

Insurance Australia Group Limited Small Shareholding Sale Facility



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23 February 2017

Dear Shareholder

Sale of small IAG shareholdings

Insurance Australia Group Limited (IAG) has many shareholders, like you, who hold a small number of IAG ordinary shares (Shares). We know that those Shares may be difficult or expensive to sell.

We have decided to offer you a convenient way to sell your Shares, through a Small Shareholding Sale Facility (Sale Facility) at a market price and free of charge. The Sale Facility also benefits IAG, because reducing the number of shareholders with small holdings helps IAG to better manage its share registry administration costs.

This Sale Facility is available to shareholders in Australia and New Zealand who held 84 Shares or less, valued at less than \$500, on the Record Date of 17 February 2017. This is based on the Australian Securities Exchange (ASX) closing price of \$5.93 per Share on the Record Date.

Our records show that on the Record Date you held 84 Shares or less under the Shareholder Reference Number (SRN) or Holder Identification Number (HIN) shown on your enclosed Share Retention Form, so you are eligible to use the Sale Facility to sell your Shares.¹

If you DO NOT WANT your Shares to be sold you must do one of the following by 5.00pm Sydney time on 7 April 2017:

- **complete the enclosed Share Retention Form and return it to the share registry by mail to the address shown on the form;**
- **increase your shareholding so that you hold 85 Shares or more; or**
- **if you hold Shares in multiple holdings, arrange to have those holdings merged into one holding with 85 Shares or more.**

If you do not take one of these steps by 5.00pm Sydney time on 7 April 2017, IAG will sell your Shares via a broker and the proceeds are expected to be paid to you on 21 April 2017.

How does the Sale Facility work?

If you participate in the Sale Facility, you cannot specify the process by which, or the price at which, your Shares will be sold.

If you participate in the Sale Facility, IAG intends to sell your Shares on the ASX as soon as practicable after 11 April 2017.

All shareholders who have their Shares sold in the Sale Facility will receive the same price per Share. That price will be the volume weighted average price received by the broker for all Shares sold in the Sale Facility in the ordinary course of trading on the ASX (Sale Price).

¹ Under the Sale Facility Terms and Conditions IAG may determine that certain shareholders are ineligible to participate – see Section 18 of the enclosed Sale Facility Terms and Conditions for further information.

Your sale proceeds will be calculated by multiplying the Sale Price by the number of your Shares that are sold in the Sale Facility, rounded down to the nearest cent.

Your sale proceeds will be paid in accordance with the payment information recorded against your shareholding as at 5.00pm Sydney time on 11 April 2017.

Key dates

Record date:	17 February 2017
Announcement of the Sale Facility:	22 February 2017
Interim dividend record date:	1 March 2017
Interim dividend payment date:	30 March 2017
Last date for returning your Share Retention Form:	7 April 2017 (5.00pm Sydney time)
Expected date of payment of sale proceeds:	21 April 2017

Payment of sale proceeds

Payment of the sale proceeds is expected to occur on 21 April 2017.

If you provide your bank account details to IAG by 5.00pm Sydney time on 11 April 2017 the sale proceeds will be paid by direct credit to that account. To provide your bank account details please contact the Shareholder Information Line on 1300 647 382 (within Australia) or +61 3 9415 4123 (Monday to Friday, 9.00am to 5.00pm Sydney time). Alternatively, you can submit your details online through the share registry's Investor Centre site at www.investorcentre.com. You will be required to enter your SRN or HIN and postcode as shown on your enclosed Share Retention Form. As an additional security measure you will also be asked to create a user ID and password if you have not previously used the Investor Centre site.

If you do not provide your bank account details by 5.00pm Sydney time on 11 April 2017, you will receive the sale proceeds by cheque.

Dividend reinvestment plan

IAG has set a minimum participation level for the Dividend Reinvestment Plan (DRP) for the 2017 interim dividend, meaning only shareholders with at least 85 Shares can participate in the DRP for the interim dividend.

This means that, if you have elected to participate in DRP for the 2017 interim dividend, you will be paid a cash dividend by direct credit into your nominated bank account (or, if you have not provided IAG with your bank account details, by cheque) instead of being allocated additional shares under the DRP.

Please note that any future distributions to be paid by IAG to Australian resident shareholders will be made via direct credit only.

Important information

We are able to offer this Sale Facility in accordance with article 24 of the IAG Constitution, ASX Listing Rule 15.13 and ASIC Class Order 08/10.

IAG makes no recommendation as to whether you should sell your shares in the Sale Facility. This letter does not constitute advice and is not a recommendation to buy, hold or sell Shares. The Sale Facility is not the only way to sell your Shares. You can also sell your Shares through the ASX by contacting a broker. If you do that, you may incur fees and costs for that sale.

Full details on the Sale Facility are shown in the enclosed Sale Facility Terms and Conditions and I recommend that you read these.

Further information

If you have any further questions on the Sale Facility please contact the IAG Shareholder Information Line on 1300 647 382 (within Australia) or +61 3 9415 4123 (Monday to Friday, 9.00am to 5.00pm Sydney time).

Yours sincerely



Chris Bertuch
Group General Counsel & Company Secretary