



2 May 2016

Manager, Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

IAG is considering New Zealand Subordinated Notes Offer

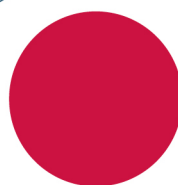
Insurance Australia Group Limited (IAG) attaches a copy of the announcement it is making today on the NZX, that it is considering making an offer of up to NZ\$250 million of unsecured subordinated convertible notes (Notes) to institutional investors and New Zealand retail investors, with the ability to accept up to NZ\$100 million in oversubscriptions at its discretion.

The offer would not be made to retail investors in Australia, and retail investors in Australia cannot register their interest.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Bertuch', written over a light grey rectangular background.

Chris Bertuch
Group General Counsel & Company Secretary



IAG is considering a Subordinated Notes offer.

Insurance Australia Group Limited (IAG) announced today that it is considering making an offer of up to NZ\$250 million of unsecured subordinated convertible notes (Notes) to institutional investors and New Zealand retail investors, with the ability to accept up to NZ\$100 million in oversubscriptions at its discretion.

The offer is expected to open in mid-May and include a re-investment offer to holders of existing NZ\$ unsecured subordinated bonds issued by IAG in 2011.

The Notes are expected to have a final maturity date in June 2043. However, subject to conditions being met, the Notes may be repaid earlier by IAG on certain dates from June 2022 to June 2023 and in some other circumstances.

If the Notes are still outstanding after nine years, holders may elect to convert the Notes into ordinary shares in IAG on certain dates.

All or some of the Notes will convert into ordinary shares in IAG if a non-viability event occurs. A non-viability event could occur if IAG encounters severe financial difficulty.

IAG has appointed ANZ and Forsyth Barr as Joint Lead Managers, and BNZ, Deutsche Craigs, Macquarie Capital (New Zealand) Limited (acting through its affiliates) and Westpac Banking Corporation (acting through its New Zealand branch) as Co-Managers for the offer.

Investors can register their interest by contacting a Joint Lead Manager, Co-Manager or their usual financial adviser. Indications of interest will not involve an obligation or commitment of any kind to acquire Notes.

No money is currently being sought and applications for the Notes cannot currently be made. If IAG offers the Notes, the offer will be made in accordance with the Financial Markets Conduct Act 2013. The Notes are expected to be quoted on the NZX Debt Market.

The 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. If the offer proceeds, you should read the Product Disclosure Statement (when it becomes available) and you can seek advice from a financial adviser to help you make an investment decision.

The Notes would not be registered under the US Securities Act of 1933, as amended (US Securities Act) or the securities laws of any state of the United States, and they may not be offered or sold in the United States or to or for the account or benefit of US persons (as defined in Regulation S under the US Securities Act).

About IAG

IAG is the parent company of a general insurance group with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia, employing more than 15,000 people. Its businesses underwrite over \$11.4 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, State, AMI and Lumley Insurance (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia and India. For further information please visit www.iag.com.au.

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