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## IAG ANNOUNCES SUBORDINATED DEBT INITIATIVES



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**Insurance Australia Group (IAG) today announced two changes to its subordinated debt mix, as part of its ongoing capital management programme.**

IAG will exercise the issuer call option on its NZ\$100 million subordinated notes and repay the issue in full on 21 November 2012. Based on the current exchange rate, the total outlay is expected to approximate A\$79 million. Under the new capital standards, which come into force on 1 January 2013, this subordinated debt issue would not qualify for regulatory capital purposes beyond that date.

In addition, IAG has redeemed and re-issued its £157 million subordinated exchangeable loan note instrument, and the terms of this issue have been amended with immediate effect. Following the amendments, the first date at which the notes may be redeemed or exchanged into IAG ordinary shares has been extended from 14 December 2012 to 13 June 2014, while the coupon rate has increased from LIBOR +1.875% to LIBOR +3.20%.

Following completion of these initiatives, the Group will continue to remain within its debt to total tangible capitalisation target range of 30-40%.

### **About Insurance Australia Group**

Insurance Australia Group (IAG) is the parent company of an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite over \$9 billion of premium per annum, selling insurance under many leading brands including NRMA Insurance, CGU, SGIO, SGIC and Swann (Australia); NZI, State and AMI (New Zealand); Equity Red Star (UK); and Safety and NZI (Thailand). For further information please visit [www.iag.com.au](http://www.iag.com.au).

### **Corporate Affairs & Investor Relations**

Simon Phibbs  
T +61 (0)2 9292 8796  
M +61 (0)411 011 899  
E [simon.phibbs@iag.com.au](mailto:simon.phibbs@iag.com.au)

### **Insurance Australia Group Limited**

ABN 60 090 739 923  
388 George Street  
Sydney NSW 2000  
Australia  
T +61 (0)2 9292 9222  
[www.iag.com.au](http://www.iag.com.au)

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## **Appendix - £157 million subordinated exchangeable loan note issue (“Notes”)**

For the purposes of ASX Listing Rule 3.10.3, IAG provides the following information in connection with the re-issue of the Notes and the proposed issue of IAG ordinary shares on exchange of the Notes.

<b>Information required by ASX Listing Rule 3.10.3</b>	<b>Information provided by IAG</b>
Class of <sup>+</sup> securities to be issued	Subordinated, exchangeable, unsecured, sterling-denominated notes issued by Insurance Australia Limited, a wholly-owned subsidiary of IAG, which may be exchanged into IAG ordinary shares in accordance with their terms of issue.
Number of <sup>+</sup> securities to be issued (if known) or maximum number which may be issued	<p>Each Note may be exchanged, at the option of the holder, into IAG ordinary shares on certain dates and in certain circumstances (as set out in the terms of issue).</p> <p>The number of IAG ordinary shares to be issued on exchange of the Notes will be calculated in accordance with the formula set out in the terms of issue, which is the lesser of the maximum conversion number and the conversion number based on a 35-day VWAP and adjusted for the exchange discount (1%) and an A\$/£ exchange rate (in each case, calculated according to the formula set out in the terms of issue).</p>
Principal terms of the <sup>+</sup> securities to be issued	The IAG ordinary shares to be issued on exchange of the Notes will rank equally with existing IAG ordinary shares.
Issue price or consideration	<p>£156,956,000 (based on the issue of 1,569 Notes, where 1,568 Notes have a face value of £100,000 each and 1 Note has a face value of £156,000).</p> <p>The consideration for the issue of IAG ordinary shares on exchange of the Notes is the transfer of the Notes to IAG (as contemplated by the terms of issue).</p>
Purpose of the issue	Redemption of existing £156,956,000 subordinated exchangeable note on 25 October 2012.
Whether the entity will seek security holder approval in relation to the proposed issue of <sup>+</sup> securities	No.
Whether the issue will be to a class of security holders	No.

**Note:** References to <sup>+</sup>securities are references to IAG ordinary shares to be issued on exchange of the Notes.