

NEW ZEALAND RETAIL OFFER OF SUBORDINATED BONDS

INVESTOR PRESENTATION

7 – 9 November 2011

Joint Lead Managers



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This document is for preliminary information-purposes only and is not an offer to sell or the solicitation of an offer to purchase or subscribe for the Bonds and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The information in this document is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed. You should not decide to purchase the Bonds until you have read the Investment Statement and Prospectus relating to the Bonds.

The Issuer intends to offer the Bonds to the public in New Zealand and to investors in other jurisdictions where the Bonds may be lawfully offered. No action has been or will be taken by the Issuer which would permit an offer of Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand). The Bonds may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold, distributed or delivered. No person may purchase, offer, sell, distribute or deliver the Bonds, or have in its possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Bonds, in any jurisdiction other than in compliance with all applicable laws and regulations. Without limiting the foregoing, neither the Investment Statement nor any other offering material in relation to the Bonds may be distributed to any “retail clients” within the meaning of section 761G of the Australian Corporations Act 2001.

IAG is the ultimate parent company of a group of insurance companies operating primarily in Australia and New Zealand and with insurance company investments in Asia and the United Kingdom. References to IAG are to the holding company on a standalone basis and references to the Group are to IAG and its subsidiaries on a consolidated basis. The Bonds are not guaranteed by any of IAG’s subsidiary companies. The activities and the financial performance and position of the Group are discussed because IAG’s subsidiaries conduct substantially all of the insurance and other business of the Group and generate the revenues required for IAG to meet its liabilities. Substantially all the assets of IAG represent shares in, or other claims on, its subsidiaries.



INTRODUCTION

TODAY'S AGENDA

1. Introduction

2. Insurance Australia Group

- **Group Overview**
- **Corporate Structure**
- **Financials**

3. The Bonds

- **Offer Summary and Timetable**
- **Investment Highlights**

4. Contact Directory



INTRODUCTION

KEY FEATURES OF THE BONDS

Issuer	Insurance Australia Group Limited				
Bonds	Unsecured, subordinated, fixed rate debt obligations				
Issuer Rating	S&P “A+” (stable) reaffirmed 4 August 2011				
Issue Rating	S&P “A-”				
Regulatory treatment	Lower Tier 2 capital for the Group under APRA’s current prudential standards				
Equity credit	S&P intermediate equity credit to First Call Date				
Issue Size	Up to NZ\$150 million + a further NZ\$100 million possible oversubscriptions				
Issuer Call Date	15 December 2016 (5 years) & each Interest Payment Date thereafter				
Maturity Date	15 December 2036 (25 years)				
Minimum Interest Rate	At least 7.50% p.a. - final minimum rate determined from firm bookbuild process				
Listing	Application has been made for the Bonds to be listed on NZDX ¹				
Joint Lead Managers	ANZ	BNZ	Craigs	Forsyth Barr	UBS
Co-Managers	Macquarie	Westpac			

¹ Application has been made to NZX Limited (which is a registered exchange) for permission to list the Bonds on the NZDX market (being a registered market under the Securities Markets Act 1988 operated by NZX) and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of this document have been duly complied with. However, NZX accepts no responsibility for any statement in this document.



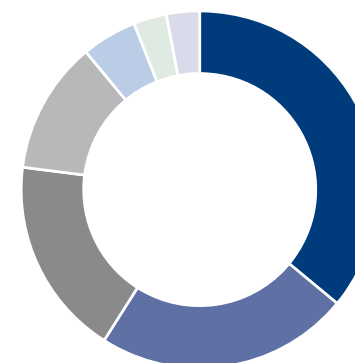
GROUP OVERVIEW

GENERAL INSURANCE GROUP OPERATING IN AUSTRALIA, NEW ZEALAND, UK & ASIA

- An ASX-listed general insurance group offering personal and commercial insurance products through:
 - leading and established brands across its home markets of Australia and New Zealand
 - a growing presence in Asia
 - a specialist underwriter in the UK
- FY11 Gross Written Premium (GWP) of A\$8.1bn / NZ\$10.5bn¹
- Largest insurer in New Zealand, operating through State and NZI brands
- Employs around 13,000 people worldwide
- ASX top 40 company with a market capitalisation of approximately A\$6.6bn / NZ\$8.6bn¹
- 'Very strong' rating of 'AA-' for key operating subsidiaries affirmed by S&P in August 2011
- The Group is regulated by the Australian Prudential Regulation Authority (APRA)
- The New Zealand operations are regulated by RBNZ

¹ Assumes an A\$/NZ\$ exchange rate of 1.30

FY11 GROUP GROSS WRITTEN PREMIUM (GWP) BY PRODUCT



- Motor
- Home
- Short Tail Commercial
- CTP/Motor Liability
- Liability
- Other Short Tail
- Workers' Compensation

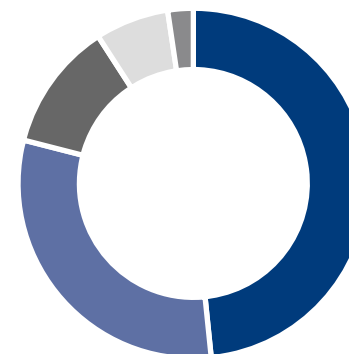


GEOGRAPHICAL PRESENCE

90% OF GWP FROM HOME MARKETS (AUSTRALIA & NEW ZEALAND)



FY11 GWP BY BUSINESS MIX



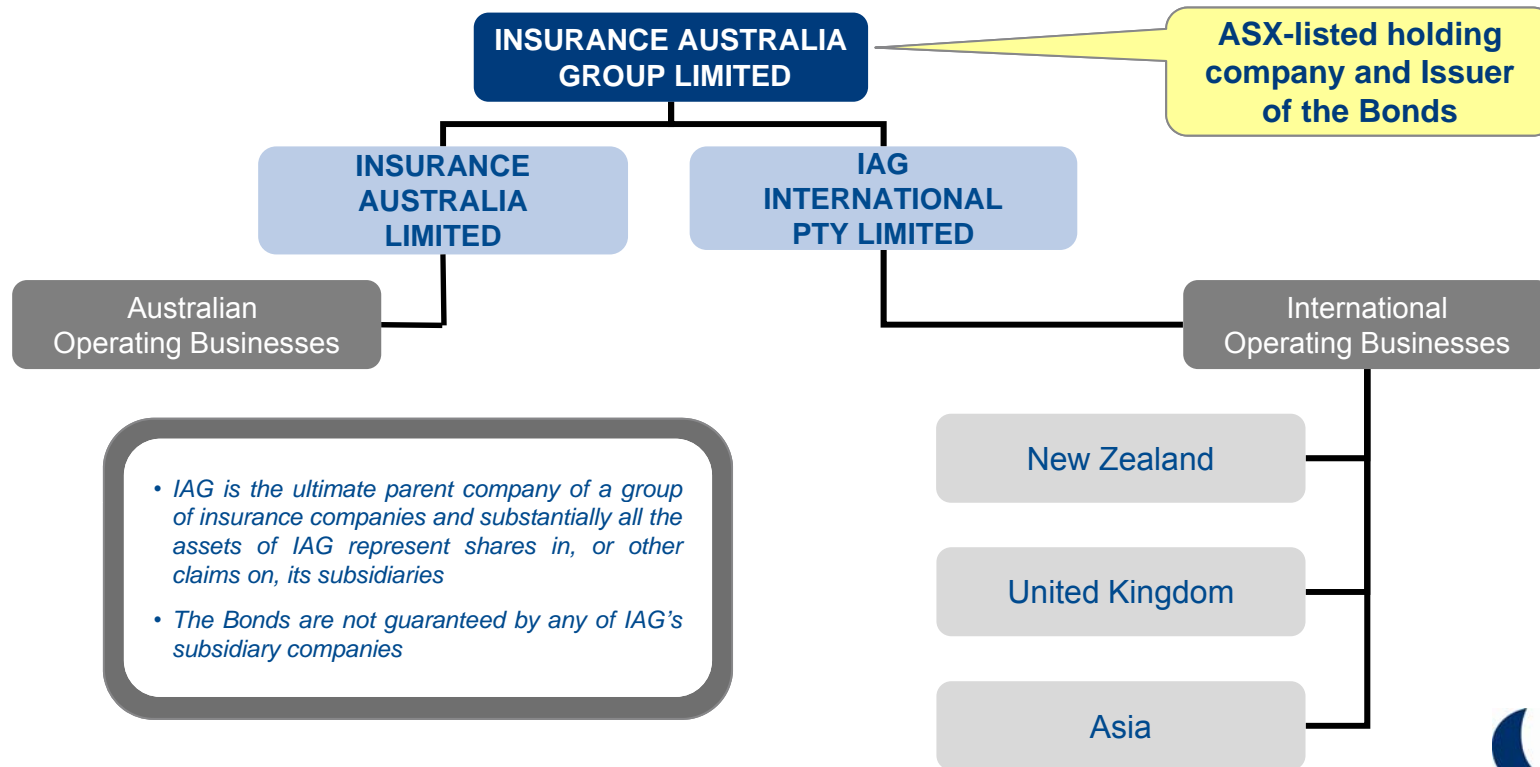
- Australia Direct
- Australia Intermediated
- New Zealand
- United Kingdom
- Asia

1. 49% ownership of the general insurance arm of AmBank Group, AmG Insurance Berhad, trading under the AmAssurance brand. 2. 98% voting rights. 3. 26% ownership of SBI General Insurance Company. 4. RACV is via a distribution relationship and underwriting joint venture with RACV Limited. 5. RACV has a 30% interest in The Buzz.



SIMPLIFIED CORPORATE STRUCTURE

THE ISSUER AND THE GROUP



• IAG is the ultimate parent company of a group of insurance companies and substantially all the assets of IAG represent shares in, or other claims on, its subsidiaries
 • The Bonds are not guaranteed by any of IAG's subsidiary companies



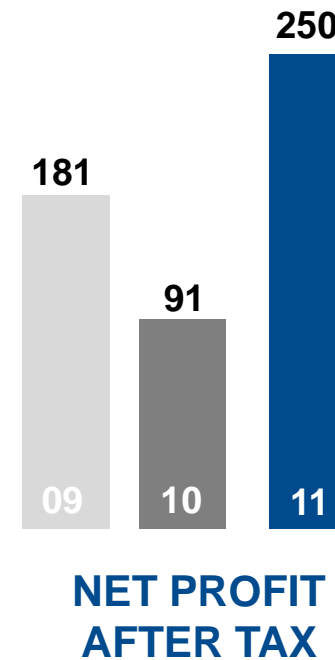
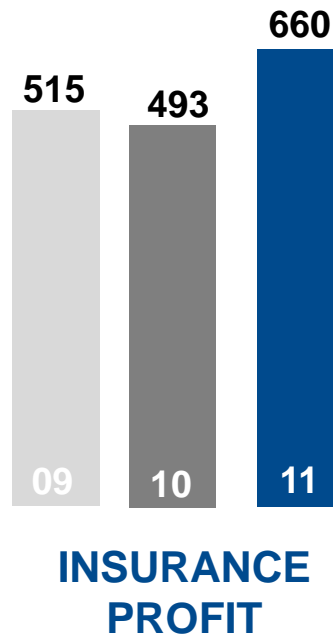
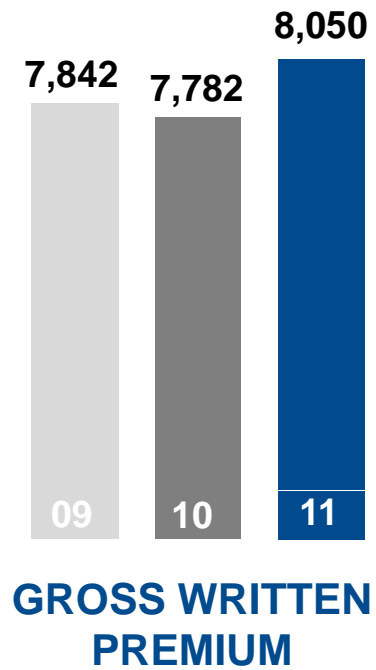
THE GROUP'S STRATEGIC PRIORITIES – RESET JUNE 2011
 A CLEAR FOCUS ON AUSTRALIA, NEW ZEALAND AND ASIA

AMBITION	STRATEGY	TARGETS	PRIORITIES
<p>To be the world's most respected group of general insurance companies</p>	<p>Deliver superior performance by actively managing our portfolio and driving operational performance and accountability</p>	<p>Long term financial targets:</p> <ul style="list-style-type: none"> • ROE \geq 1.5x WACC • Top quartile Total Shareholder Return 	<p>Accelerate growth in Australia and New Zealand</p> <p>Restore profitability in UK</p> <p>Boost Asian footprint – 10% of Group GWP by 2016</p>



FY11 GROUP FINANCIAL PERFORMANCE

KEY PERFORMANCE METRICS (A\$m)



GROUP FINANCIAL PERFORMANCE

DIVISIONAL RESULTS

Insurance Profit (A\$m) and Margin (%)	FY10		FY11	
	A\$m	%	A\$m	%
Australia Direct	569	16.9	702	19.5
Australia Intermediated	139	6.6	140	6.5
New Zealand	131	14.7	3	0.4
Total Australia and New Zealand	839	13.2	845	12.9
UK	(355)	(65.5)	(181)	(33.6)
Asia	2	1.4	(4)	(2.7)
Corporate & Other	7	n/a	0	n/a
Total Insurance Profit / Margin	493	7.0	660	9.1

- **Australia**
 - Strong performance maintained in Direct insurance
 - Top line growth restored and underlying turnaround continuing in Intermediated insurance
- **New Zealand**
 - Earthquakes affected insurance profit, but strong underlying performance
- **UK**
 - Underlying performance is improving



GROUP FINANCIAL PERFORMANCE FY10 AND FY11 OVERVIEW

	FY10 A\$m	FY11 A\$m
Gross written premium	7,782	8,050
Gross earned premium	7,621	7,858
Reinsurance expense	(556)	(620)
Net premium revenue	7,065	7,238
Net claims expense	(5,072)	(5,089)
Underwriting expenses	(2,054)	(1,978)
Underwriting profit/(loss)	(61)	171
Investment income on assets backing insurance liabilities	554	489
Insurance profit	493	660
Net Investment income from equity holders' funds	96	213
Other Income	259	256
Finance costs	(88)	(86)
Other operating expenses	(358)	(429)
Profit before income tax	402	614
Income tax expense	(212)	(276)
Net profit after tax	190	338
Net profit for the year attributable to:		
Non-controlling interests	99	88
Insurance Australia Group Limited	91	250

- After allowing for the impact of foreign exchange movements, underlying GWP growth in FY11 was 4.8%
- Year-on-year insurance profit comparison reflects:
 - increased net natural peril claim costs and related increase in reinsurance expense;
 - higher than expected net prior period reserve releases reflecting recent favourable claims experience in long tail classes in Australia; and
 - a considerably reduced loss in the UK, where IAG's remedial actions have begun to contribute to an improved performance
- Other operating expenses inflated in FY10 and FY11 by the write-downs of UK goodwill and intangibles (A\$150m in FY11, A\$87m in FY10)



REINSURANCE

A KEY PART OF CAPITAL MANAGEMENT

- **The Group Reinsurance Management Strategy is reviewed annually by the Board and submitted to APRA**
- **Integrated catastrophe cover programme renewed on calendar year basis**
- **Catastrophe cover at 1 January 2011:**
 - Main cover from A\$250m up to A\$4.1bn (2 towers)
 - Three-year buy-down below A\$250m with first event Maximum Event Retention (MER) below the main cover of A\$150m
 - Second and third event covers as well as sideways aggregate cover (A\$150m excess of A\$150m)
- **Strong counterparty credit profile**
- **Current cover status (to 31 December 2011):**
 - Extensive utilisation of lower layer covers
 - Main tower reinstatement purchased post Christchurch earthquake in February 2011
- **Current expectation is the MER will be approximately A\$150m on 1 January 2012 programme renewal**



GROUP BALANCE SHEET

STRONG, LIQUID BALANCE SHEET

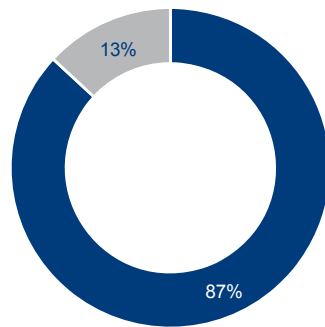
	FY10 A\$m	FY11 A\$m
Assets		
Cash and cash equivalents	416	509
Investments	11,734	11,893
Investments in joint ventures and associates	283	284
Premium receivable	2,046	2,081
Trade and other receivables	663	560
Reinsurance and other recoveries on outstanding claims	1,488	3,904
Deferred acquisition costs	688	683
Deferred reinsurance expense	258	371
Intangible assets	301	225
Goodwill	1,782	1,644
Other assets	783	769
Total assets	20,442	22,923
Liabilities		
Outstanding claims	8,253	10,783
Unearned premium	4,207	4,355
Interest bearing liabilities	1,450	1,377
Trade and other payables	1,037	826
Other liabilities	839	1,002
Total liabilities	15,786	18,343
Net assets	4,656	4,580
Equity		
Equity attributable to holders of ordinary shares	4,486	4,417
Non-controlling interests	170	163
Total equity	4,656	4,580

- Investment assets of nearly A\$12bn at FY11, 87% invested in highly rated fixed income securities and cash
- Total assets of the Group at 30 June 2011 were approximately A\$23bn and total liabilities over A\$18bn
- The increase in total assets and total liabilities in FY11 reflects the impact of increased level of natural perils on outstanding claims and reinsurance recoveries



INVESTMENT PORTFOLIO CONSERVATIVELY POSITIONED

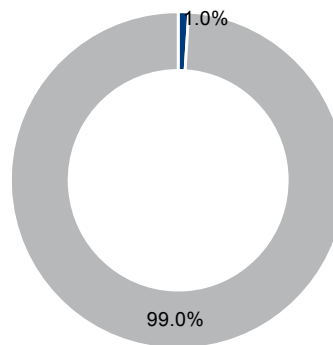
**TOTAL INVESTMENT PORTFOLIO
A\$11.9BN¹**



■ Fixed Interest and Cash
■ Growth

- Two distinct pools with different investment strategies:
 - Technical reserves – backing insurance liabilities
 - Shareholders' funds

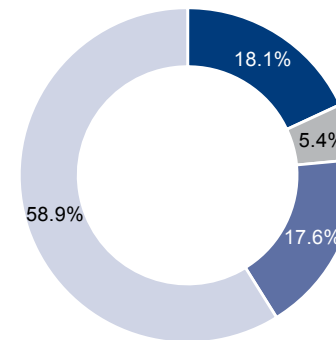
**TECHNICAL RESERVES
A\$8.3BN¹**



■ Alternatives ■ Fixed interest and cash

- Almost 100% fixed interest and cash
- Expect to maintain 100bps of return above risk free rate over medium term

**SHAREHOLDERS' FUNDS
A\$3.6BN¹**



■ Australian equities ■ International equities
■ Alternatives ■ Fixed interest and cash

- Steady increase in growth assets (approximately 41% at 30 June 2011)
- Approximately 18% of shareholders' funds in alternatives, including global convertible bonds



CAPITAL

REGULATORY CAPITAL ABOVE LONG TERM BENCHMARK

- **Regulatory capital was a multiple of 1.58 times APRA's Minimum Capital Requirement (MCR) at 30 June 2011**
 - Remains above the long term benchmark of 1.45 – 1.50 times
- **Change from FY10 largely reflects temporary impact of natural perils which is expected to unwind as:**
 - Claims are settled
 - Reinsurance recoveries are received
 - Deferred tax loss assets are utilised
 - Higher reinsurance costs are fully reflected in pricing

MCR Multiple

	FY10	FY11
Regulatory Capital (A\$m)	4,140	3,933
MCR (A\$m)	2,154	2,496
MCR Multiple	1.92	1.58
Benchmark	1.45-1.50	1.45-1.50

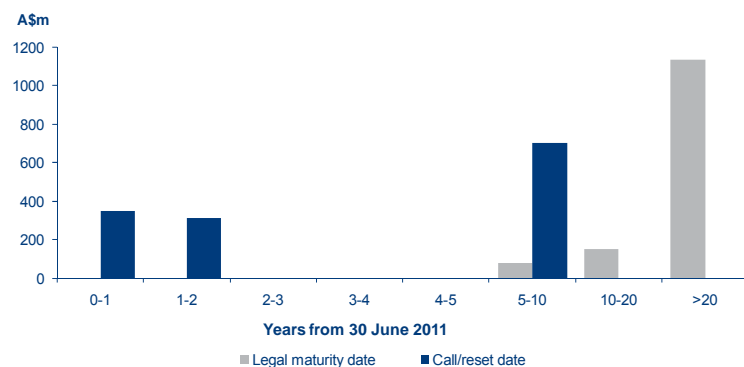
Capital Mix – In Line With Target Range (30-40%)

	FY10 A\$m	FY11 A\$m
Shareholder equity	4,656	4,580
Intangibles and goodwill	(2,083)	(1,869)
Tangible shareholder equity	2,573	2,711
Interest bearing liabilities	1,450	1,377
Total tangible capitalisation	4,023	4,088
Debt to total tangible capitalisation	36.0%	33.7%



GROUP DEBT & HYBRID CAPITAL QUALIFIES AS REGULATORY CAPITAL

FUNDING PROFILE



SUMMARY OF DEBT & HYBRID SECURITIES – 30 JUNE 2011

	Principal amount A\$m	Yield (net of swaps) %	Call, reset or maturity date	S&P rating
£157m subordinated exchangeable term notes	235	3.62%	Dec-12	'A'
NZ\$100m subordinated fixed rate notes	77	9.11%	Nov-12	'A+'
£100m subordinated fixed rate notes	151	5.63%	Dec-16	'A-'
Total Debt	463			
Reset Preference Shares (IAGPA) ¹	350	5.63%	Jun-12	'A-'
Reset Exchangeable Securities (IANG) ¹	550	6.32%	Dec-19	'A-'
Total Debt & Hybrid Securities	1,363			

¹ Yield is the current cash yield, excluding attached franking credits.



REGULATORY & RATINGS CAPITAL REVIEW AND STATUS UPDATE

- APRA has confirmed that the Bonds will qualify as Lower Tier 2 capital under its current prudential standards
- APRA is currently reviewing its capital standards for both life insurers and general insurers
 - aims of the review include improving the risk sensitivity of the capital standards and achieving better alignment across APRA regulated industries
 - may impact the form and amount of capital the Group must hold
- In addition, the Basel Committee has proposed to reform global banking and capital standards through the release of a regime known as Basel III
 - APRA has indicated that it intends to modify its existing prudential standards to closer align with the Basel III proposals
 - There is uncertainty around the timing and content of the Basel III reforms as they will apply to Australian insurers
 - Potential changes to regulations may make the Bonds less capital efficient for the Issuer
- The Bonds are classified by Standard & Poor's as having "intermediate equity credit" until the First Call Date
 - the Bonds will not receive any formal 'equity credit' treatment after the First Call Date in accordance with Standard & Poor's current rating methodology as there will be less than 20 years to maturity



IAG BOND OFFER

MATURITY AND INTEREST PAYMENTS

Call Dates	15 December 2016 (“First Call Date”) and each Interest Payment Date thereafter
Maturity Date	15 December 2036
Early Redemption Option	<p>Subject to APRA approval, the Issuer may redeem the Bonds on any Call Date</p> <ul style="list-style-type: none"> • on a Rate Reset Date (each 5 year anniversary of the Issue Date) at par plus unpaid accrued Interest (if any) • on any other Interest Payment Date at the greater of par plus accrued interest or Market Price
Tax Redemption Option	Subject to APRA approval, the Issuer may redeem the Bonds at any time following the occurrence of a Tax Event at par plus accrued Interest
Regulatory Redemption Option	Subject to APRA approval, the Issuer may redeem the Bonds at any time prior to the First Call Date following the occurrence of a Regulatory Event (where the Bonds do not fully qualify as Tier 2 Capital) at the greater of par plus accrued interest or Market Price
Optional Interest Payment Dates	<p>The Issuer has a general right to defer payment of Interest on the occurrence of certain events. In addition the Issuer has a specific obligation to defer payment of Interest if the Issuer would not be Solvent before and after the payment</p> <p>Any deferral of Interest is not an event of default and does not give any Bondholder the right to apply for the Issuer to be placed in liquidation or voluntary administration or appoint a receiver</p>
Cumulative Interest	Any deferred Interest is cumulative and will accrue Interest at the Interest Rate until it is paid



IAG BOND OFFER RATESET PROCESS

Interest Rate	<ul style="list-style-type: none"> • Until the First Call Date, the Initial Interest Rate • For each subsequent period, the sum of the Benchmark Rate (5 year swap rate) on the Rate Reset Date plus the Margin
Initial Interest Rate	<p>Determined on the Rate Set Date at the greater of:</p> <ul style="list-style-type: none"> • The Minimum Interest Rate; or • The Benchmark Rate (5 year swap rate) plus the Margin
Minimum Interest Rate	Determined following the firm bookbuild process (at least 7.50%)
Margin	Determined following the firm bookbuild process
Rate Reset Dates	15 December 2016 and each 5 th anniversary thereafter
Dividend pusher	Interest payments (including deferred interest payments) must be made if payments are made on equal or junior ranking securities
Early Bird Interest	Interest will be paid at the Initial Interest Rate from the date cash is paid into the Offer trust account
Interest Payments	Quarterly (March, June, September, December)



IAG BOND OFFER OFFER TIMETABLE

Key dates for the Offer

Prospectus registered	4 November 2011
Roadshow	7 – 9 November 2011
Firm application bids due	11.00am, 14 November 2011
Minimum Interest Rate and Margin determined	14 November 2011
Offer Opens	16 November 2011
Investment Statement hard copies delivered	16 November 2011
Closing Date	12:00pm, 12 December 2011
Rate Set Date	13 December 2011
Issue Date	15 December 2011

Key dates for the Bonds

First Interest Payment	15 March 2012
First Call Date	15 December 2016
Maturity Date	15 December 2036

Note: The key dates of the Offer are indicative only and may change without notice



IAG BOND OFFER BOOKBUILD PROCESS

Firm bookbuild	Approved intermediaries have been invited to participate in the firm bookbuild process
Bidding process	Bids to be submitted on the basis of the Initial Interest Rate to the First Call Date The Margin will be derived from the clearing Initial Interest Rate and the underlying Benchmark Rate (5 year swap rate) at that time
Minimum Interest Rate	To be no less than 7.50% per annum
Brokerage	1.00 percent
Firm fee	0.50 percent
Applications	Minimum NZ\$5,000 and multiples of NZ\$1,000 thereafter



IAG BOND OFFER

COMPARABLE INSTRUMENTS IN NEW ZEALAND

	IAG Bonds	Genesis Capital Bonds	New Zealand Post Notes
Ranking	Subordinated	Subordinated	Subordinated
S&P Issue Rating	A-	BB-	A
Rating agency equity credit	Up to year 5	Up to year 10	Up to year 10
Payment of Interest	Deferrable in limited circumstances, subject to a dividend pusher	Mandatory deferral if senior credit rating BB+ or below	Deferrable, subject to distribution stopper
Cumulative	Yes	Yes	Yes
Final Maturity	25 Years	30 Years	30 Years
Reset Period	5 Years	5 Years	5 Years
Step-up	Nil	0.25%	1.00%
Reset Margin	Fixed	Fixed	Remarketing



IAG BOND OFFER INVESTMENT HIGHLIGHTS

- Strong 'A-' issue credit rating
- Interest Rate of at least 7.50% p.a. for 5 years
- Opportunity to invest in a leading general insurance group in Australia and New Zealand
- The Group has a long and distinguished association with New Zealand through State Insurance and NZI
- First retail bond transaction for IAG in New Zealand, offering investors a diversification opportunity
- Lower Tier 2 capital for IAG; qualifies as intermediate equity credit for ratings purposes up to the First Call Date.

“The Bonds continue the Group’s long, distinguished and proud association with New Zealand and represent IAG’s first New Zealand public security offering”

Brian Schwartz, IAG Chairman



CONTACT DIRECTORY

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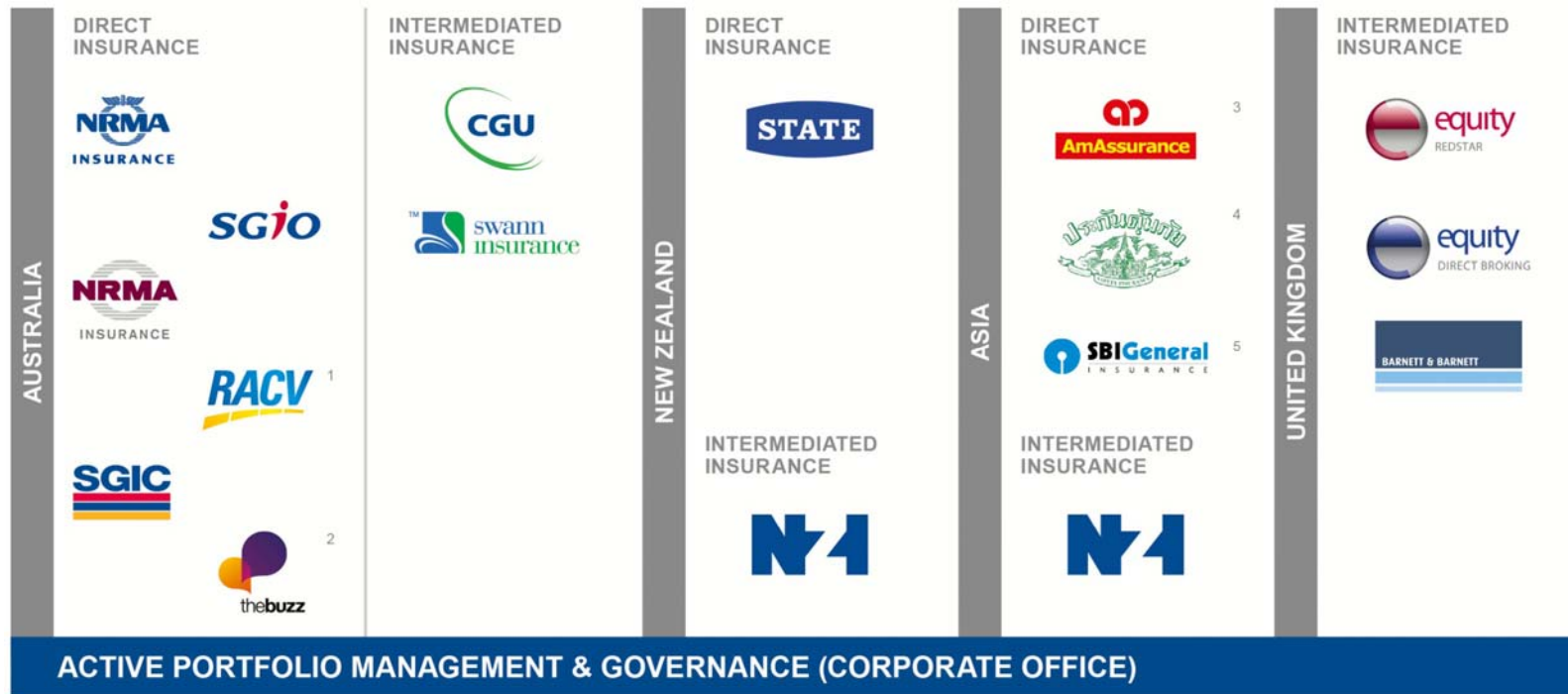
Further Information

Website

www.iag.com.au/nzbondoffer



OUR BUSINESS MODEL AND BRANDS



1. RACV is via a distribution relationship and underwriting joint venture with RACV Limited.
 2. RACV has a 30% interest in The Buzz.
 3. 49% ownership of the general insurance arm of AmBank Group, AmG Insurance Berhad, trading under the AmAssurance brand.
 4. 98% voting rights in Safety Insurance, based in Thailand.
 5. 26% ownership of SBI General Insurance Company, a joint venture with the State Bank of India.

