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21 November 2016

IAG announces Capital Notes Offer

Insurance Australia Group Limited (“IAG”) today announced an offer of perpetual, convertible, subordinated debt obligations in the form of unsecured notes (“Capital Notes”) to raise \$300 million with the ability to raise more or less (“Offer”). The Offer is being made under a prospectus lodged with ASIC and ASX today (“Prospectus”).

The Offer includes a reinvestment offer providing certain holders of IAG convertible preference shares issued in 2012 (“CPS”) the opportunity to reinvest their CPS into Capital Notes (“Reinvestment Offer”).

The purpose of this letter is to inform you, as a CPS holder, of the Reinvestment Offer and to communicate how you can participate after reading the Prospectus. Participation in the Reinvestment Offer is voluntary.

Are you eligible to participate in the Reinvestment Offer?

To participate in the Reinvestment Offer, you must have been a registered holder of CPS at 7:00pm (Sydney time) on 18 November 2016 and shown on the CPS register as having an address in Australia, and must not be in the United States or acting as a nominee for a person in the United States.

How does the Reinvestment Offer work?

If you are eligible, you may apply for some or all of your CPS to be bought back early for \$100 each on 22 December 2016 and for the buy-back proceeds (i.e. \$100 per CPS) to be applied as the Application Payment for Capital Notes. This means that no separate Application Payment is required under the Reinvestment Offer.

If your Application under the Reinvestment Offer is successful, in addition to receiving Capital Notes, you will also receive the Pro Rata Dividend for your Reinvested CPS, subject to the payment tests in the CPS Terms (including that the Board resolves to pay the dividend), but this will not form part of the buy-back proceeds.

Where to get more information?

If you are interested in learning more, you must read the Prospectus which has more information about the Offer, the Reinvestment Offer and how to participate.

In addition, IAG strongly recommends that you seek professional advice which takes into account your particular investment objectives and circumstances from a licensed adviser before deciding whether to apply to participate in the Offer or the Reinvestment Offer.

How to participate

If you would like to participate, please follow these steps:

1. Obtain the Prospectus

- As an Eligible CPS Holder, a copy of the Prospectus and an Application Form will be sent to you on or around 2 December 2016.
- You can also download the Prospectus from IAG's website www.iag.com.au or request a free paper copy of the Prospectus and an Application Form (available after 29 November 2016) by calling the IAG Capital Notes Offer information line on 1300 647 382 (within Australia) or +61 3 9415 4123 (Monday to Friday – 8:30am to 5:00pm Sydney time).

2. Read the Prospectus

The Prospectus contains details of the Offer and the Reinvestment Offer. You should read the Prospectus carefully before deciding whether to participate as the Capital Notes are complex and involve more risks than simple debt or ordinary equity instruments.

3. Decide whether to participate

Participation in the Offer is voluntary.

You may apply to participate in the Reinvestment Offer by submitting an application directly to IAG or through a Syndicate Broker once the Offer opens. More information about the options available is outlined in Section 6 of the Prospectus, including how to apply for additional Capital Notes. Further details on how to apply to participate in the Reinvestment Offer are in Section 7 of the Prospectus.

Applications can be submitted online at www.iag.com.au or on the personalised Application Form that will be sent to you on or around 2 December 2016.

If you do not wish to participate in the Offer, your CPS will remain on issue in accordance with their terms. Under the CPS Terms, IAG may elect to exchange the CPS on 1 May 2017.

Key Dates

18-Nov-16	Record date for determining Eligible CPS Holders for the Reinvestment Offer
29-Nov-16	Opening Date for the Reinvestment Offer
16-Dec-16	Closing Date for the Reinvestment Offer
22-Dec-16	For successful reinvestment applications (and assuming the Capital Notes issue proceeds): <ul style="list-style-type: none">• Reinvested CPS Buy-Back Date• Payment date for the Pro Rata Dividend on Reinvested CPS• Capital Notes Issue Date

Important information

The information presented here is current as at 21 November 2016. Applications will only be considered where applicants have applied pursuant to an Application Form attached to, or accompanied by, a copy of the Prospectus. The Capital Notes are complex and involve more risks than simple debt or ordinary equity instruments. They are not suitable for all investors and contain features which may make the Capital Notes Terms difficult to understand. This document does not provide financial product advice or investment advice and IAG is not making any recommendation or giving any advice on the value of CPS, or whether (or how) you should sell your CPS. This document has been prepared without taking into account your particular investment objectives or circumstances. IAG strongly recommends that you seek professional advice which takes into account your particular investment objectives and circumstances from a licensed adviser before deciding whether to apply to participate in the Offer. Capitalised terms used in this document and not otherwise defined have the meaning given to them in the Prospectus.