not to participate in the Direct Re-investment Offer and wish to apply for Notes, or wish to apply for Notes in addition to Notes obtained pursuant to the Direct Re-investment Offer, you can contact a Joint Lead Manager, Co-Manager, Primary Market Participant, approved financial intermediary or your usual financial adviser to participate in the Primary Offer.</p>
<b>Primary Offer</b>	The Primary Offer is reserved for clients of the Joint Lead Managers, Co-Managers, Primary Market Participants and other persons invited to participate in the Bookbuild, including New Zealand resident clients whose investment in 2016 Notes is held under a Custody arrangement.
<b>2016 Notes and Custody arrangement</b>	" <b>2016 Notes</b> " means the NZ\$350 million unsecured subordinated convertible notes due 2043 issued by IAG on 15 June 2016. Your investment in 2016 Notes will be held under a Custody arrangement if a company who provides custodial services in the ordinary course of business holds your 2016 Notes as trustee or nominee for your benefit.
<b>Re-investment option</b>	<p>A reinvestment option is available through each of the Direct Re-investment Offer and the Primary Offer. Under the re-investment option, if you are a New Zealand resident investor in the 2016 Notes you can request that some or all of your 2016 Notes be purchased by IAG on the Issue Date.</p> <p><b>Purchase price under the re-investment option</b></p> <p>The purchase price for each 2016 Note that is purchased by IAG will be an amount equal to the sum of the face value of the 2016 Note (being NZ\$1.00) and the additional amount described below.</p> <p>If you request IAG to purchase some or all of your 2016 Notes and your application is accepted, that part of the purchase price equal to the face value of each 2016 Note that is purchased will be retained by IAG and applied to pay the Issue Price of the Notes that are to be issued to you under the re-investment option. This means:</p> <ul style="list-style-type: none"> <li>• you will not need to make any separate payment for Notes that are issued to you under the re-investment option; and</li> <li>• other than for the additional amount described below, no payment will be made to you for your 2016 Notes that are purchased by IAG.</li> </ul> <p>The additional amount that will be included in the purchase price for each of your 2016 Notes that is purchased by IAG under the re-investment option will be equal to:</p> <ul style="list-style-type: none"> <li>• an amount that is equal to interest on the 2016 Notes for the period from 15 March 2022 to (but excluding) the Issue Date; plus</li> <li>• if the interest rate for the 2016 Notes is higher than the Fixed Rate for the Notes, an amount that reflects the difference in those interest rates for the period from (and including) the Issue Date to (but excluding) 15 June 2022 (being the first optional redemption date for the 2016 Notes).</li> </ul> <p>This additional amount (after the deduction of any applicable taxes) will be paid to you soon after the Issue Date.</p>

## The Offer

	<p><b>Re-investment option process</b></p> <p>New Zealand resident holders of 2016 Notes will be contacted directly by the Securities Registrar prior to the Opening Date, explaining how to participate in the re-investment option. See Section 15.1 of this PDS (How to apply) for more information.</p> <p>If you apply for Notes under the re-investment option, you will not be able to sell or otherwise dispose of the 2016 Notes that you have requested be purchased by IAG from the date your application is made.</p>
<b>Allocation of Notes</b>	If a Bookbuild participant receives an allocation of Notes in the Bookbuild, the allocation of those Notes to that participant's clients is determined by the participant, and not IAG.
<b>How to apply</b>	Application instructions are set out in Section 15 of this PDS (How to apply).
<b>Issue Price</b>	Each Note is issued at par (NZ\$1.00 per Note).
<b>Minimum application amount</b>	NZ\$5,000 and in multiples of NZ\$1,000 thereafter.
<b>No underwriting</b>	The Offer is not underwritten.
<b>Quotation</b>	<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 takes no responsibility for the content of this PDS. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the FMC Act.</p>
<b>Further notes</b>	IAG is able to issue further notes without the consent of Holders on such terms and conditions as IAG may from time to time determine.
<b>Selling restrictions</b>	<p>The Offer is subject to the selling restrictions contained in Section 11 of this PDS (Selling restrictions).</p> <p>By subscribing for Notes, each investor agrees to indemnify IAG, the Supervisor, the Securities Registrar, the Arranger, the Joint Lead Managers, the Co-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 this PDS (Selling restrictions).</p>
<b>Governing law</b>	<p>This PDS and the contract which is formed when IAG accepts your application are governed by New Zealand law.</p> <p>The Notes and the Trust Deed are governed by New Zealand law, other than Conditions 4.1, 4.2, 4.6, 4.7, 7, 8 and 9 and Schedule A to the Conditions, which are governed by the laws of the State of New South Wales, Australia.</p>
<b>ASIC</b>	<p>ASIC means Australian Securities and Investments Commission.</p> <p>In accordance with the terms of ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71 (<b>ASIC Instrument 2016/71</b>), where IAG offers Notes to investors in New Zealand and those Notes are Converted into Ordinary Shares, those shares may be on-sold to retail investors in Australia without the lodgement of a prospectus being required in Australia at the time of the sale.</p> <p>This PDS is not an Australian prospectus for the purposes of the Corporations Act. However, a form of this document will be released to ASX as a notice under section 708A of the Corporations Act (as modified by ASIC Instrument 2016/71).</p> <p>ASIC takes no responsibility for the content of this PDS.</p>

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### 3.3 Trading your Notes on the NZX Debt Market

IAG intends to quote the Notes on the NZX Debt Market. To be eligible to trade your Notes on the NZX Debt Market, you must have an account with a Primary Market Participant, a common shareholder number (or "CSN") and an authorisation code. If you do not have an account with a Primary Market Participant, you should be aware that opening an account can take time and depend on the Primary Market Participant's new client procedures.

If you do not have a CSN, you will be automatically assigned one. If you do not have an authorisation code, it is expected that you will be sent one by the Securities Registrar. If you have an account with a Primary Market Participant and have not received an authorisation code by the date you want to trade your Notes, your Primary Market Participant can arrange to obtain your authorisation code from the Securities Registrar. Your Primary Market Participant will be charged a fee for requesting your authorisation code from the Securities Registrar and may pass this cost on to you.

You may only transfer your Notes in multiples of NZ\$1,000 in aggregate Face Value and after any transfer you and the transferee must each hold Notes with an aggregate Face Value of at least NZ\$5,000 (or no Notes).

You will likely have to pay brokerage on any transfer of Notes you make through a Primary Market Participant.

### 3.4 Trust Deed

The terms and conditions of the Notes are set out in the Conditions, which are attached as a schedule to the Trust Deed. Holders are bound by, and are deemed to have notice of, the Trust Deed. If you require further information in relation to any Conditions or the Trust Deed, you may obtain a copy of the Trust Deed from the Disclose register.

# 4

## The Group and what it does.

### 4.1 About IAG

IAG is the parent company of a general insurance group with operations primarily in Australia and New Zealand. IAG is listed on ASX with ordinary shares trading under the ticker code IAG. IAG is authorised as a non-operating holding company of general insurance companies under the Insurance Act 1973 (Cth) and is subject to prudential supervision by APRA – see Section 5.2 of this PDS (What is regulatory capital and why does IAG need it?) for more information. IAG is not a licensed insurer in New Zealand or in any other jurisdiction.

The Group underwrote A\$13 billion of gross written premium (**GWP**)<sup>1</sup>, for the calendar year to 31 December 2021, by selling insurance under many leading and established brands in Australia and New Zealand including NRMA Insurance, RACV<sup>2</sup>, CGU, WFI, SGIO and SGIC in Australia, and State, NZI, AMI and Lumley in New Zealand.

This PDS contains information on IAG and the Group because:

- IAG's subsidiaries conduct substantially all of the insurance and other business of the Group and, accordingly, the subsidiaries generate the revenues that are distributed to IAG in order for IAG to meet its liabilities, including under the Notes;

- substantially all the assets of IAG are made up of shares in, or other claims on, IAG's subsidiaries and, accordingly, the claims of Holders against IAG will be limited to the value of IAG's residual claims to the net assets (if any) of the subsidiaries, after all liabilities, including to policyholders, have been discharged or provided for; and
- your returns on the Notes can be affected by the financial position and performance of members of the Group.

### 4.2 Brief History

From its beginnings as a motor vehicle insurer in New South Wales, Australia, the Group has grown to become a diversified general insurance group operating throughout Australia and New Zealand.

Its heritage dates back to 1920 when the National Roads and Motorists' Association (**NRMA**) was established and subsequently offered motor insurance to its members. Through its individual businesses, IAG has helped customers manage risk for over 160 years. Following demutualisation in 2000, the insurance arm of NRMA was listed on ASX as NRMA Insurance Group Limited, and renamed Insurance Australia Group Limited in 2002.

The Group grew organically and through acquisitions primarily in its home market of Australia, and in New Zealand.

### 4.3 Strategic Priorities

The Group's trusted brands, supply chain scale, data assets and financial strength are key attributes that provide competitive advantage.

IAG's long-term objective is to deliver top quartile returns for its shareholders, with a sustainable growth profile. To realise this, IAG's strategy is to create a stronger, more resilient Group.

Four strategic pillars provide focus, inform IAG's operating model and underpin IAG's three-to-five-year strategy: growing with its customers, building better businesses, creating value through digital services and offerings, and managing its risks.

### 4.4 Business Structure

IAG split its Australia Division into Direct Insurance Australia and Intermediated Insurance Australia in 2020.

This operating model provides greater clarity on roles and responsibilities and is more aligned to the Group's brands and customer propositions. IAG has reported separate results for the two new divisions since 2021, with comparative results restated accordingly.

1. GWP is the total premiums relating to insurance policies underwritten by a direct insurer or reinsurer during a specified period and measured from the date of attachment of risk and before payment of reinsurance premiums. The attachment date is the date the insurer accepts risk from the insured.

2. The Group's short-tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited which is 70% owned by IAG and 30% by RACV.

Direct Insurance Australia is the largest division in the Group and plays an integral role in delivering IAG's strategy to "grow with our customers" through increasing customer reach and delivering personalised, digitally-enabled services.

Direct Insurance Australia has a leading market share in direct personal insurance in Australia, with products sold under multiple leading brands including NRMA Insurance, RACV, SGIO and SGIC. Through the launch of NRMA Insurance into Western Australia and South Australia in 2021, Direct Insurance Australia is extending its customer value proposition with one of the most trusted brands across Australia. The business also provides insurance to small-to-medium enterprises on a direct basis, and regards this as a significant growth opportunity.

Direct Insurance Australia has consistently produced strong financial returns, reinforcing the strength and resilience of the franchise and, for the half year ended 31 December 2021, accounted for 45% of the Group's GWP.

Intermediated Insurance Australia is a leading provider of general insurance products sold through a network of intermediaries to businesses and individuals across Australia. Commercial insurance is sold under the CGU and WFI brands, with a significant share of the small-to-medium enterprise market and a leading presence in rural areas.

Intermediated Insurance Australia also provides personal insurance primarily through broker and partner channels, including a leading retailer and a number of financial institution partnerships.

Improving the level and consistency of Intermediated Insurance Australia's profitability is a key outcome of IAG's strategy to build better businesses.

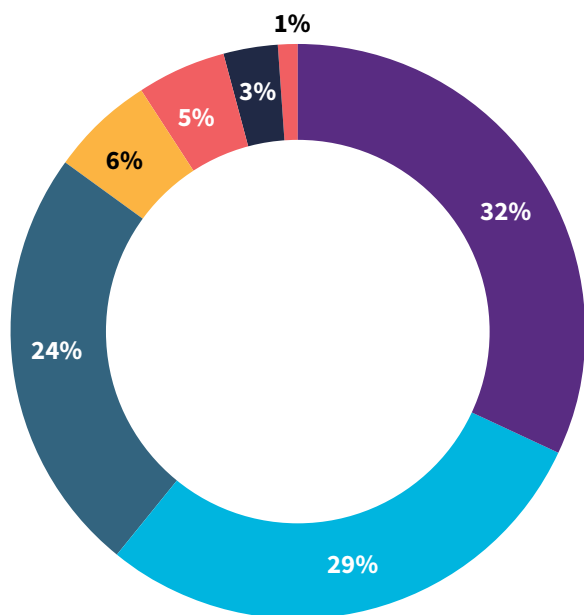
For the half year ended 31 December 2021, Intermediated Insurance Australia accounted for 32% of the Group's GWP.

IAG New Zealand Limited is the largest general insurer in New Zealand, trading under the State, NZI, AMI and Lumley brands. IAG New Zealand sells products through a combination of direct and intermediated channels. Its Consumer Division sells products directly to customers mainly under the State and AMI brands, and distributes products through IAG's banking partners ASB, Westpac, BNZ and the Co-Operative Bank. The Business Division distributes products through a nationwide network of qualified and experienced brokers under the NZI and Lumley brands.

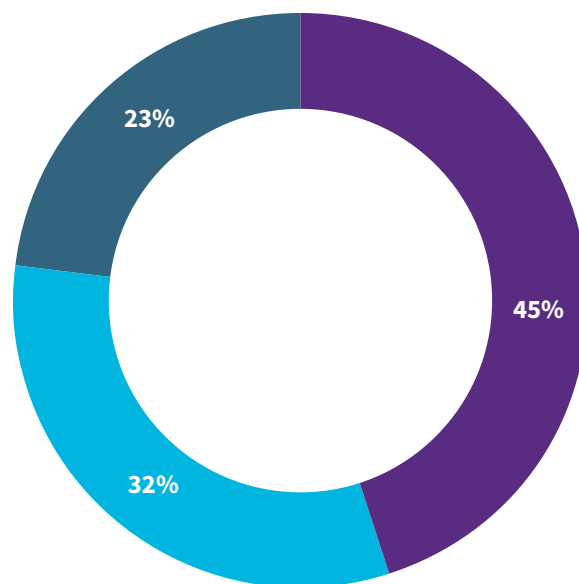
For the half year ended 31 December 2021, IAG New Zealand accounted for 23% of the Group's GWP.

#### 4.5 Business Portfolio

The following charts outline the Group's GWP contribution by class of business and by operating division (based on the six months to 31 December 2021).



- Motor
- Home
- Short tail commercial
- Liability
- CTP/motor liability
- Workers' compensation
- Other short tail



- Direct Insurance Australia
- Intermediated Insurance Australia
- New Zealand

## 4.6 Reinsurance

Reinsurance is an important part of IAG's approach to capital management. Reinsurance is a form of insurance for insurance companies where, in exchange for an agreed premium, the reinsurer agrees to pay all or a share of certain claims incurred by the insurance company.

Through the Group's businesses in Australia and New Zealand, the Group insures assets worth approximately A\$2.2 trillion. A high proportion of the assets insured in Australia are concentrated in capital cities which are exposed to multiple types of natural perils (bushfire, cyclone, earthquake, hail, and storms). This is similar to the position in New Zealand, except the natural peril exposure is dominated by earthquakes. Reinsurance is used by the Group to limit exposure to large single claims or an accumulation of claims that arise from the same event (such as a cyclone or an earthquake). In addition to limiting exposure to losses, reinsurance can also stabilise earnings, protect capital resources and ensure efficient control and spread of underwritten risks. The Group enters into reinsurance arrangements with numerous reinsurers, which typically renew on an annual or multi-year basis or through longer term "quota share" arrangements with a smaller group of reinsurers. The Group works closely with reinsurance brokers and key reinsurers to ensure the terms and structure of the reinsurance arrangements meet the Group's requirements.

The Group currently purchases reinsurance cover to greater than the Australian (APRA) and New Zealand (RBNZ) regulatory requirements of covering a 1 in 200 year loss in Australia (all perils) or a 1 in 1000 year loss in New Zealand (earthquake) and aims to limit its retained risk per event to a maximum of 4% of net earned premium (NEP)<sup>3</sup>. Subject to the overall limits on reinsurance cover, the Group's retained risk is below the maximum 4% limit. The 'Group Reinsurance Management Strategy' is reviewed and approved annually by the IAG Board and submitted to APRA. In determining the limit of protection purchased, IAG uses its extensive data, natural perils experience and independent catastrophe modelling software. The cover purchased meets the requirements of the Group's regulators, rating agencies and shareholders.

Since 2015, the Group has increased its use of reinsurance capital via whole of account quota shares. Quota share reinsurers collectively receive an amount equal to 32.5% of the Group's gross earned premium (GEP) and pay 32.5% of the Group's claims, pay 32.5% of gross expenses, including underwriting expenses and acquisition costs, and also pay a commission in recognition of the value of accessing the Group's strong core franchise. These quota share arrangements deliver benefits such as reduced earnings volatility (as insurance risk is effectively exchanged for a more stable fee income stream), a lower requirement for

catastrophe reinsurance, reduced exposure to volatility in associated reinsurance costs and a reduction in the Group's regulatory capital needs. Claims under the quota share arrangements are not capped.

The Group's main catastrophe reinsurance program is placed on a calendar year basis and covers all territories in which the Group operates. The Group's calendar year 2022 catastrophe reinsurance program is similar to prior years, with an upper limit of A\$/NZ\$10 billion<sup>4</sup> (A\$/NZ\$9.75 billion of cover, with a gross excess of A\$/NZ\$250 million), of which 67.5% is provided through the catastrophe reinsurance market and the remaining 32.5% is provided under the quota share arrangements described above. An excess applies to the cover provided by the catastrophe reinsurance market, whereas the quota share arrangements cover 32.5% of all claims payments with no excess. As a consequence, the gross excess of A\$/NZ\$250 million effectively is reduced by the amount of the quota share arrangements (32.5%) with the effect that the Group's retained risk under the program for a catastrophe event as at 1 January 2022 was A\$169 million. If the loss exceeds the upper limit of A\$/NZ\$10 billion, then the Group would continue to be covered for additional claims under the quota share arrangements which are not capped. However, 67.5% of the amount in excess of the upper limit, plus the amount of the retained risk for a catastrophe event, would need to be met by the Group.

## 4.7 Significant subsidiaries

Significant subsidiary companies of the Group and their activities as at the date of this PDS are as follows:

Name	Country of incorporation	Ownership	Principal activity
Insurance Australia Limited	Australia	100%	General insurance including brands such as NRMA Insurance and CGU
IAG New Zealand Limited	New Zealand	100%	NZ general insurance with brands such as State, NZI, AMI and Lumley
Insurance Manufacturers of Australia Pty Limited	Australia	70%	Personal short-tail insurance related activities, including in Victoria under the RACV brand and in NSW and ACT under the NRMA Insurance brand

3. NEP is gross earned premium (GEP) less reinsurance expense. GEP is the amount recognised in the income statement as it is earned. The insurer estimates the pattern of the incidence of risk over the period of the contract for direct business, or over the period of indemnity for reinsurance business, and the premium revenue is recognised in the income statement in accordance with this pattern.

4. Claims in Australia are recovered in A\$; claims in New Zealand are recovered in NZ\$, and the aggregate limit for all claims is 10 billion in either currency with no exchange rate adjustment.



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## 4.8 Material acquisitions and disposals

On 30 March 2020, IAG announced it had completed the sale of its interest in SBI General, an insurance company in India. The transaction was first announced on 17 October 2019.

On 19 July 2021, IAG announced that AmGeneral Holdings Berhad, in which IAG has a 49% interest, had signed an Implementation Agreement for the proposed sale of its wholly-owned insurance business AmGeneral Insurance Berhad to Liberty Insurance Berhad. The transaction is subject to regulatory approvals in Malaysia and is expected to complete during the 2022 financial year. There is a possibility that completion may occur after 30 June 2022 if there are delays in the approval processes.

## 4.9 Other matters

### Provision for potential business interruption claims

On 20 November 2020, IAG announced that it would recognise a total pre-tax provision of A\$1,236m for potential business interruption claims associated with the COVID-19 pandemic. This followed a test case in which the Supreme Court of New South Wales Court of Appeal determined that certain exclusions were not effective to exclude cover for losses associated with COVID-19. The provision was recognised because the Group had exposure to policy wordings that referenced the relevant exclusions and further potential exposure under prevention of access clauses that generally operate when actions of governments or other legal authorities prevent or restrict access to insured premises. In a second test case to resolve further issues around interpretation of business interruption cover, the Federal Court of Australia and the Full Court of the Federal Court of Australia (on appeal) found in favour of insurers on most questions being examined. Parties to the second test case may seek special leave to appeal to the High Court of Australia.

IAG is also defending a representative class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies.

The total pre-tax provision for business interruption claims associated with COVID-19 was A\$1,222m at 31 December 2021 (slightly lower than the original provision). Extensive scenario testing of the adequacy of the provision was undertaken during the 2021 financial year and IAG believes the provision remains adequate. As the legal position becomes more certain and claims experience emerges, IAG will refine the prediction of ultimate claim costs and adjust its provision accordingly. Subject to the outcomes of the appeal process, current indications are that a release from the provision will occur and is likely to be recognised over time, subject to court processes and the time required to allow for claims development.

### BCC Trade Credit and Greensill

In April 2019 the Group sold its 50% interest in BCC Trade Credit Pty Ltd (BCC) to Tokio Marine Management (Australasia) Pty Ltd. BCC is an underwriting agency that was authorised to underwrite trade credit insurance on IAG's behalf through Insurance Australia Limited (IAL), one of IAG's two licensed insurance subsidiaries in Australia.

Greensill Capital and its related entities (**Greensill entities**) were clients of BCC. The Greensill entities entered into administration in March 2021. Claims and potential litigation by the administrators of the Greensill entities or other claimants seeking confirmation of policy coverage and/or validity of claims relating to these trade credit policies was and is expected. IAL will defend these litigated claims (a number of proceedings have already been commenced). There is a risk a reinsurer may challenge its obligations with respect to any claims exposure.

Based on various factors, including the determination of policy validity, reinsurance arrangements and the agreements with Tokio Marine & Nichido Fire Insurance Co. Ltd, IAG remains confident that for any trade credit claims it may ultimately be liable to pay, it has no net insurance exposure.

### Customer refunds provision and ASIC proceedings

The Australian Securities and Investments Commission (ASIC) commenced civil penalty proceedings in the Federal Court of Australia in October 2021 alleging contraventions of the Australian Securities and Investments Commission Act 2001 (Cth) and the Australian Corporations Act 2001 (Cth) by IAL.

The proceedings relate to IAL's failure to pass on the full amount of discounts to a significant number of NRMA Home, Motor, Caravan and Boat Insurance customers between March 2014 and September 2019.

The customer refunds associated with these proceedings are covered by the customer refund provision that was established by IAG in the 2020 and 2021 financial years. The provision also covers other products and pricing-related matters.

The provision comprises premium refunds, interest attributable to those refunds, the cost of administering the associated remediation program and other pricing-related matters. The appropriateness of all underlying assumptions continues to be reviewed as the remediation program and ASIC civil penalty proceedings progresses and adjustments will be made to the provision where required.

## 4.10 IAG's Board of Directors

The IAG Board's principal role is to govern the Group by ensuring that there is a

proper governance framework in place to promote and protect the Group's interests for the benefit of its stakeholders.

To achieve this, the Board oversees and appraises the Group's strategy, policies, culture and performance.

Director	Role	Appointed as Director
<b>Thomas (Tom) Pockett</b> CA, BCom	Chairman of the Board & Chairman of the Nomination Committee, Independent Non-Executive Director	1 January 2015 (Appointed as Chairman of the Board & Chairman of the Nomination Committee on 22 October 2021)
<b>Nicholas (Nick) Hawkins</b> BCom, FCA	Managing Director and CEO, Executive Director	2 November 2020
<b>Simon Allen</b> BCom, BSc, CFIInstD	Independent Non-Executive Director	12 November 2019
<b>David Armstrong</b> BBus, FCA, MAICD	Chairman of the Audit Committee, Independent Non-Executive Director	1 September 2021
<b>Jonathan (Jon) Nicholson</b> BA	Chairman of the Risk Committee, Independent Non-Executive Director	1 September 2015
<b>Dr Helen Nugent AC</b> BA (Hons), PhD, MBA, HonDBus, HonDUniv	Independent Non-Executive Director	23 December 2016
<b>Sheila McGregor</b> BA (Hons), LLB, AICD Diploma	Independent Non-Executive Director	13 March 2018
<b>Scott Pickering</b> ANZIIF	Independent Non-Executive Director	1 November 2021
<b>George Sartorel</b> MBA	Independent Non-Executive Director	1 September 2021
<b>George Savvides AM</b> BEng (Hons), MBA, FAICD	Chairman of People and Remuneration Committee, Independent Non-Executive Director	12 June 2019
<b>Michelle Tredenick</b> BSc, FAICD, F Fin	Independent Non-Executive Director	13 March 2018

The Board has a skills matrix covering the range of competencies and experience of each Director. This skills matrix is reviewed by the Nomination Committee at least annually, and when the need for a new or replacement Director is identified, the required experience and competencies of the incoming Director are reviewed in the context of the existing skills matrix and any gaps which may exist at that point in time.

The Board regularly reviews its competencies and composition to ensure it:

- pro-actively manages Board renewal;
- continues to have an appropriate mix of skills, knowledge, experience, independence and diversity that complements IAG's business and strategy; and
- identifies any gaps or opportunities to enhance its skills, in each case, having regard to IAG's operations and strategy.

## Board skills matrix



Each dot represents one Director; skill levels are defined as High ●, Medium ●, or Low ●.

# 5

## Purpose of the Offer.

### 5.1 Purpose of the Offer and use of the funds

The Offer forms part of IAG's funding and capital management strategy, which targets a diverse capital structure in terms of the amount, duration and quality of capital.

The proceeds of the Offer will be used for the general corporate purposes of IAG, including to refinance existing indebtedness. The use of the money raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

### 5.2 What is regulatory capital and why does IAG need it?

The Notes qualify as Tier 2 Capital for the IAG Level 2 Insurance Group for Australian regulatory capital purposes. This Section sets out information about how IAG is regulated and what regulatory capital is.

#### Prudential regulation by APRA

APRA is the prudential regulator of the Australian financial services industry. APRA is an independent Australian statutory authority that supervises institutions across banking, insurance and superannuation, and is accountable to the Australian Parliament. As a non-operating holding company of an insurance group, IAG is subject to prudential regulation by APRA.

APRA's purpose is ensuring Australians' financial interests are protected and the financial system is stable, competitive and efficient.

APRA's regulatory capital prudential standards that apply to general insurance non-operating holding companies and operating companies aim to ensure that those entities or groups maintain adequate capital to support the risks associated with their activities. APRA has authorised IAG, as the ultimate parent of a group of general insurance companies, to be a non-operating holding company. The group, being IAG and its subsidiaries on a consolidated basis, is collectively referred to by APRA as a "Level 2 insurance group" and compliance with APRA's capital prudential standards is assessed on a group basis, as well as on the basis of each individual Australian general insurer that is a part of that group. This group is referred to in this PDS as the IAG Level 2 Insurance Group.

#### What is regulatory capital?

APRA has detailed guidelines and restrictions on the types of capital instruments that are permitted to form the capital base of a Level 2 insurance group. The types of capital APRA considers eligible for inclusion in the capital base are referred to as regulatory capital. APRA requires general insurers and groups of general insurance companies to hold a minimum amount of regulatory capital based on the risk profile of its activities.

APRA classifies regulatory capital into three tiers for its supervisory purposes:

- Common Equity Tier 1 Capital is the highest quality (for the purposes of APRA's prudential standards as they apply to IAG), most loss absorbent and permanent form of capital (such as ordinary shares and retained earnings);
- Additional Tier 1 Capital is high quality capital (such as preference shares or perpetual capital notes) that is also freely available to absorb losses;

$$\text{Common Equity Tier 1 Capital} + \text{Additional Tier 1 Capital} = \text{Total Tier 1 Capital}$$

- Tier 2 Capital includes other instruments (such as subordinated debt) that do not have all of the loss absorbency qualities of Tier 1 Capital but are still recognised as contributing to the overall capital position of the insurer or group.

In very general terms, a capital instrument has loss absorbing qualities if the holder of the instrument has no, or only a very limited, ability to require payments be made on the instrument.

The purpose of the requirement for capital instruments to absorb losses if the issuer becomes non-viable is for the loss to be borne by shareholders or the holders of the capital instruments rather than anybody else (such as policy holders, general creditors or taxpayers).

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The Notes include terms that enable them to absorb losses. These terms include the following:

- interest payments on your Notes are subject to conditions and may be deferred;
- you cannot require your Notes to be repaid early;
- early repayment of your Notes is at IAG's election and is subject to conditions;
- if IAG becomes non-viable your Notes may be Converted or Written-Off; and
- in a winding up of IAG, claims in relation to the Notes (if they have not been Converted or Written-Off) are subordinated to IAG's general creditors.

# 6

## Key features of Notes.

### 6.1 General

A number of the key features of the Notes are described in Section 3 of this PDS (Terms of the Offer). Other key features of the Notes and further detail about some of the key features described in

Section 3 of this PDS (Terms of the Offer) are described below. A copy of the Trust Deed is included on the Disclose register. The information in this Section 6 is a summary of certain terms of the Trust Deed and the Conditions.

### 6.2 Interest

This Section 6.2 contains a summary of how the interest rate applicable to the Notes is determined and how interest payments are calculated.

#### Interest

<b>Interest rate</b>	<p>The interest rate will be the Fixed Rate until the First Optional Redemption Date (15 June 2028). The Fixed Rate will be the sum of the Swap Rate plus the Margin. The Fixed Rate will be determined on the Rate Set Date (25 March 2022) and announced via NZX on or about that date.</p> <p>From the First Optional Redemption Date, the interest rate will be the Floating Rate. The Floating Rate will be equal to the applicable 3 Month Bank Bill Rate plus the Margin. The Floating Rate will be determined on the first Business Day of each Interest Period and announced via NZX on or about that date. 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> <p>The Fixed Rate and Floating Rate are calculated using different base rates (ie the Swap Rate and the 3 Month Bank Bill Rate respectively). They are also determined at different times. You should not expect the Floating Rate to be the same as the Fixed Rate or any previous Floating Rate.</p>
<b>Margin</b>	<p>The Margin will be determined by IAG in consultation with the Joint Lead Managers on the Rate Set Date through the Bookbuild and announced via NZX on or about that date. The Margin will not change over the term of the Notes.</p>
<b>Bookbuild</b>	<p>The Bookbuild is the process conducted after the closing of the Offer whereby certain institutional investors and brokers lodge bids for Notes and, on the basis of those bids, IAG (in consultation with the Joint Lead Managers) determines the Margin and allocations of the Notes.</p>
<b>Swap Rate</b>	<p>A swap rate is a reference rate commonly used in New Zealand by major financial institutions. The Swap Rate will be determined on the Rate Set Date by IAG (in consultation with the Arranger) and announced via NZX on or about that date. The Swap Rate is a reference rate for a term equal to the period from the Issue Date to the First Optional Redemption Date.</p>

## Interest

### 3 Month Bank Bill Rate

The 3 Month Bank Bill Rate is a benchmark floating interest rate for the New Zealand money market. It is used by major New Zealand financial institutions as a reference rate for a term of 3 months. This rate changes to reflect market conditions within the money market.

IAG will determine the 3 Month Bank Bill Rate on the first Business Day of each Interest Period during which the Floating Rate applies. The 3 Month Bank Bill Rate (and therefore the Floating Rate) may be different for each Interest Period.

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.

**You should not assume that APRA will give its approval to a replacement reference rate.**

### Calculation of interest

#### *Calculation of interest at the Fixed Rate*

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:

- 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.

#### *Calculation of interest at the Floating Rate*

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.

### Conversion or Write-Off

If a Note is Converted or Written-Off, any rights to receive interest on that Note are terminated and written-off.

## 6.3 Deferral of interest

This Section 6.3 explains the circumstances in which IAG is able to defer the payment of interest on the Notes and what happens to any interest payments that are deferred.

## Interest deferral

### Interest Deferral Condition

IAG may in its absolute discretion defer the payment of interest on the Notes on a Scheduled Interest Payment Date if either of the following circumstances arise:

- The first circumstance is where on or before the Scheduled Interest Payment Date:
  - 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 APRA's request.
- The second circumstance is where during the financial year that the Scheduled Interest Payment Date falls in:
  - 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.

In this PDS, each of these circumstances is referred to as an "Interest Deferral Condition".

However, IAG may not exercise its discretion to defer the payment of interest on a Scheduled Interest Payment Date if the Notes are being repaid on that date.

More information on IAG, the Group and its related insurance businesses, and its existing Tier 1 and Tier 2 Capital instruments relevant to the Interest Deferral Condition, is contained in Sections 4.7 (Significant subsidiaries), 7.3 (Capital management and funding) and 7.4 (Table of capital instruments) of this PDS.

## Interest deferral

### Unpaid amounts accumulate

Amounts of interest that are not paid on the Notes because IAG has deferred payment due to an Interest Deferral Condition existing accumulate and are payable by IAG on the earliest of the following:

- the date on which the Interest Deferral Condition ceases to exist, as explained below;
- the date on which IAG is wound up; and
- the date fixed for any redemption of Notes or the date fixed for any purchase of Notes by or on behalf of IAG.

An Interest Deferral Condition will be treated as ceasing to exist for the purposes of this Section 6.3 on the earliest of the following:

- the date on which any interest payment is made on any instruments that are Tier 1 Capital or Tier 2 Capital of the IAG Level 2 Insurance Group (other than payments on Tier 2 Capital instruments that do not enable IAG to defer, pass on or eliminate payments) or on which a dividend or other distribution on any class of IAG's share capital is paid or becomes payable;
- the date on which:
  - following a request from APRA, the margin of solvency or capital adequacy levels of IAG, the Group or a related insurance business in which IAG holds 20% or more of the voting rights or share capital have been restored or improved to the satisfaction of APRA or the request is otherwise withdrawn or addressed to the satisfaction of APRA; or
  - the first date on which 2 directors of IAG certify that IAG, the Group or a related insurance business in which IAG holds 20% or more of the voting rights or share capital (as applicable) meets its applicable minimum or notional margin of solvency or its capital adequacy levels, after having previously failed to do so, unless IAG is otherwise entitled to defer payment of interest on the Notes at such time on account of an Interest Deferral Condition existing; and
- the date on which IAG commences and does not abandon a public offer to redeem, purchase or acquire any instruments that are Tier 1 Capital or Tier 2 Capital of the IAG Level 2 Insurance Group, except in connection with:
  - any employment contract, employee share scheme, performance rights plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of IAG or any entity that IAG controls; or
  - a dividend re-investment plan, bonus option plan, bonus share plan, shareholder share purchase plan or top-up facility, shareholder sale facility or nominee sale facility.

Interest will accrue daily (at the interest rate then applicable to the Notes) on any interest that is not paid on a Scheduled Interest Payment Date because IAG has deferred payment due to an Interest Deferral Condition existing.

### No Event of Default

No Event of Default arises if IAG fails to pay an amount on the Notes on a Scheduled Interest Payment Date because IAG has deferred payment due to an Interest Deferral Condition existing. See Section 6.8 of this PDS (Events of Default) for a description of Events of Default.



## 6.4 Repayment of the Face Value

This Section 6.4 contains a summary of when, and what happens if, your Notes are repaid.

Repayment	
<b>Term and Maturity Date</b>	The Notes are a long-term investment that are scheduled to be repaid by IAG on the Maturity Date (15 June 2038).
<b>Early repayment</b>	<p>IAG may at its option repay all (but not some only) of the Notes on an Optional Redemption Date or if a Regulatory Event or Tax Event occurs provided the conditions described below are satisfied. <b>You should not assume that IAG will choose to repay the Notes early.</b></p> <p><b>Optional Redemption Dates</b></p> <p>The Optional Redemption Dates are the First Optional Redemption Date (15 June 2028) and each subsequent Scheduled Interest Payment Date.</p> <p><b>Regulatory Event</b></p> <p>Broadly, a Regulatory Event will occur if IAG determines, having received:</p> <ul style="list-style-type: none"> <li>• legal advice that, as a result of a change of law or regulation in Australia or a change in interpretation or application of those laws or regulations which, in any case, is effective or announced after the Issue Date; or</li> <li>• a statement in writing from APRA after the Issue Date,</li> </ul> <p>that IAG is not or will not be entitled to treat all Notes in full as Tier 2 Capital of the IAG Level 2 Insurance Group. However, a Regulatory Event will not occur if, on the Issue Date, IAG expected that matters giving rise to the Regulatory Event would occur.</p> <p><b>Tax Event</b></p> <p>Broadly, a Tax Event will occur if:</p> <ul style="list-style-type: none"> <li>• IAG would be required on the next payment due on the Notes to pay an additional amount in respect of a withholding or deduction on account of taxes on a payment on the Notes; or</li> <li>• IAG or the consolidated tax group of which it is a member would be exposed to more than a de minimis amount of other taxes, assessments or other governmental charges in connection with any Note; or</li> <li>• IAG determines that any interest payable on any Note is not or may not be allowed as a deduction for the purposes of Australian income tax.</li> </ul> <p>However, a Tax Event will not occur if, on the Issue Date, IAG expected that matters giving rise to the Tax Event would occur.</p> <p><b>You have no right to request that your Notes be repaid early.</b></p>
<b>Conditions to early repayment</b>	<p>IAG may not repay Notes early unless either:</p> <ul style="list-style-type: none"> <li>• the Notes are replaced, concurrently with the repayment or beforehand, with regulatory capital of the same or better quality and the replacement of the Notes is done under conditions that are sustainable for the income capacity of IAG; or</li> <li>• APRA is satisfied that, having regard to the capital position of the IAG Level 2 Insurance Group, IAG does not have to replace the Notes that are being repaid.</li> </ul> <p>In addition, IAG may not repay Notes early unless it obtains the prior written approval of APRA.</p> <p><b>You should not assume that APRA will give its approval to an early repayment.</b></p>
<b>Amount you receive on repayment</b>	When your Notes are repaid, IAG will pay you the Face Value (NZ\$1.00) for each of those Notes and you will have no further rights in respect of them. Interest is also payable on the repayment date – see Section 3 of this PDS (Terms of the Offer).
<b>Repayment in event of IAG winding up</b>	If IAG is being wound up and the Notes have not been Converted or Written-Off, an Event of Default will occur and the Supervisor may (or, if instructed by Holders, must) by notice to IAG declare that the Face Value of each Note and accrued and unpaid interest are immediately payable. In this circumstance, the claims of Holders will be subordinated as described in Section 6.9 of this PDS (Ranking) and you may be unable to recover some or all of the Face Value of your Notes or any accrued and unpaid interest on your Notes.

## 6.5 Conversion and Write-Off

This Section 6.5 provides a summary of what happens if your Notes are required to be Converted or Written-Off.

Conversion or Write-Off	
<b>Conversion</b>	<p>If a Non-Viability Trigger Event occurs, some or all of your Notes will be Converted into Ordinary Shares or Written-Off as described below.</p> <p><b>If your Notes are Converted, the value of the Ordinary Shares you receive may be significantly less than the aggregate Face Value of those Notes.</b></p>
<b>Non-Viability Trigger Event</b>	<p>A <b>Non-Viability Trigger Event</b> means:</p> <ul style="list-style-type: none"> <li>the issuance to IAG of a written determination from APRA that conversion or write-off of regulatory capital instruments is necessary because, without it, APRA considers that IAG would become non-viable; or</li> <li>a determination by APRA, notified to IAG in writing, that without a public sector injection of capital, or equivalent support, IAG would become non-viable.</li> </ul> <p>Whether a Non-Viability Trigger Event will occur is at the discretion of APRA and there are currently no precedents for this. APRA has not provided guidance as to how it would determine non-viability in the specific context of a non-operating holding company of a general insurance group.</p> <p>However, non-viability would be expected to include serious impairment of IAG's financial position and insolvency. It is also possible that the serious impairment of the financial position of one or more of IAG's subsidiaries may impact on IAG's viability.</p> <p>In the context of authorised deposit-taking institutions (such as licenced banks and credit unions), APRA has indicated that it may regard non-viability as occurring well before an institution is at risk of becoming insolvent.</p> <p>In addition, APRA's definition of non-viable may not be confined to solvency or capital measures and APRA's position on these matters may change over time. Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of IAG. For instance, systemic and non-systemic macroeconomic, environmental and operational factors, domestically or globally, may affect the viability of IAG.</p> <p>APRA may publish further guidance on the parameters used to determine non-viability. However, it is possible that APRA will not provide any further guidance and IAG has no control over whether it will do so.</p> <p>A Non-Viability Trigger Event may occur on more than one occasion.</p>
<b>Conversion may be of all or only some Notes</b>	<p>If a Non-Viability Trigger Event occurs because APRA determines IAG will become non-viable without a public sector injection of capital or equivalent capital support, all Notes must be Converted.</p> <p>However, if a Non-Viability Trigger Event occurs because APRA determines IAG will become non-viable without conversion or write-off of regulatory capital instruments, all Notes must be Converted unless APRA is satisfied that IAG will not become non-viable if only some of the Notes are Converted.</p>
<b>Ordinary Shares may be issued to a nominee instead of you</b>	<p>If any of your Notes are to be Converted, and:</p> <ul style="list-style-type: none"> <li>you are not, or IAG believes you may not be, a New Zealand or Australian resident at the time of Conversion; or</li> <li>you have notified IAG prior to the Trigger Event Date that you do not want to receive Ordinary Shares; or</li> <li>if IAG does not have all information in relation to you that it requires in order to issue the Ordinary Shares to you, the Ordinary Shares may be issued to a nominee instead of you. If this occurs, the nominee will sell those Ordinary Shares and pay you the proceeds less the sale charges.</li> </ul>
<b>Conversion waterfall</b>	<p>If a Non-Viability Trigger Event occurs and APRA does not require all Notes to be Converted, IAG will first convert all instruments that are Tier 1 Capital of the IAG Level 2 Insurance Group that are capable of being converted into Ordinary Shares or written-off where IAG is non-viable. If the conversion of those instruments is not sufficient to satisfy APRA that IAG will cease to be non-viable, IAG will convert instruments that are Tier 2 Capital of the IAG Level 2 Insurance Group that are capable of being converted into Ordinary Shares or written-off where IAG is non-viable, including the Notes.</p> <p>See Section 7.4 of this PDS (Table of capital instruments) for a description of other Tier 2 Capital and Additional Tier 1 Capital instruments of the IAG Level 2 Insurance Group. IAG gives no assurances that the instruments described in that section will remain on issue or that IAG will issue any other instruments which will be available to absorb losses if IAG becomes non-viable.</p>

## Conversion or Write-Off

### Notes will be Written-Off if Conversion does not occur

If Conversion is required and your Notes are not Converted into Ordinary Shares for any reason, those Notes will be Written-Off. **This means you will receive nothing further in relation to those Notes, your rights under them will be cancelled and you will lose all of your investment in them.** You will not receive any compensation, and you have no right to take action against IAG if any of your Notes are Written-Off. Notes may be Written-Off because matters outside IAG's control could frustrate the Conversion process and mean that Conversion does not occur when required. For instance, Conversion may not occur if IAG is insolvent and the relevant insolvency practitioner does not, or is not able to, take any of the steps that are required in order for Ordinary Shares to be issued. There may also be restrictions on who is able to hold Ordinary Shares – see Section 6.7 of this PDS (Receipt of Ordinary Shares on Conversion).

## 6.6 Conversion formula

This Section 6.6 summarises how the number of Ordinary Shares you will receive on Conversion is calculated. It contains a summary of the formula used to determine how many Ordinary Shares you will receive on Conversion (see “Base Conversion Number” and “Maximum Conversion Number” below). The number of Ordinary Shares that will be issued to you on Conversion will be affected by the Ordinary Share price and the NZ\$/A\$ exchange rate at the time of Conversion. Following Conversion, there is no certainty as to the future value of the Ordinary Shares.

## Conversion formula

### Base Conversion Number

The number of Ordinary Shares that will be issued to you for each Note you hold that is Converted on the Trigger Event Date will be equal to the Base Conversion Number, unless the Maximum Conversion Number is less than the Base Conversion Number (see “Maximum Conversion Number” below).

The **Base Conversion Number** is calculated on a per Note basis in accordance with the following formula:

$$\text{Base Conversion Number} = \frac{\text{Face Value}}{99\% \times \text{VWAP}}$$

where **VWAP** broadly is the NZ dollar equivalent of the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX. To determine VWAP:

- the exchange rate used to calculate the NZ dollar equivalent is the spot exchange rate between A\$ and NZ\$ in the Sydney foreign exchange market quoted by any leading bank selected by IAG on the Trigger Event Date; and
- VWAP is calculated during the period (**VWAP Period**) of 5 Business Days immediately preceding (but not including) the Trigger Event Date on which the Ordinary Shares were traded on ASX.

Multiplying VWAP by 99% results in a 1% discount to the price of Ordinary Shares which is intended to assist you in covering the potential transactional costs of selling the Ordinary Shares issued to you on Conversion.

The formula above is designed to operate so that, if VWAP has not fallen to below a level where the Maximum Conversion Number applies, you will receive approximately NZ\$1.01 worth of Ordinary Shares for each of your Notes that is Converted. However, you may receive less than NZ\$1.01 worth of Ordinary Shares for each of those Notes when they are Converted because:

- VWAP during the VWAP Period may differ from the NZ dollar equivalent of the Ordinary Share price on the Trigger Event Date; and
- the number of Ordinary Shares you will receive for each of those Notes will be capped at the Maximum Conversion Number. If VWAP has fallen significantly, the Maximum Conversion Number could be significantly lower than the Base Conversion Number, as described below.

In addition, if the total number of Ordinary Shares to be issued to you includes a fraction of an Ordinary Share, that fraction will be disregarded.

## Conversion formula

### Maximum Conversion Number

The number of Ordinary Shares you receive on Conversion will not in any circumstances exceed the Maximum Conversion Number multiplied by the number of Notes you hold. This means that if the Maximum Conversion Number is less than the Base Conversion Number, the number of Ordinary Shares issued for each Note that is Converted on the Trigger Event Date will be limited to the Maximum Conversion Number.

The Maximum Conversion Number will apply if VWAP has fallen by approximately 80% or more from Issue Date VWAP.

VWAP could fall due to a decrease in the market price of Ordinary Shares, or changes in the NZ\$/A\$ exchange rate, or both.

The **Maximum Conversion Number** is calculated on a per Note basis in accordance with the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Face Value}}{\text{Issue Date VWAP} \times 0.2^5}$$

where **Issue Date VWAP** broadly is VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place on ASX immediately preceding (but not including) the Issue Date. To determine Issue Date VWAP, the exchange rate used to calculate the NZ dollar equivalent is the spot exchange rate between A\$ and NZ\$ in the Sydney foreign exchange market quoted by any leading bank selected by IAG on the Issue Date.

**If the Maximum Conversion Number caps the number of Ordinary Shares issued to you, you may receive significantly less than NZ\$1.01 worth of Ordinary Shares for each of your Notes that is Converted and you may lose a significant amount of the money you invested as a consequence.**

**It is likely that the Maximum Conversion Number will apply if a Non-Viability Trigger Event has occurred.**

### Adjustments to VWAP and Issue Date VWAP

VWAP, and consequently the Base Conversion Number, may be adjusted to reflect a division, consolidation or reclassification of Ordinary Shares and any dividend, distribution or entitlement (which is reflected in the quotation price) as set out in the Conditions.

Issue Date VWAP, and consequently the Maximum Conversion Number, may be adjusted to reflect a division, consolidation or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Conditions.

These adjustments are intended to preserve your rights on Conversion if these events occur. However, there are no adjustments for other transactions, including rights issues, which may affect the capital of IAG.

## 6.7 Receipt of Ordinary Shares on Conversion

The Ordinary Shares that will be issued to you if your Notes are Converted are the same class as IAG's ordinary shares that, as at the date of this PDS, are quoted on ASX.

This Section 6.7 summarises the key rights attaching to the Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of Shareholders. The rights and liabilities attaching to the Ordinary Shares are set out in IAG's constitution and are also regulated by the Corporations Act, ASX Listing Rules and the general law. Investors who wish to inspect IAG's constitution may obtain a copy as described in Section 14 of this PDS (Where you can find more information).

## Rights and liabilities attaching to Ordinary Shares

### Dividend entitlement

Payment of dividends on shares, including the Ordinary Shares, is subject to IAG's directors determining a dividend is payable. Directors may only determine a dividend if, at that time, IAG complies with APRA's then applicable prudential standards and its assets exceed its liabilities by an amount sufficient for payment of the dividend; that payment is fair and reasonable to Shareholders; and payment of the dividend does not materially prejudice IAG's ability to pay its creditors.

Subject to the rights of any other persons entitled to shares with special dividend rights, and subject to the terms of any issue of shares to the contrary, all fully paid shares on which any dividend is declared or paid are entitled to participate in the dividend in proportion to the number of shares held, and partly paid shares are entitled to participate pro rata according to the amount paid on the shares.

<sup>5</sup> This is a requirement of APRA designed to limit the number of Ordinary Shares that would be issued if a Non-Viability Trigger Event occurs. Multiplying Issue Date VWAP by 0.2 gives a NZ dollar amount that equals 20% of Issue Date VWAP.

## Rights and liabilities attaching to Ordinary Shares

<b>Voting rights</b>	At any general meeting of IAG, every Shareholder has one vote on a show of hands and one vote for each fully paid Ordinary Share (with adjusted voting rights for partly paid Ordinary Shares) on a poll.
<b>Transfer of Ordinary Shares</b>	<p>While the Ordinary Shares are quoted on ASX, Shareholders will generally be able to sell or transfer shares without restriction. This is subject to the limitations on shareholdings in the Financial Sector (Shareholdings) Act 1998 (Cth), the Corporations Act, the ASX Listing Rules and the directors' ability to decline to register a transfer in certain limited circumstances.</p> <p>The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by people (together with their associates) of insurance companies and authorised insurance holding companies, such as IAG, to a 20% stake. A shareholder may apply to the Australian Treasurer to extend their ownership beyond 20%, but approval will not be granted unless the Australian Treasurer is satisfied that a holding by that shareholder of greater than 20% is in the national interest.</p> <p>Mergers, acquisitions and divestments of Australian public companies listed on ASX (such as IAG) are regulated by detailed and comprehensive legislation and the rules and regulations of ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian listed companies by foreign interests are subject to review and approval by the Australian Treasurer. In addition, Australian competition law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia.</p> <p>You should take care to ensure that by acquiring any Notes (taking into account any Ordinary Shares into which they may Convert), you do not breach any applicable restrictions on ownership.</p>
<b>Winding Up</b>	Shareholders are entitled to share in any surplus assets on a winding up of IAG in proportion to the amount of capital paid up on their Ordinary Shares (all Ordinary Shares issued on Conversion will be fully paid up). IAG's constitution also gives Shareholders the right to approve by special resolution various alternative ways in which surplus assets may be dealt with by a liquidator.

## 6.8 Events of Default

The Conditions have very limited Events of Default and your rights are limited if an Event of Default occurs, 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.

Events of Default	Consequences
<p><b>Payment default</b></p> <p>A payment default will occur if:</p> <ul style="list-style-type: none"> <li>• IAG does not pay any Face Value due in respect of the Notes within 7 days of its due date; or</li> <li>• IAG does not pay any interest due in respect of the Notes within 30 days of its due date.</li> </ul> <p>To the extent that interest payable on the Notes on a 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>	<p>If a payment default occurs, the Supervisor may (or, if instructed by Holders, must) bring proceedings:</p> <ul style="list-style-type: none"> <li>• to recover any amount then due and payable but unpaid on your Notes (as long as IAG is able to make the payment and remain Solvent);</li> <li>• to obtain an order for specific performance of any other obligation in respect of your Notes; and/or</li> <li>• for the winding up of IAG.</li> </ul> <p> Holders may instruct the Supervisor if Holders of at least one-quarter of the nominal amount of Notes outstanding give the instruction in writing, or if Holders resolve to do so by special resolution.</p> <p>The outcome of any proceedings brought before a court may be uncertain, and the remedies sought following a payment default by IAG may not be granted by a court.</p>

Events of Default	Consequences
<b>Winding up</b> Subject to certain exceptions, a winding up default will occur if a final court order is made or a final and effective resolution is passed by Shareholders or members for the winding up, dissolution or liquidation of IAG that is not successfully appealed or permanently stayed within 30 days.	In addition to the consequences listed above, in the case of a winding up default, 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. In this circumstance, your claim as a Holder will be subordinated as described in Section 6.9 of this PDS (Ranking), and it is unlikely that you will receive payment of the full amount owing on your Notes.

## 6.9 Ranking

The Notes constitute unsecured subordinated obligations of IAG. Accordingly, on a winding up of IAG (if your Notes have not been Converted or Written-Off), there is a risk that you may lose some or all of the money you invested in the Notes. This is because if there are insufficient assets to satisfy creditors of IAG whose claims rank ahead of the Notes, you will not be repaid any Face Value and you will not receive any interest payments due and unpaid at that time.

If there are sufficient assets to satisfy creditors of IAG whose claims rank ahead of the Notes, there is still a risk that you may not be repaid all of the Face Value of your Notes as there may be insufficient assets to satisfy IAG's obligation to repay the Face Value and other equal ranking obligations.

The following diagram shows how IAG's liabilities, including the Notes and other capital instruments issued by IAG, rank in a winding up of IAG. The diagram does not describe every type of liability or security that IAG may have over the term of the Notes.

	Ranking in a winding up of IAG	Type of obligation	Examples of obligations/securities	Amount of existing liabilities and equity of IAG (A\$ million)
<p>Higher ranking</p> <p>Lower ranking</p>		Secured debt and liabilities preferred by law	Senior ranking secured obligations and liabilities mandatorily preferred by law	0
		Unsubordinated unsecured debt	Borrowings from related bodies corporate and other liabilities	1,555
		Subordinated unsecured debt that converts or is written off at the point of non-viability	<b>The Notes</b> Other Tier 2 Capital instruments issued or guaranteed by IAG on or after 1 January 2013*	377 1,246
		Perpetual capital notes, preference shares and other equally ranked instruments	Additional Tier 1 Capital instruments (such as perpetual subordinated notes and convertible preference shares) and other obligations ranking senior only to equity	404
		Equity (other than preferred equity)	Ordinary Shares, reserves and retained earnings	9,733

\* The indicative amount of liabilities that rank equally with the Notes includes A\$4 million of capitalised borrowing costs.

The actual amounts of liabilities and equity of IAG at the point of its winding up will be different to the indicative amount set out in the diagram above.

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## Basis of preparation of table

Amounts in the table above are based on the Group's unaudited interim financial statements for the half year ended on 31 December 2021, adjusted as described below. Amounts in the table above assume NZ\$400 million of Notes are issued under the Offer and a total of NZ\$350 million of the 2016 Notes are either bought back (and cancelled) by IAG under the re-investment option that is available under the Offer or redeemed (and cancelled) on the June 2022 optional redemption date for the 2016 Notes. This has increased the liabilities that rank equally with the Notes stated in the interim financial statements prepared as at 31 December 2021 by NZ\$50 million (A\$47 million (applying an exchange rate of NZ\$1 to A\$0.9417)).

IAG has received approval from APRA to repurchase all outstanding 2016 Notes participating in the re-investment option. IAG expects to redeem (and cancel) the residual 2016 Notes, subject to regulatory requirements, on the June 2022 optional redemption date for the 2016 Notes.

## No restrictions on creating further liabilities

There are no restrictions on the Group creating further liabilities that rank equally with, or in priority to, the Notes in a winding up of IAG after the Notes have been issued.

The Group could therefore, at any time after the Issue Date, create further liabilities that rank equally with or in priority to the Notes. These liabilities could, for example, be other Tier 2 Capital instruments issued by IAG.

## Ranking following Conversion

If you become a Shareholder following the Conversion of your Notes, in a winding up of IAG your Ordinary Shares will rank equally with other Ordinary Shares on issue and behind claims of holders of all other securities and debts of IAG.

Shareholders are entitled to share in

surplus assets on a winding up (if any) in proportion to the amount of capital paid up (all Ordinary Shares issued on Conversion will be fully paid up). IAG's constitution also gives Shareholders the right to approve by special resolution various alternative ways in which surplus assets may be dealt with by a liquidator.

The number of Ordinary Shares you will receive on Conversion is determined by the conversion formula in the Conditions and is limited to the Maximum Conversion Number. The Maximum Conversion Number could be less than the maximum conversion number applicable to other regulatory capital instruments issued by IAG, including securities ranking equally with or junior to the Notes.

## Ranking on Write-Off

You will have no claim in the winding up of IAG if all of your Notes are Written-Off. If your Notes are Written-Off, you will lose all of your investment in them.

## 6.10 Amendments to the Trust Deed

IAG and the Supervisor are able to amend the Trust Deed without the approval of Holders if IAG and the Supervisor are satisfied that the amendment does not have a material adverse effect on the Holders. The Trust Deed may also be amended if the amendment is approved by a special resolution of Holders. Amendments which may in any way affect the regulatory capital treatment of the Notes cannot be made without APRA's prior approval. Amendments made in accordance with the Trust Deed are binding on you even if you did not agree to them.

## 6.11 Other relevant information about the Trust Deed

The Trust Deed also contains a number of standard provisions, including relating to:

- the role of the Supervisor and the powers and duties of the Supervisor;
- the process for replacement of the Supervisor; and
- the right of the Supervisor to be indemnified.

# 7

## Group's financial information.

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### 7.1 Selected financial information

This table provides selected financial information about the Group. Full financial statements are available on the offer register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

The Group's financial performance and position is critical to IAG's ability to meet its obligations, including those owed to you. If you do not understand this sort of financial information, you can seek professional advice.

The law normally requires the financial information to be determined or prepared in accordance with New Zealand generally accepted accounting practice. In this case, the financial information is determined or prepared in accordance with Australian equivalents to International Financial Reporting Standards. This is allowed under the Financial Markets Conduct (Disclosure Using Overseas GAAP) Exemption Notice 2021.

The Notes are not guaranteed by any member of the Group. However, the Group's financial position and performance is relevant to the repayment of the Notes. This is because the ability of IAG, as a non-operating holding company, to repay the Notes is dependent on the financial performance of the Group as a whole.

All amounts in this Section 7 are in Australian dollars.

Except as described below, the financial information in this Section 7 has been taken from the Group's audited annual financial statements and unaudited interim financial statements. Where financial information set out in this Section 7 has been taken from interim financial statements, those interim financial statements have been reviewed, but not audited, by the Group's external auditor.

All references in this Section 7 starting with "1H" refer to the 6 months ended 31 December, being the first half of IAG's financial year. For example, "1H22" refers to the 6 months ended 31 December 2021. All references starting with "FY" refer to the financial year ended 30 June. For example "FY21" refers to the financial year ended 30 June 2021.



The financial information set out in the table below shows the financial position of the Group:

Selected financial information and ratios for the Group (All amounts are shown in A\$ million)					
	Interim financial information		As reported	As reported	As reported
	1H22	1H21	FY21	FY20	FY19
Gross written premium (GWP)	6,570	6,159	12,545	11,985	12,005
Revenues (gross earned premium or GEP)	6,515	6,161	12,288	12,014	11,942
EBITDA	389	(429)	(41)	824	1,596
Net profit after tax	202	(359)	(264)	498	969
Net cash flows from operating activities	412	800	1,610	381	589
Cash and cash equivalents	1,292	1,930	2,029	2,322	1,698
Total assets	33,848	32,360	33,449	29,694	29,286
Total debt	2,577	2,572	2,572	2,181	2,080
Total liabilities	27,367	25,688	26,893	23,340	22,576
Equity	6,481	6,672	6,556	6,354	6,710
Debt/EBITDA	-	-	(62.7)x	2.6x	1.3x

*Debt/EBITDA is an indicator of the degree to which an entity has borrowed against earnings. The higher the number, the greater the risk that the entity will not be able to pay off its debts.*

Interest expense	47	42	89	92	94
EBITDA/interest expense	8.3x	(10.2)x	(0.5)x	9.0x	17.0x

*EBITDA/interest expense is a measure of the ability of an entity to pay interest on borrowings. The lower the number, the greater the risk that the entity will not be able to pay interest.*

EBITDA means net profit after tax plus interest, tax, depreciation, and amortisation as each of those items is determined in accordance with Australian GAAP.

The financial information set out in the table below shows the financial position of IAG:

Selected financial information for IAG (All amounts are shown in A\$ million)					
	Interim financial information		As reported	As reported	As reported
	1H22	1H21	FY21	FY20	FY19
Receivables from/loans to related bodies corporate*	359	612	536	189	288
Current tax assets*	65	238	-	212	94
Investment in controlled entities, associates and joint ventures*	12,311	12,013	12,052	10,817	10,007
Other*	533	427	678	46	52
<b>Total assets</b>	<b>13,268</b>	<b>13,290</b>	<b>13,266</b>	<b>11,264</b>	<b>10,441</b>
<b>Total tangible assets</b>	<b>13,268</b>	<b>13,290</b>	<b>13,266</b>	<b>11,264</b>	<b>10,441</b>
Payable to/borrowings from related bodies corporate*	(1,503)	(1,177)	(1,339)	(618)	(496)
Current tax liabilities*	-	-	(24)	-	-
Interest bearing liabilities*	(1,980)	(1,973)	(1,974)	(1,524)	(1,527)
Other*	(52)	(26)	(103)	(37)	(24)
<b>Total liabilities</b>	<b>(3,535)</b>	<b>(3,176)</b>	<b>(3,440)</b>	<b>(2,179)</b>	<b>(2,047)</b>
<b>Total net tangible assets</b>	<b>9,733</b>	<b>10,114</b>	<b>9,826</b>	<b>9,085</b>	<b>8,394</b>

IAG's investments in subsidiaries are carried at the lower of carrying value and recoverable amount (i.e. the higher of its fair value less costs to sell and its value in use) by IAG. Where the carrying value exceeds the recoverable amount, an impairment charge is recognised in the

profit and loss account. These investments are treated as tangible assets, under the accounting rules and for that reason included within the net tangible assets.

The information in the rows designated with \* in the table above titled 'Selected

financial information for IAG' was not disclosed in the Group's audited annual financial statements or unaudited interim financial statements and has been derived from trial balances used in the preparation of those financial statements.

## 7.2 Other financial ratios for the Group

Other financial ratios for the Group					
	Interim financial information		As reported	As reported	As reported
	1H22	1H21	FY21	FY20	FY19
Loss ratio	<b>68.8%</b>	<b>92.9%</b>	<b>80.3%</b>	<b>69.2%</b>	<b>63.8%</b>
<i>The loss ratio refers to the net claims expense as a percentage of net earned premium. A high ratio may indicate high claims expenses.</i>					
Expense ratio	<b>23.9%</b>	<b>24.9%</b>	<b>27.4%</b>	<b>25.9%</b>	<b>23.7%</b>
<i>The expense ratio refers to the net underwriting expenses as a percentage of net earned premium. A high ratio may indicate high underwriting and commission expenses.</i>					
Combined ratio	<b>92.7%</b>	<b>117.8%</b>	<b>107.7%</b>	<b>95.2%</b>	<b>87.5%</b>
<i>The combined ratio refers to the sum of the loss ratio and expense ratio.</i>					
Insurance margin	<b>7.1%</b>	<b>-15.1%</b>	<b>-5.8%</b>	<b>6.8%</b>	<b>16.9%</b>
<i>The insurance margin refers to the insurance profit/(loss), which is a sum of the underwriting profit/(loss) plus net investment income on assets backing insurance liabilities, as a percentage of net earned premium.</i>					

The 1H21 and FY21 financial ratios for the Group were impacted by both the provision for potential business interruption claims and related capital raising.

IAG announced on 20 November 2020 that it would recognise a total pre-tax provision of A\$1,236m for potential business interruption claims, as described in Section 4.9 of this PDS (Other matters).

Of the total pre-tax provision of A\$1,236m, A\$1,150m has been included in the net claims expense line in both 1H21 and FY21. The net post-tax impact on both the Group's HY21 and FY21 earnings is A\$805m.

To reinforce its capital position following recognition of the business interruption provision, IAG completed a A\$650m institutional placement on 20 November 2020 and raised A\$126m via a retail share purchase plan which concluded on 23 December 2020. In total, A\$776m of new equity capital was raised and approximately 154 million new fully paid Ordinary Shares were issued.

The total pre-tax provision for potential business interruption claims was A\$1,222m at 1H22. This is slightly lower than A\$1,236m at both 1H21 and FY21, mainly due to movements in interest rates which have been recognised through net claims expense in the 1H22 period.

## 7.3 Capital management and funding

IAG's capital management strategy aims to achieve an amount and mix of capital that is appropriate for its business needs, risk appetite and delivery of sustainable and attractive returns to Shareholders. The target level of capitalisation for the Group is assessed taking into account, among other factors:

- the probability of IAG (or another member of the Group) becoming insolvent over the next one to three years;
- the probability of the IAG Level 2 Insurance Group failing to hold the minimum amounts of regulatory capital required by APRA over the next one to three years;

- the views of other relevant parties on the Group's capitalisation, including capital models of rating agencies, and associated ratings; and
- Australian and international industry levels of capitalisation.

APRA prescribes a minimum level of capital which is intended to take account of the full range of risks to which a regulated institution is exposed, known as the Prescribed Capital Amount (referred to as **PCA**). The Group currently has a long-term capital benchmark of 1.6 to 1.8 times APRA's minimum PCA.

APRA prescribes a minimum level of Common Equity Tier 1 Capital (described in Section 5.2 of this PDS (What is regulatory capital and why does IAG need it?)), being 0.6 times PCA. The Group currently has a long-term Common Equity Tier 1 Capital benchmark of 0.9 to 1.1 times PCA.

The Group measures its capital mix on a net tangible equity basis which allows for the deduction of goodwill and intangible assets.

The Group's targeted range for capital mix is:

- ordinary equity (net of goodwill and intangible assets) 60% to 70%; and
- debt and hybrids 30% to 40%.

As at 31 December 2021, the Group's capital mix was within the targeted range, with debt and hybrids representing 38.9% of total tangible capitalisation.

An important element of IAG's capital management strategy are reinsurance contracts, including catastrophe reinsurance and whole of account quota shares with highly rated global reinsurers.

## 7.4 Table of capital instruments

As at the date of this PDS, the instruments on issue that constitute Additional Tier 1 Capital or Tier 2 Capital of the IAG Level 2 Insurance Group are set out in the table below:

Capital classification	Description of instrument	Maturity date	Does the instrument convert on a Non-Viability Trigger Event?	Is the instrument written-off if conversion is unable to occur?	Does the instrument have a call date?
Tier 2	A\$350 million unsecured subordinated convertible term notes due 2044 issued by IAG on 29 March 2018	15 June 2044	Yes	Yes	Yes The first call date is 15 June 2024
Tier 2	A\$450 million unsecured subordinated convertible term notes due 2045 issued by IAG on 28 March 2019	15 June 2045	Yes	Yes	Yes The first call date is 15 June 2025
Tier 2	A\$450 million unsecured subordinated term notes due 2036 issued by IAG on 24 August 2020	15 December 2036	Yes	Yes	Yes The first call date is 15 December 2026
Tier 2	NZ\$350 million unsecured subordinated convertible notes due 2043 issued by IAG on 15 June 2016 (the 2016 Notes)	15 June 2043	Yes	Yes	Yes The first call date is 15 June 2022
Additional Tier 1	A\$404.1265 million Capital Notes issued by IAG on 22 December 2016	16 June 2025 (mandatory conversion into IAG Shares)	Yes	Yes	Yes The first call date is 15 June 2023

## 7.5 Other limitations, restrictions and prohibitions

There are no:

- financial covenants set out in the Trust Deed; or
- restrictions on the ability of any member of the Group to borrow that result from any agreement entered into by the member other than restrictions that apply to joint venture companies in which the Group holds the majority of shares.

IAG is subject to various Australian restrictions on entering into transactions with IAG's associated persons. Chapter 2E of the Corporations Act prohibits IAG from giving a "financial benefit" to a "related party" (such as a director, their spouse and certain other relatives and any entities that control IAG) without shareholder approval. There are certain exceptions to this prohibition, including where the benefit is given on arm's length terms. In general, the ASX Listing Rules similarly prohibit IAG acquiring or agreeing

to acquire a substantial asset from, or disposing of or agreeing to dispose of a substantial asset to, a related party, subsidiary (other than a wholly-owned subsidiary), substantial shareholder or an associate of any one of these persons without shareholder approval.

General principles of company law and prudential regulation may also restrict transactions with affiliates in particular circumstances.

# 8

## Risks of investing.

### 8.1 Introduction

This Section 8 describes potential risks associated with an investment in the Notes. This Section 8 describes certain:

- general risks associated with an investment in the Notes;
- significant specific risks relating to IAG's creditworthiness;
- significant specific risks associated with a Non-Viability Trigger Event; and
- other risks associated with the Notes specifically.

The selection of risks relating to IAG's creditworthiness has been based on an assessment of a combination of the probability of a risk occurring and the impact of the risk if it did occur. This assessment is based on the knowledge of the directors of IAG as at the date of this PDS. There is no guarantee or assurance that the significance of different risks will not change or that other risks will not arise over time.

Where practicable, the Group seeks to implement risk mitigation strategies to manage the exposure to certain of the risks outlined below, although there can be no assurance that such arrangements will fully protect the Group from such risks.

Investors should carefully consider these risk factors (together with the other information in this PDS) before deciding to invest in the Notes.

This summary does not cover all of the risks of investing in the Notes.

The statement of risks in this Section 8 does not take account of the personal circumstances, financial position or investment requirements of any particular investor. It is important, therefore, that before making any investment decision, investors give consideration to the suitability of an investment in the Notes in light of their individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

### 8.2 General risks

An investment in the Notes is subject to the following general risks:

#### **The risk that IAG encounters severe financial difficulty and payments are not made on the Notes when scheduled**

If IAG encounters severe financial difficulty, this may in turn:

- lead to an Interest Deferral Condition existing, meaning interest may not be paid on the Notes when scheduled;
- result in IAG not being Solvent, or not being Solvent if it made a payment on the Notes, in which case IAG cannot be compelled to make a payment on the Notes; or
- result in a Non-Viability Trigger Event occurring, meaning:
  - some or all of your Notes must be Converted into Ordinary Shares. It is likely that the Maximum Conversion Number will apply if a Non-Viability

Trigger Event has occurred in which case you may receive significantly less than NZ\$1.01 worth of Ordinary Shares for each of your Notes that is Converted; or

- if any of those Notes cannot be Converted when required for any reason, those Notes will be Written-Off and you will lose your investment in them.

#### **Market risks associated with the Notes**

*The market price of the Notes may fluctuate up or down and the Notes may trade below their Face Value*

The market price of the Notes on the NZX Debt Market may fluctuate due to various factors, including changes in interest rates, IAG's financial position or IAG's or the Notes' credit rating. The Notes may trade at a market price below their Face Value and the market price of the Notes may be more sensitive than that of other comparable securities issued by IAG or other issuers to changes in interest rates, credit margins and other market factors. This means that you may lose some of the money you invested if you wish to sell your Notes at a time when the market price of the Notes is lower than the Face Value.

*The liquidity of the Notes may be low*

The market for the Notes may not be liquid or may be less liquid than that of other comparable securities issued by IAG or other issuers.

If liquidity is low, there is a risk that if you wish to sell your Notes prior to the Maturity Date, you may not be able to do so when you want to at an acceptable price, or at all.

*The interest rate may become less attractive compared to returns on other investments*

The interest rate on the Notes will be fixed until the First Optional Redemption Date (15 June 2028) when it will change to a floating rate for the remainder of the term of the Notes. The interest rate may become less attractive compared to returns on other investments during the fixed rate period.

### **Risks associated with holding Ordinary Shares**

If a Non-Viability Trigger Event occurs, some or all of your Notes must be Converted into Ordinary Shares or Written-Off. If any of your Notes are Converted into Ordinary Shares, you will cease to hold those Notes and to have any rights in relation to them. Instead, you will hold Ordinary Shares (see Section 6.7 of this PDS (Receipt of Ordinary Shares on Conversion)). If your Notes are Converted, the value of Ordinary Shares you receive may be significantly less than the aggregate Face Value of those Notes.

Ordinary Shares are a different type of investment and are subject to different risks. Some of the key differences and principal risks associated with Ordinary Shares are summarised below:

- you may receive a return only if:
  - dividends are paid. Unlike interest on the Notes, dividends on Ordinary Shares are payable only if and when IAG's directors determine to pay them. IAG's ability to pay a dividend may be restricted by Australian law, APRA requirements and by the terms of higher ranking shares or other instruments; or
  - the Ordinary Shares increase in value and you are able to sell them at a higher price than the amount you originally paid for your Notes (see the market risks associated with Ordinary Shares discussed below);

- in an insolvency of IAG, as a Shareholder, you will rank equally with other Shareholders and behind holders of all other securities and debts of IAG. You will only be paid after all creditors and, if applicable, holders of higher ranking shares have been paid and only if there are sufficient assets; and
- you may lose some or all of your investment in them.

There are also market risks associated with the Ordinary Shares. In particular:

- following Conversion, the price of the Ordinary Shares may go up or down. In particular, Ordinary Shares trade at a market price which reflects that Ordinary Shares are an equity security rather than a fixed income debt security. The market price of Ordinary Shares may be more sensitive than that of the Notes to changes in the Group's performance, operational issues and other business issues. There is no certainty as to the future value of the Ordinary Shares;
- Ordinary Shares are quoted on ASX. This means that if you want to sell any Ordinary Shares, you will need to comply with all applicable rules and procedures of ASX. Ordinary Shares are not quoted on the NZX Debt Market or any other NZX market;
- Ordinary Shares are quoted in Australian dollars. If you sell any Ordinary Shares issued to you on Conversion, the proceeds are likely to be in Australian dollars. The exchange rate between New Zealand dollars and Australian dollars may fluctuate and these changes may be significant. You may also incur fees when exchanging amounts received in Australian dollars into New Zealand dollars;
- IAG will use all reasonable endeavours to have Ordinary Shares issued on Conversion quoted on ASX. However, the Ordinary Shares issued on Conversion and Ordinary Shares generally may not be quoted, in which case you may not be able to sell them at an acceptable price, or at all; and

- if your Notes Convert, the market for Ordinary Shares may not be liquid or may be less liquid than that of other shares issued by other entities at or about the Trigger Event Date. You are obliged to accept the Ordinary Shares issued to you on Conversion, even if the Ordinary Shares are not quoted on ASX at the time of issue (or at all).

### **8.3 Specific risks relating to IAG's creditworthiness**

The Group is exposed to a number of risks that may affect the business of the Group and therefore the financial performance and creditworthiness of IAG.

The circumstances that IAG is aware of that exist or could arise that significantly increase the risk that payments may not be made on the Notes when scheduled or that a Non-Viability Trigger Event may occur are described below. The assessment of these circumstances is based on the business of the Group as conducted as at the date of this PDS. If the nature or scope of this business changes, other circumstances or events could give rise to this risk. The risks detailed below are not exhaustive.

#### **Insurance Risk – Catastrophes**

There is a risk of larger than expected claims arising out of catastrophes. Catastrophes may include cyclones, earthquakes, tsunamis, wind, hail, floods, fire or volcanic activity, which are inherently unpredictable with regard to frequency and severity. There is also a risk that the frequency and/or the severity of catastrophes may increase over time due to climate change. Claims arising out of catastrophes can be substantial, and can adversely affect the Group's financial performance and creditworthiness. Reinsurance is used extensively by the Group to mitigate the potential claims cost arising from catastrophes (as described in Section 4.6 of this PDS (Reinsurance)).

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## **Insurance Risk – Latent claims**

There is a risk that certain product classes offered by the Group may also be subject to the emergence of new types of latent claims. A historical example includes claims arising from asbestos, or more recently, silicosis. Claims arising out of latent claims can be substantial, and can adversely affect the Group's financial performance and creditworthiness. The risks associated with latent claims are carefully considered by the Group when it determines the level of policy cover for those product classes and calculates provisions for future claims. Reinsurance is also used to reduce the impact of these claims.

## **Insurance Risk – Uncertainty of future policy liabilities**

The Group has a liability for future benefits payable to policyholders and for unpaid claims in its general insurance business. The assessment of these future policy liabilities depends on estimates of expected future revenue and expenses. These estimates are based on actuarial and statistical projections made on the basis of the facts and circumstances known at a given time, estimates of likely future trends, and assumptions about future investment returns, expenses and inflation rates. Although the Group maintains assets in excess of estimated future policy liabilities based on best estimate assumptions, actual results and conditions may be different from those estimated liabilities as a result of unexpected claims outcomes, natural disasters, worsening general economic conditions, or other environmental factors such as the COVID-19 pandemic.

There is a risk that the actual Group liability for future unpaid claims will materially exceed the Group's estimates. The uncertainty of future policy liabilities can expose the Group to losses and increased costs, and can adversely affect the Group's financial performance and creditworthiness.

## **Reinsurance Risk – Concentration and Coverage**

The Group enters into a significant number of reinsurance contracts to limit its risk exposure to any one claim, class of

business or occurrence of specific events or series of events.

There is a risk that the Group's current reinsurance coverage is not adequate, that it does not match the underlying risks assumed, that reinsurance will not be available at adequate rates or levels in the future, or that increases in reinsurance costs will not be recovered through premium rate increases. This risk could arise, for instance, if the Group's reinsurance coverage is not appropriately adjusted for an increase in the frequency and/or severity of catastrophes due to climate change. In addition, reinsurance contracts are generally subject to change in control clauses which means there may be adverse consequences for the Group (such as termination) if the ownership of IAG changes during the term of the relevant reinsurance contract.

A summary of the Group's main catastrophe reinsurance program and whole of account quota share reinsurance arrangements is included in Section 4.6 of this PDS (Reinsurance).

## **Credit Risk – Reinsurance Counterparty**

There is a risk that the Group's reinsurers may default on their obligation to pay claims. In addition, it may take a long time for the Group to collect reinsurance monies that are owed to it, and reinsurers may dispute their liability to pay, even if the Group has a valid claim. Despite reinsurance, the Group is primarily liable to policyholders, and so a failure by a reinsurer to make payment for any reason can adversely affect the Group's financial performance and creditworthiness.

## **Market Risk – Investment performance**

The Group has substantial investment portfolios made up of funds set aside to meet future claims payments and the investment of capital provided to the Group. As a consequence, investment performance can significantly affect the Group's financial performance and creditworthiness.

There is a risk of unexpected or negative investment outcomes due to possible

counterparty default, illiquid markets, and market volatility including fluctuations in market prices, interest rates and exchange rates.

These risks can be more extreme during periods of high volatility and market disruption, such as occurred during 2020 due to the COVID-19 pandemic.

## **Strategic Risk – Market and competitive position**

The Group's business is concentrated in Australia and New Zealand, with most of its business in Australia. This means the Group's performance is largely dependent on the performance of the insurance sector in these countries.

There is a risk that the Group could lose market share or be forced to reduce prices in order to compete effectively, if industry participants engage in aggressive growth strategies or severe price discounting, or if the industry is subject to material disruption from new market entrants or technologies.

In addition, there is a risk that the profits expected will not eventuate for the Group due to competition in its key areas of business.

## **Capital Risk – Structural subordination**

There is a risk that due to IAG's structure as a holding company, financial receipts from subsidiaries may be less than anticipated, leading to financial detriment to IAG.

IAG is a holding company which owns or holds interests in a group of insurance companies and other subsidiaries primarily in Australia and New Zealand. In the event a subsidiary is wound up, recovery by IAG would be limited to the net assets (if any) of that subsidiary after all prior ranking liabilities, including to policyholders, have been discharged or provided for.

In addition, IAG is reliant on the continued receipt of dividends, distributions, or other funding from its subsidiaries to make payments on its securities, including the Notes. The ability of IAG's subsidiaries to pay dividends or distributions or otherwise make funds available to IAG may, in certain circumstances, be subject to regulatory, contractual or legal restrictions.

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## **Regulatory Risk and Compliance – Changes in government policy, regulation or legislation**

There is a risk that changes in government policy, regulation or legislation, could adversely affect the Group's business and financial performance.

The general insurance industry is subject to extensive legislation, regulation and supervision by regulators (including APRA, ASIC and in New Zealand the Financial Markets Authority and the Reserve Bank of New Zealand) and has been subject to significant levels of regulatory change in recent years. There is also an increased focus on non-financial risk and monitoring of potential breaches relating to organisational conduct. Any future legislation and regulatory change may affect the insurance and finance sectors and adversely affect the Group. This could include changing the required levels of capital adequacy and/or changes to accounting standards, taxation laws and prudential regulatory requirements, and may affect the likelihood of an Interest Deferral Condition or a Non-Viability Trigger Event occurring.

Government and agency inquiries and reviews relating to general insurance arise from time to time. It is possible that industry changes arising from these inquiries and reviews may result in increased costs and have an adverse effect on the financial performance and creditworthiness of the Group.

## **Regulatory Risk and Compliance – Failure to comply with obligations**

There is a risk of legal or regulatory impacts, or reputational loss, arising from a failure to manage compliance obligations. This risk could arise as a result of regulatory change or historical non-compliance. Any such failure to manage compliance obligations may result in significant remediation costs, regulatory actions (including potential fines) such as that currently being pursued by ASIC (see Section 4.9 of this PDS (Other matters)), increased costs and reputational damage to the Group.

## **Regulatory Risk and Compliance – Litigation and regulatory proceedings**

There is a risk of unexpected litigation and/or regulatory proceedings against IAG or other Group entities brought by, or on behalf of, policyholders, reinsurers, shareholders, government agencies or other potential claimants.

In addition, the Group, in the ordinary course of business, is regularly involved in legal proceedings relating to policies underwritten by entities within the Group or arising from its operations generally. Current examples of legal and regulatory proceedings are described in Section 4.9 of this PDS (Other matters).

## **Operational Risks**

There is a risk of losses, increased costs and reputational damage to the Group as a result of inadequate or failed internal processes, people and systems, or from external events. These risks include, but are not limited to, the failure to either identify or remediate in a timely manner: fraud and other dishonest activities; poor management practices; inadequate workplace health and safety practices; costs arising from project and change management; compliance costs arising from business continuity and crisis management; loss of key staff; cyber attacks; the failure of information and other systems; the failure to adequately protect sensitive customer information; and the failure of key third party suppliers.

Operational risks can be heightened because of environmental factors outside of the Group's direct control, such as the COVID-19 pandemic. The Group maintains appropriate business continuity management and other operational management processes to mitigate where possible the impacts of such risks on its operations.

## **Impact of risks**

IAG expects some of these risks to arise (either alone or in combination) in the normal course of the Group's business. When they do, this can lead to a loss, increase in costs or a reduction in revenues. The Group closely manages

these risks, including by maintaining an appropriate level and quality of capital for the scale, nature and complexity of its business and risk profile.

In the normal course of business, these risks are not expected to have a materially adverse impact on the Group. However, in unusual circumstances, such as widespread large-scale claims arising out of unforeseen events or reinsurers not making large payments when due, or if the Group's investment portfolios perform significantly worse than anticipated, the risks can become more difficult to manage and the impact on the Group can be more severe. In certain circumstances, such as where a combination of unusual circumstances exist at the same time or an event is unusually severe, the impact of those circumstances could mean that the Group is not able to make payments on the Notes when scheduled or that a Non-Viability Trigger Event may occur.

## **8.4 Specific risks associated with a Non-Viability Trigger Event**

### **Notes must be Converted into Ordinary Shares upon the occurrence of a Non-Viability Trigger Event**

If a Non-Viability Trigger Event occurs, some or all of your Notes must be Converted into Ordinary Shares. The conversion formula is designed to operate so that you will receive approximately NZ\$1.01 worth of Ordinary Shares for each of your Notes that is Converted, unless the Maximum Conversion Number applies. It is likely the Maximum Conversion Number will apply if a Non-Viability Trigger Event has occurred in which case you may receive significantly less than NZ\$1.01 worth of Ordinary Shares for each of your Notes that is Converted, and you may lose a significant amount of the money you invested as a consequence. The Maximum Conversion Number will apply if VWAP has fallen by approximately 80% or more from Issue Date VWAP. VWAP could fall due to a decrease in the market price of Ordinary Shares, or changes in the NZ\$/A\$ exchange rate, or both. The market price of Ordinary Shares and the NZ\$/A\$ exchange rate

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fluctuate due to various factors. Following Conversion, there is no certainty as to the future value of the Ordinary Shares.

The Maximum Conversion Number could be less than the maximum conversion number applicable to other regulatory capital instruments issued by IAG, including securities ranking equally with or junior to the Notes.

In addition, the NZ dollar equivalent of the Ordinary Share price used to calculate the number of Ordinary Shares you will receive on Conversion may differ from the NZ dollar equivalent of the Ordinary Share price on or after the Trigger Event Date. You may not be able to sell the Ordinary Shares issued to you on Conversion at the NZ dollar equivalent of the price of the Ordinary Shares on which the Conversion calculation was based, or at all.

See Section 6.5 of this PDS (Conversion and Write-Off).

### **Your Notes will be Written-Off if Conversion does not occur when required**

If Conversion is required and your Notes are not Converted into Ordinary Shares for any reason, those Notes will be Written-Off. This means you will receive nothing further in relation to those Notes, your rights under them (including to interest payments) will be cancelled and you will lose all of your investment in them. You will not receive any compensation, and you have no right to take action against IAG, if any of your Notes are Written-Off.

See Section 6.5 of this PDS (Conversion and Write-Off).

## **8.5 Other risks associated with the Notes specifically**

### **The Notes are subordinated and unsecured**

The Notes are subordinated and unsecured. Accordingly, on a winding up of IAG (if your Notes have not been Converted or Written-Off), there is a risk that you may lose some or all of the money you invested in the Notes.

See Section 6.9 of this PDS (Ranking).

### **Interest rate may go down to 0% per annum**

The interest rate on the Notes will be fixed until the First Optional Redemption Date (15 June 2028), when it will change to a floating rate that will be reset quarterly for the remainder of the term of the Notes. There is a risk that, when the interest rate is reset, it may be lower than the interest rate that applied to a prior period, and it could go down to 0% per annum.

See Section 6.2 of this PDS (Interest).

### **You have no right to request your Notes be repaid early**

The Notes are a long-term investment. You cannot require IAG to repay any of your Notes before their Maturity Date (15 June 2038). To cash in your investment, you would have to sell your Notes on the NZX Debt Market at the prevailing market price, which may be less than what you paid for them. Trading of Notes on the NZX Debt Market may be suspended or there may be no buyers in the market.

See Section 6.4 of this PDS (Repayment of the Face Value).

### **IAG may repay your Notes if certain events occur**

Subject to certain conditions, IAG has the right to repay your Notes before the Maturity Date (15 June 2038) if a Regulatory Event or a Tax Event occurs, or on an Optional Redemption Date. IAG may not repay Notes early unless it obtains the prior written approval of APRA and other conditions are met. There is no certainty that APRA would provide its approval for an early repayment. The timing or occurrence of an early repayment of the Notes may not coincide with your own preferences.

See Section 6.4 of this PDS (Repayment of the Face Value).

### **IAG may not pay interest on a Scheduled Interest Payment Date if an Interest Deferral Condition exists on the payment date**

IAG may in its absolute discretion defer the payment of interest on the Notes on a Scheduled Interest Payment Date (unless the Notes are being repaid on that date) if an Interest Deferral Condition exists on the payment date.

Changes in APRA or government policy may affect IAG's required capital levels or how IAG's existing capital is valued and accordingly whether an Interest Deferral Condition may occur.

Any deferral of interest payments is likely to have an adverse effect on the market price of the Notes. In addition, as a result of the interest deferral provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities which are not subject to interest deferral. The market price of the Notes may also be more sensitive generally to adverse changes in IAG's financial condition than other debt securities which are not subject to such deferrals.

See Section 6.3 of this PDS (Deferral of interest).

### **IAG may default on payment of the Face Value, interest or other amounts due on the Notes and you have limited rights in these circumstances**

There is a risk that IAG may default on payment of some or all of the Face Value, interest or other amounts payable on the Notes. If IAG does not pay some or all of the Face Value or interest or other amounts payable on the Notes, your rights to enforce payment or to take other remedial action are very limited.

See Section 6.8 of this PDS (Events of Default).



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## **IAG may amend the terms of the Notes without your consent**

The terms of the Notes contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The terms of the Notes also provide that in certain circumstances, IAG and the Supervisor may amend the terms of the Notes without the consent of Holders. Amendments made in accordance with the Trust Deed will be binding on you, even if you did not specifically agree to them.

Amendments which affect the regulatory capital treatment of the Notes cannot be made unless APRA has provided its approval.

See Section 6.10 of this PDS (Amendments to the Trust Deed).

## **IAG may issue more securities**

IAG has the right to issue further senior debt and other obligations or securities that:

- have the same or different dividend, interest or distribution rates as the Notes;
- have the same or different maturities as the Notes;
- have the same or different terms and conditions as the Notes; and
- rank for payment of the face value, interest or other amounts (including on winding up of IAG) after, equally with, or ahead of the Notes and may or may not be secured.

Such further issuance may affect your ability to be repaid on a winding up of IAG or the value of any Ordinary Shares you receive on Conversion.

## **You have no rights if control of IAG changes**

You do not have any rights to vote or object or take other action if a change of control is proposed or occurs in relation to IAG or its business. The change in control could arise as a result of corporate actions affecting IAG or in certain circumstances the exercise by APRA of its powers as a prudential regulator. In particular, you have no right to require early repayment or Conversion of your Notes. A change of control of IAG may result in the businesses of IAG being managed differently to the way they are currently managed and may also mean that Ordinary Shares are no longer quoted on ASX. If the Notes are required to be Converted but the Ordinary Shares are not quoted on ASX at that time, VWAP will be determined by reference to historical pricing information. In these circumstances, VWAP may not reflect the value of the Ordinary Shares at that time.

# 9

## Tax – general and New Zealand resident Holders.

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### General

The returns on the Notes will be affected by taxes. In this PDS, no information or advice is given in respect of the taxation implications or treatment of investors in connection with investment in the Notes. If you have any questions regarding the tax consequences of investing in the Notes you should seek advice from a tax adviser. Sections 9 and 10 of this PDS contain a brief summary only of certain tax matters based on the Australian and New Zealand law in force at the date of this PDS.

### New Zealand resident Holders

New Zealand resident withholding tax (**RWT**) will be deducted from interest paid to New Zealand tax resident Holders at the relevant rate unless evidence of RWT-exempt status has been provided to the Securities Registrar.

Interest paid to a Holder that is not a resident of Australia and does not hold the Notes in carrying on business at or through a permanent establishment in Australia is not expected to be subject to Australian interest withholding tax on the basis that the Offer of Notes is intended to comply with the exemption in section 128F of the Australian Income Tax Assessment Act 1936 (**Australian Tax Act**). If IAG is required to make a withholding on account of withholding tax imposed

by Australia, or any political subdivision in or of Australia, IAG will be required (except in the case of certain customary exceptions set out in the Conditions) to pay an additional amount to compensate the Holder for the amount withheld. No additional amounts will be payable in relation to payments to, or to a third party on behalf of, a Holder who is liable to the taxes by reason of the Holder being an associate of IAG within the meaning of section 128F(9) of the Australian Tax Act.

There may be other Australian and New Zealand tax consequences for Holders from acquiring or disposing of Notes or from a Conversion of the Notes, including under the financial arrangements rules in the New Zealand Income Tax Act 2007.

If any of your Notes are Converted into Ordinary Shares, any dividends you receive on the Ordinary Shares will generally be taxable to you. In addition, dividends may be subject to Australian dividend withholding tax, to the extent “franking credits” do not attach to the relevant distribution or the distribution is not declared to be “conduit foreign income”. Australian dividend withholding tax is imposed at a general rate of 30% but the rate may be reduced to 15% under the Australia-New Zealand Double Tax Convention. IAG does not “gross-up” distributions on its Ordinary Shares to

account for the imposition of dividend withholding tax. Depending on your particular circumstances any gains (or losses) you make on the sale or other disposal of your Ordinary Shares may be taxable (or deductible).

# Tax consequences for overseas Holders, FATCA and CRS.

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## Holders not resident in New Zealand

Based on the law in force as at the date of this PDS, no New Zealand non-resident withholding tax or approved issuer levy will be deducted from interest paid on the Notes to Holders who are not tax resident in New Zealand. Other withholdings may apply in limited circumstances.

Holders that are not tax resident in New Zealand may be subject to tax in their own jurisdiction (or another jurisdiction), or be subject to withholding tax, and should seek advice from a tax adviser.

## FATCA and CRS

Holders of Notes may be requested to provide certain information and certifications to ensure compliance with sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**), intergovernmental agreements and domestic laws implementing FATCA and laws implementing the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (**CRS**). Such information may be shared with foreign tax authorities.

In the event that any amount is required to be withheld or deducted from a payment on the Notes, or Ordinary Shares are required to be withheld or deducted from an issue of Ordinary Shares upon Conversion of the Notes, in each case as a result of FATCA, no additional amounts will be paid and no additional Ordinary Shares will be issued by IAG as a result of the deduction or withholding.

# Selling restrictions.

This PDS only constitutes an offer of Notes to the public in New Zealand and to certain New Zealand and Australian institutional investors. 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.

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).

Set out below are specific selling restrictions that apply to an offer of the Notes in Australia. These selling restrictions do not apply to an offer of the Notes in New Zealand.

These selling restrictions may be modified by IAG and the Joint Lead Managers, including following a change in a relevant law, regulation or directive. Persons into whose hands this PDS comes are, and each

Holder is, required by IAG, the Supervisor, the Arranger, the Joint Lead Managers and Co-Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

## Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Notes (including this PDS) has been or will be lodged with or registered by ASIC or ASX. No person may:

- (a) directly or indirectly offer for issue or sale, and may not invite, applications for issue, or offers to purchase, the Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); or
- (b) distribute or publish, any draft, preliminary or final form offering memorandum, advertisement or other offering material relating to the Notes in Australia,

unless:

- (i) the minimum aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternate currency) (disregarding money lent by the offeror or its associates) or the offeree: (A) is a

professional investor as defined in section 9 of the Corporations Act or (B) has or controls gross assets of at least A\$10 million (including any assets held by an associate or under a trust that the person manages);

- (ii) the offer or invitation does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Corporations Act; and
- (iii) such action complies with all applicable laws, directives and regulations and does not require any document to be lodged with, or registered by, ASIC.

## Credit rating and distribution restrictions in Australia

Any credit rating in respect of any Notes or IAG is for distribution in Australia only to persons who are not a “retail client” within the meaning of section 761G of the Corporations Act and who are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 or Chapter 7 of the Corporations Act and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone in Australia who is not such a person is not entitled to receive this PDS and anyone who receives this PDS must not distribute it to any person who is not entitled to receive it.

# 12

## Who is involved?

### 12.1 Who is involved?

	Name	Role
<b>Issuer</b>	Insurance Australia Group Limited	Will issue the Notes
<b>Supervisor</b>	The New Zealand Guardian Trust Company Limited	Holds certain covenants on trust for the benefit of the Holders, including the right to enforce IAG's obligations under the Notes
<b>Arranger</b>	ANZ Bank New Zealand Limited	Provides assistance to IAG with arranging the Offer
<b>Joint Lead Managers</b>	ANZ Bank New Zealand Limited, Bank of New Zealand and Forsyth Barr Limited	Assist with the marketing and distribution of the Offer
<b>Co-Managers</b>	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)	Assist with the marketing and distribution of the Offer
<b>Securities Registrar</b>	Computershare Investor Services Limited	Maintains the Register

### 12.2 No reliance

This PDS does not constitute a recommendation by the Supervisor, the Arranger, any Joint Lead Manager, any Co-Manager or any of their respective directors, officers, employees, agents or advisers to subscribe for, or purchase, any Notes.

The Supervisor, the Arranger, the Joint Lead Managers, the Co-Managers and their respective directors, officers, employees, agents or advisers to the extent allowable by law:

- do not accept any responsibility or liability whatsoever for any loss arising from this PDS or the Disclose register or their contents or otherwise arising in connection with the Offer; and

- have not independently verified the information contained in this PDS or the Disclose register and make no representation or warranty, express or implied, and do not accept any responsibility or liability for, the origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement or opinion contained in this PDS or the Disclose register.

Each recipient of this PDS must make their own independent investigation and assessment of the financial condition and affairs of the Group before deciding whether or not to apply for Notes.

# 13

## How to complain.

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### Complaints about the Notes

If you have any problems or concerns about the Notes, contact IAG Investor Relations via the contact details in Section 16 of this PDS (Contact information) outlining your problems or concerns and IAG will endeavour to resolve the issues.

You may also direct any complaints about the Notes to the Supervisor at the contact details below:

#### **The New Zealand Guardian Trust Company Limited**

Level 6  
191 Queen Street  
Auckland 1010  
Phone: +64 9 909 5100  
Attention: Relationship manager  
Email: [CT-Auckland@nzgt.co.nz](mailto:CT-Auckland@nzgt.co.nz)

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (**FSCL**) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by emailing [complaints@fscl.org.nz](mailto:complaints@fscl.org.nz), calling FSCL on 0800 347 257, or contacting the Complaint Investigation Officer, Financial Services Complaints Limited, Level 4, Sybase House, 101 Lambton Quay, Wellington 6011. The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

### Complaints about the Ordinary Shares

If any of your Notes are Converted into Ordinary Shares and you have any problems or complaints about the Ordinary Shares, contact IAG Investor Relations via the contact details in Section 16 of this PDS (Contact information) outlining your problems or concerns and IAG will endeavour to resolve the issues.

# Where you can find more information.

## Disclose register

Further information relating to IAG and the Notes is available free of charge on the online Disclose register maintained by the Companies Office. The Disclose register can be accessed at <http://www.disclose-register.companiesoffice.govt.nz>. A copy of the information on the Disclose register is also available on request to the Registrar of Financial Service Providers at [registrar@fspr.govt.nz](mailto:registrar@fspr.govt.nz). The information contained on the Disclose register includes financial information relating to the Group, a copy of the Trust Deed and IAG's constitution, a credit rating report from S&P in relation to the Notes, and other material information.

Notices to the Holders may be given by making an announcement on NZX. Alternatively, notices may be published in the *Dominion Post*, the *New Zealand Herald*, or any other newspaper nationally circulated in New Zealand.

## Information about IAG

IAG is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations. Under its obligations under the Corporations Act and the ASX Listing Rules, IAG prepares half yearly and annual financial statements for the Group, reports on its operations during the relevant accounting period and receives an audit report from its auditor. Copies of these and other documents lodged with ASX can be obtained from the ASX platform. Copies of documents lodged with ASIC in relation to IAG may be obtained from, or inspected at, an ASIC office. A copy of documents lodged with ASIC in relation to IAG may also be obtained from ASIC's website [www.asic.gov.au](http://www.asic.gov.au) (a fee may apply).

Under the ASX Listing Rules and the Corporations Act, subject to certain exceptions, IAG must notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

Subject to certain exceptions, IAG also must ensure that ASX is continuously notified of information about specific events and matters as they arise so that ASX can make the information available to the Australian securities market.

Upon request from the Opening Date until the Closing Date, IAG will provide, free of charge, a copy of:

- the latest Group annual financial report and full year results announcement released to ASX on 11 August 2021;
- the latest Group half year financial report and half year results announcement released to ASX on 11 February 2022; and
- any continuous disclosure notices given by IAG to ASX since 11 August 2021 and before the date of this PDS.

**This information is readily available via the IAG website at [www.iag.com.au/newsroom](http://www.iag.com.au/newsroom) or these documents can be obtained from [www.asx.com.au](http://www.asx.com.au).**

**Alternatively, you can contact the Securities Registrar at the address set out in Section 16 of this PDS (Contact information) to request a copy.**

# How to apply.

## 15.1 How to apply

### Direct Re-investment Offer

The Direct Re-investment Offer is available to New Zealand resident investors in 2016 Notes whose investment is not held under a Custody arrangement and who are registered holders of 2016 Notes on 18 March 2022. Investors in 2016 Notes who are eligible to participate in the Direct Re-investment Offer will receive an email from the Securities Registrar on the Opening Date with an email link. The email link will take you to a Securities Registrar website where you will receive instructions on how to apply for Notes in the Direct Re-investment Offer.

The Direct Re-investment Offer is on a first-come, first-served basis and will be subject to a minimum application amount of NZ\$5,000 (multiples of NZ\$1,000 thereafter) of Notes. If you only apply for some of your 2016 Notes to be purchased, you must have at least NZ\$5,000 2016 Notes remaining following that purchase.

Due to the short time frame in which you can participate in the Direct Re-investment Offer, you will need to have an email address so that the email link can be sent to you. If your email address has not been registered with the Securities Registrar, you should email the Securities Registrar as soon as is possible at [iag@computershare.co.nz](mailto:iag@computershare.co.nz), providing your name, CSN and email address.

If you decide not to participate in the Direct Re-investment Offer and wish to apply for Notes, or wish to apply for Notes in addition to Notes obtained pursuant to the Direct Re-investment Offer, you can contact a Joint Lead Manager, Co-Manager, Primary Market Participant, approved financial intermediary or your usual financial adviser to participate in the Primary Offer.

### Primary Offer

All Notes offered under the Primary Offer will be reserved for subscription by clients of the Joint Lead Managers, Co-Managers, Primary Market Participants and other approved financial intermediaries invited to participate in the Bookbuild, including New Zealand resident clients whose investment in 2016 Notes is held under a Custody arrangement.

There is no public pool for the Notes. You can find a Primary Market Participant by visiting [www.nzx.com/investing/find-a-participant](http://www.nzx.com/investing/find-a-participant).

The Joint Lead Manager, Co-Manager, the Primary Market Participant or approved financial intermediary through whom you apply for Notes will:

- provide you with a copy of this PDS (if you have not already received a copy);
- explain what you need to do to apply for the Notes; and
- explain what payments need to be made by you (and by when).

The Joint Lead Manager, Co-Manager, the Primary Market Participant or approved financial intermediary can also explain what arrangements will need to be put in place for you to trade the Notes (including obtaining a CSN, an authorisation code and opening an account with a Primary Market Participant) as well as the costs and timeframes for putting such arrangements in place.

## 15.2 Personal information

In order to apply for the Notes you must provide personal information that will be held by IAG and the Securities Registrar. This information will be used for the purpose of managing your investment and the collection of some of this information is required or authorised by applicable laws. You may request access to and correction of any personal information about you held by IAG and the Securities Registrar. IAG's privacy policy is available at [www.iag.com.au/privacy-and-security](http://www.iag.com.au/privacy-and-security) and contains information about the contact details of IAG, how you may access your personal information that is held by IAG, seek the correction of this information or make a privacy-related complaint and how such a complaint will be dealt with, and the third parties in Australia, New Zealand and elsewhere to whom IAG may disclose your personal information.



**16**

# Contact information.

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## **Contact details of the issuer of the Notes:**

### **Insurance Australia Group Limited**

Level 13

201 Sussex Street

Sydney NSW 2000

Australia

Phone: +61 2 9292 9222

Email: [investor.relations@iag.com.au](mailto:investor.relations@iag.com.au)

## **Contact details of the Securities Registrar:**

### **Computershare Investor Services Limited**

Level 2, 159 Hurstmere Road

Takapuna

Auckland 0622

Private Bag 92119

Victoria Street West

Auckland 1142

Phone: +64 9 488 8777

Email: [iag@computershare.co.nz](mailto:iag@computershare.co.nz)

# Glossary.

<b>3 Month Bank Bill Rate</b>	<p>means, for an Interest Period after the First Optional Redemption Date:</p> <ul style="list-style-type: none"> <li>the FRA rate administered by the New Zealand Financial Benchmark Facility (<b>NZFBF</b>) (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 BKBM page 'GDCO 2805 1' (or any successor page); or</li> <li>if that rate is not displayed by 10.45am or such later time as IAG may determine on that date, the equivalent rate provided by the NZFBF (or any person that takes over the administration of that rate) at or around that time on that date,</li> </ul> <p>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.</p> <p>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.</p>
<b>2016 Notes</b>	has the meaning given in Section 3.2 of this PDS (Description of the Offer)
<b>A\$</b>	Australian dollars
<b>APRA</b>	Australian Prudential Regulation Authority
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Arranger</b>	ANZ Bank New Zealand Limited
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires, or any successor
<b>ASX Listing Rules</b>	the listing rules of ASX, as amended, varied or waived from time to time
<b>Base Conversion Number</b>	the number of Ordinary Shares that will be issued to you for each Note that is Converted on the Trigger Event Date, unless the Maximum Conversion Number caps the number of Ordinary Shares you will be issued, as calculated in accordance with the formula set out in clause 1(a) of Schedule A to the Conditions and summarised in Section 6.6 of this PDS (Conversion formula)
<b>Bookbuild</b>	the process conducted after the closing of the Offer whereby certain institutional investors and brokers lodge bids for Notes and, on the basis of those bids, IAG (in consultation with the Joint Lead Managers) determines the Margin and allocations of the Notes
<b>Business Day</b>	<ul style="list-style-type: none"> <li>in relation to the Conversion of Notes, a day which is a business day within the meaning of the ASX Listing Rules;</li> <li>for the purposes of giving notices under the Conditions, a day which is a business day within the meaning of the NZX Listing Rules; and</li> <li>for all other purposes, a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general banking business in Auckland and Wellington</li> </ul>

<b>Closing Date</b>	12.00pm on 25 March 2022. The Closing Date is subject to change, as described in Section 2 of this PDS (Key dates and Offer process).
<b>Co-Managers</b>	Commonwealth Bank of Australia (acting through its New Zealand branch) and Westpac Banking Corporation (acting through its New Zealand branch)
<b>Conditions</b>	the conditions of the Notes as set out in Schedule 3 to the Trust Deed
<b>Convert</b>	the conversion of Notes into Ordinary Shares in accordance with the Conditions. <b>Converted</b> and <b>Conversion</b> have corresponding meanings.
<b>Corporations Act</b>	the Corporations Act 2001 (Cth)
<b>CSN</b>	common shareholder number
<b>Cth</b>	Commonwealth of Australia. A reference to "(Cth)" after legislation means the legislation is federal legislation of the Commonwealth of Australia and not legislation of a particular state of Australia.
<b>Custody arrangement</b>	is described in section 3.2 of this PDS (Description of the Offer)
<b>Direct Re-investment Offer</b>	the Offer of Notes pursuant to this PDS (subject to the Selling restrictions) to New Zealand resident investors in 2016 Notes, whose investment is not held under a Custody arrangement
<b>Disclose register</b>	the online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose", which can be accessed at <a href="http://www.disclose-register.companiesoffice.govt.nz">www.disclose-register.companiesoffice.govt.nz</a>
<b>Event of Default</b>	has the meaning given in Condition 11.1, and is summarised in Section 6.8 of this PDS (Events of Default)
<b>Face Value</b>	NZ\$1.00 per Note
<b>First Optional Redemption Date</b>	15 June 2028
<b>Fixed Rate</b>	for the period prior to the First Optional Redemption Date, the sum of the Swap Rate plus the Margin
<b>Floating Rate</b>	for the period from the First Optional Redemption Date, the sum of the 3 Month Bank Bill Rate for the relevant Interest Period plus the Margin
<b>FMC Act</b>	Financial Markets Conduct Act 2013
<b>FMC Regulations</b>	Financial Markets Conduct Regulations 2014
<b>GAAP</b>	generally accepted accounting principles
<b>GEP</b>	gross earned premium. GEP is explained in Section 4.6 of this PDS (Reinsurance).
<b>Group</b>	IAG and all of its subsidiaries
<b>GWP</b>	gross written premium. GWP is explained in Section 4.1 of this PDS (About IAG).
<b>Holder</b>	a person whose name is entered in the Register as a holder of a Note
<b>IAG</b>	Insurance Australia Group Limited (ABN 60 090 739 923)
<b>IAG Level 2 Insurance Group</b>	the Level 2 insurance group (as defined by APRA from time to time) of which IAG is the parent entity. See Section 5.2 of this PDS (What is regulatory capital and why does IAG need it?) for more information.
<b>Interest Deferral Condition</b>	a circumstance which, if it exists on an Interest Payment Date that is not a repayment date, allows IAG to defer the payment of interest on the Notes on that Scheduled Interest Payment Date. The Interest Deferral Conditions are set out in the definition of "Optional Interest Payment Date" in clause 1.1 of the Conditions and are summarised in Section 6.3 of this PDS (Deferral of interest).
<b>Interest Payment Dates</b>	<ul style="list-style-type: none"> <li>• each Scheduled Interest Payment Date; and</li> <li>• the date of repayment of the Notes,</li> </ul> subject to adjustment in accordance with the Business Day convention described in Section 3.1 of this PDS (Description of the Notes)

<b>Interest Period</b>	the period from (and including) the preceding Interest Payment Date to (but excluding) the next Interest Payment Date
<b>Issue Date</b>	5 April 2022. The Issue Date is subject to change, as described in Section 2 of this PDS (Key dates and Offer process).
<b>Issue Price</b>	NZ\$1.00 per Note, being the Face Value of each Note
<b>Joint Lead Managers</b>	ANZ Bank New Zealand Limited, Bank of New Zealand and Forsyth Barr Limited
<b>Listing Rules</b>	the listing rules applying to the NZX Debt Market, as amended, varied or waived from time to time
<b>Margin</b>	the rate (expressed as a percentage rate per annum) as determined by IAG in consultation with the Joint Lead Managers on the Rate Set Date through the Bookbuild and announced via NZX on or about that date
<b>Maturity Date</b>	15 June 2038
<b>Maximum Conversion Number</b>	the maximum number of Ordinary Shares that may be issued to you for each Note that is Converted on a Trigger Event Date, as calculated in accordance with the formula set out in clause 1(a) of Schedule A to the Conditions and summarised in Section 6.6 of this PDS (Conversion formula)
<b>NEP</b>	net earned premium. NEP is explained in Section 4.6 of this PDS (Reinsurance).
<b>Non-Viability Trigger Event</b>	is defined in Section 6.5 of this PDS (Conversion and Write-Off)
<b>Notes</b>	the notes constituted and issued pursuant to the Trust Deed and offered pursuant to this PDS
<b>NZ\$</b>	New Zealand dollars
<b>NZX</b>	NZX Limited
<b>NZX Debt Market</b>	the debt security market operated by NZX
<b>NZX Listing Rules</b>	the listing rules of NZX, as amended, varied or waived from time to time
<b>Offer</b>	the offer of Notes made by IAG pursuant to this PDS. The Offer is made up of the Direct Re-investment Offer and the Primary Offer
<b>Opening Date</b>	21 March 2022. The Opening Date is subject to change, as described in Section 2 of this PDS (Key dates and Offer process).
<b>Optional Redemption Date</b>	the First Optional Redemption Date and each subsequent Scheduled Interest Payment Date
<b>Ordinary Share</b>	an ordinary share in the capital of IAG
<b>PDS</b>	this product disclosure statement for the Offer dated 11 March 2022
<b>Primary Market Participant</b>	has the meaning given in the NZX Participant Rules
<b>Primary Offer</b>	the Offer of Notes under this PDS (subject to the Selling restrictions) to clients of the Joint Lead Managers, Co-Managers, Primary Market Participants and other persons invited to participate in the Bookbuild, including New Zealand resident clients whose investment in 2016 Notes is held under a Custody arrangement
<b>Rate Set Date</b>	25 March 2022. The Rate Set Date is subject to change, as described in Section 2 of this PDS (Key dates and Offer process).
<b>Record Date</b>	is described in Section 3.1 of this PDS (Description of the Notes)
<b>Register</b>	the register in respect of the Notes maintained by the Securities Registrar
<b>Regulatory Event</b>	<p>broadly, a Regulatory Event will occur if IAG determines, having received:</p> <ul style="list-style-type: none"> <li>• legal advice that, as a result of a change of law or regulation in Australia or a change in interpretation or application of those laws or regulations which, in any case, is effective or announced after the Issue Date; or</li> <li>• a statement in writing from APRA after the Issue Date,</li> </ul> <p>that IAG is not or will not be entitled to treat all Notes as Tier 2 Capital of the IAG Level 2 Insurance Group, provided that IAG did not expect that matters giving rise to the Regulatory Event would occur</p>

<b>S&amp;P</b>	S&P Global Ratings Australia Pty Ltd
<b>Scheduled Interest Payment Dates</b>	15 March, 15 June, 15 September and 15 December in each year during the term of the Notes, commencing on 15 June 2022
<b>Securities Registrar</b>	Computershare Investor Services Limited
<b>Selling restrictions</b>	specific restrictions that apply to the Offer, as set out in Section 11 of this PDS (Selling restrictions)
<b>Shareholder</b>	a holder of an Ordinary Share
<b>Solvent</b>	IAG is able to pay its debts as they fall due and IAG's assets exceed its liabilities
<b>subsidiary</b>	has the meaning given in section 6 of the FMC Act
<b>Supervisor</b>	The New Zealand Guardian Trust Company Limited or such other supervisor as may hold office as supervisor under the Trust Deed from time to time
<b>Swap Rate</b>	<p>means:</p> <ul style="list-style-type: none"> <li>the rate per annum determined by IAG (in consultation with the Arranger) as the mid-market swap rate for a term equal to the period from the Issue Date to the First Optional Redemption Date in accordance with market convention by reference to Bloomberg page 'ICNZ4' or its successor page on the Rate Set Date; or</li> <li>if the rate is unable to be determined in accordance with the paragraph above, the average of the bid and offered swap rates quoted to IAG by 3 leading banks (or such 1 or more of them as are quoting) on the Rate Set Date for an interest rate swap with a term equal to the period from the Issue Date to the First Optional Redemption Date,</li> </ul> <p>in each case expressed as a percentage per annum, rounded, if necessary, to the nearest 2 decimal places with 0.005 being rounded up and adjusted for quarterly payments</p>
<b>Tax Event</b>	<p>broadly, a Tax Event will occur if:</p> <ul style="list-style-type: none"> <li>IAG would be required on the next payment due on the Notes to pay an additional amount in respect of a withholding or deduction on account of taxes on a payment on the Notes;</li> <li>IAG or the consolidated tax group of which it is a member would be exposed to more than a de minimis amount of other taxes, assessments or other governmental charges in connection with any Note; or</li> <li>IAG determines that any interest payable on any Note is not or may not be allowed as a deduction for the purposes of Australian income tax,</li> </ul> <p>provided that on the Issue Date, IAG did not expect that matters giving rise to the Tax Event would occur</p>
<b>Tier 1 Capital</b>	Tier 1 capital (as defined by APRA from time to time)
<b>Tier 2 Capital</b>	Tier 2 capital (as defined by APRA from time to time)
<b>Trigger Event Date</b>	the date on which APRA notifies IAG of a Non-Viability Trigger Event
<b>Trust Deed</b>	the trust deed between IAG and the Supervisor in relation to the Notes, as amended from time to time. The Trust Deed includes the Conditions.
<b>Written-Off</b>	<p>in respect of a Note that is otherwise subject to Conversion and a Trigger Event Date:</p> <ul style="list-style-type: none"> <li>the Note that is otherwise subject to Conversion will not be Converted on that date and will not be Converted or redeemed on any subsequent date; and</li> <li>on and from the expiry of the fifth Business Day after the relevant Trigger Event Date, the rights of the relevant Holder of the Note (including any right to receive any payment under the Note, both in the future and as accrued but unpaid as at the Trigger Event Date) in relation to such Note are immediately and irrevocably terminated and written-off.</li> </ul> <p>"<b>Write-Off</b>" has a corresponding meaning.</p>

