

11 March 2022



Insurance Australia Group Limited

NZ\$ Unsecured Subordinated Notes Offer

Important Information.

This presentation has been prepared by Insurance Australia Group Limited (ABN 60 090 739 923) (IAG) in relation to a potential issue by IAG of unsecured subordinated notes (Notes). This presentation contains general information in summary form which is current as at 10 March 2022. It presents financial information on both a statutory basis (prepared in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (IFRS)) and non-IFRS basis. References to IAG are to the holding company on a standalone basis and references to the Group are to IAG and all of its subsidiaries on a consolidated basis.

This presentation does not constitute financial, investment, legal, tax or other advice or any recommendation to acquire the Notes. It is not intended to be relied upon as advice to investors or potential investors in the Notes, does not contain all information relevant or necessary for an investment decision and has been prepared without taking into account your individual investment objectives, financial situation or particular needs. A Product Disclosure Statement (PDS) has been prepared in respect of the Offer of Notes. The PDS is available on the online Disclose Register maintained by the Companies Office at www.disclose-register.companiesoffice.govt.nz (offer number OFR13283).

Investors should carefully read and consider the PDS and consult with their own professional advisors in connection with any acquisition of Notes. 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.

No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation. To the maximum extent permitted by law, IAG, its subsidiaries, the Arranger and Joint Lead Managers and Co-Managers and their respective directors, officers, employees and agents disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in or omitted from this presentation.

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The PDS only constitutes an offer of Notes to the public in New Zealand and to certain New Zealand and Australian institutional investors in accordance with the selling restrictions set out in the PDS. IAG has not taken and will not take any action which would permit a public offering of Notes, or possession or distribution of any offering material in respect of the Notes, in any country or jurisdiction where action for that purpose is required (other than New Zealand). The Notes may only be offered for sale, sold or delivered in a jurisdiction other than New Zealand in compliance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Notes may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed). Specific selling restrictions will apply to an initial offer of the Notes in Australia.

All amounts are expressed in Australian dollars unless otherwise stated.

Capitalised terms used in this presentation have the meanings given to them in the PDS, unless the context otherwise requires.

More details of the offer and the Notes are contained in the PDS for the Notes, which is available on the online Disclose Register maintained by the Companies Office at www.dislose-register.companiesoffice.govt.nz (offer number OFR13283).

Coming up...

- 01** Offer Highlights.
- 02** IAG Group Overview.
- 03** Financial Information.
- 04** Capital, Reinsurance and Investments.
- 05** IAG Regulatory Capital Information.
- 06** Summary Terms and Key Dates.
- 07** Contact Details.

Offer Highlights.

Issuer	Insurance Australia Group Limited (ASX-listed) (IAG or the Issuer)
Description	Unsecured subordinated notes (Notes)
Issue Amount	Up to NZ\$400,000,000. The offer consists of two separate parts: a Primary Offer and a Direct Re-investment Offer
Regulatory Capital	The Notes qualify as Tier 2 Capital for the IAG Level 2 Insurance Group for Australian regulatory capital purposes.
Use of Proceeds	The proceeds of the Offer will be used for IAG's general corporate purposes including to refinance existing indebtedness.
Maturity Date	15 June 2038
Optional Redemption Dates	First optional redemption date is on 15 June 2028 and then on each subsequent interest payment date
Interest Rate	The interest rate until the first optional redemption date will be a fixed rate and for subsequent interest periods will be a floating rate
Conversion, Exchange or Non-Viability Triggers	No holder conversion feature (which was a feature in the 2016 Notes) Depending on the circumstances, the Notes may be repaid early or if a Non-Viability Trigger Event occurs Converted into IAG ordinary shares (Ordinary Shares) or be Written Off.
Ratings	Expected issue rating: BBB, S&P Global Ratings
Quotation	Application to quote the Notes on the NZX Debt Market has been made. NZX ticker code IAGFC has been reserved for the Notes
Joint Lead Managers	ANZ, Bank of New Zealand, Forsyth Barr
Co-Managers	Commonwealth Bank ¹ , Westpac ²

IAG and Group Overview.

01

Group Overview.

- IAG is the ASX-listed parent of a general insurance group offering personal and commercial insurance products
- Leading and established brands in Australia and New Zealand
- Trusted brands, supply chain scale, deep data assets and financial strength are key attributes
- Trading under State, NZI, AML and Lumley brands in NZ
- Annual gross written premium (GWP) of \$13.0bn for the calendar year to 31 December 2021
- \$10.5bn market capitalisation as at 8 March 2022
- Regulated by Australian Prudential Regulation Authority (APRA)
- Core operating subsidiaries rated 'AA-' (stable outlook) by S&P, holding company IAG credit rating 'A'

Strategic Focus.

Purpose

We make your world a safer place

Strategy

Create a stronger, more resilient IAG

Focus

Approach

Outcomes

 <p>Grow with our customers</p>	Deliver unparalleled personalised service when our customers need us the most	More customers, more products and greater scale
 <p>Build better businesses</p>	Focus on underwriting expertise, active portfolio management and pricing excellence	Stable earnings over time
 <p>Create value through digital</p>	Create connected experiences that seamlessly assist and reward our customers as they unlock the value of our network	Better customer experiences at a lower cost
 <p>Manage our risks</p>	Actively manage capital and risk in our business so we can continue to manage the risks in our customers' lives	Disciplined execution, enhanced accountability and appropriate returns

People

Our people are the difference: bringing our purpose to life and delivering our strategy

IAG's Five Year Ambition.

One million new customers



Increased market share by making the world a safer place for more Australians and New Zealanders



More than 80% of interactions initiated through a digital channel



Customer growth ambition targeting new regions and market segments



Delivery of automation and artificial intelligence at scale



A common strategic policy and claims platform across the business



Employer of choice with top quartile culture

Financial Information.

02

Group Financial Summary.

	1H21	1H22	Change	
GWP (\$m)	6,188	6,570	6.2%	▲
NEP (\$m)	3,723	3,963	6.4%	▲
Insurance profit ¹ (\$m)	667	282	57.7%	▼
Underlying insurance margin ² (%)	15.9	15.1	80bps	▼
Reported insurance margin (%)	17.9	7.1	1080bps	▼
Net (loss)/profit after tax (\$m)	(460)	173	nm	▲
Cash earnings (\$m)	462	176	61.9%	▼
Diluted cash EPS (cps)	17.88	6.77	62.1%	▼
Dividend (cps)	7.0	6.0	14.3%	▼
Cash ROE (%)	15.5	5.7	980bps	▼
CET1 multiple	1.19	1.02	17pts	▼

¹ The 1H22 reported insurance profit in this document is presented on a management reported (non-IFRS) basis which is not directly comparable to the equivalent statutory (IFRS) figure in IAG's 1H22 Financial Report (Appendix 4D). A reconciliation between the two is provided on page 6 of the 1H22 Investor Report and on page 3 of the Financial Report (both available at <https://www.iag.com.au/results-and-reports>) to comply with the Australian Securities and Investments Commission's Regulatory Guide 230. IAG's 1H22 net profit after tax is the same in this document and in the Financial Report.

² IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural peril claim costs less the related allowance; reserve releases or strengthening and credit spread movements.

1H22 Results Overview.



GWP

\$6.6bn

Strong premium growth,
particularly in commercial lines



Underlying margin

15.1%

Underlying margin expansion
compared to FY21



Reported margin

7.1%

Reported margins impacted by
perils and reserve strengthening



Cash earnings

\$176m

No unusual items adjusting cash
earnings, maintain business
interruption provision¹



CET1 ratio

1.02x

Remains within target range,
post 6cps dividend payment



FY22 guidance

GWP upgraded

GWP guidance upgraded to mid
single-digit, reported margin
maintained²

¹ - For additional information see ASX release 22 Feb 2022 – “IAG provides update on second BI test case appeal judgment”

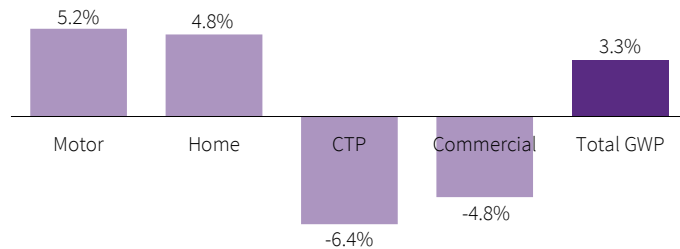
² - For additional information see ASX release 09 Mar 2022 – “IAG provides claims update following east coast low storms”

Divisional Highlights.

Direct Insurance Australia (DIA)

- >1% GWP volume growth in personal short tail
- Pricing for short tail inflation
- Strong underlying margins maintained
- NSW CTP reserve strengthening

GWP growth

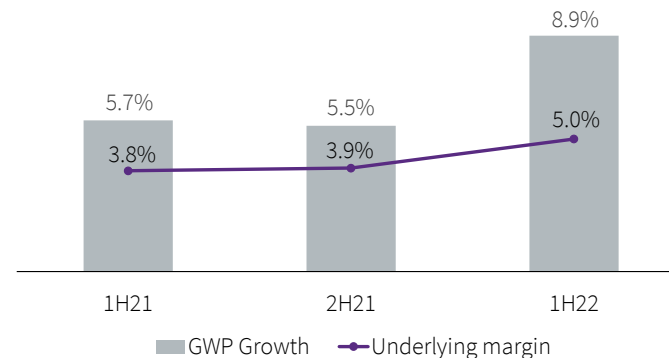


Note: SME Direct Partner business is recorded in IIA from 1H22, which resulted in a ~\$5m reduction to Commercial GWP. Commercial GWP was slightly ahead of 1H21, normalising for this transfer.

Intermediated Insurance Australia (IIA)

- ~9% premium rate increases
- Rate-driven underlying margin improvement
- Reserve strengthening confined to liability

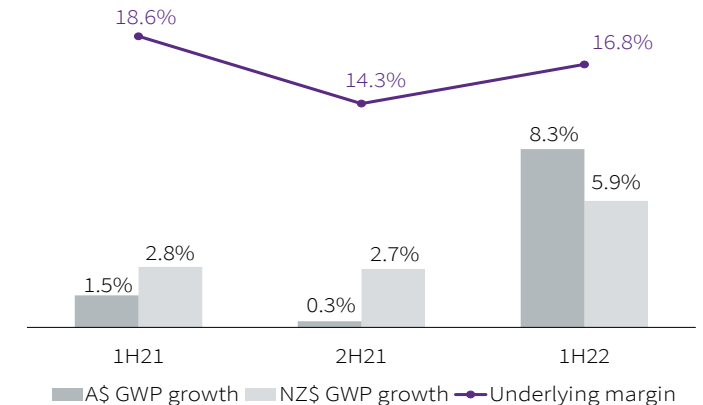
GWP growth / underlying margin



New Zealand

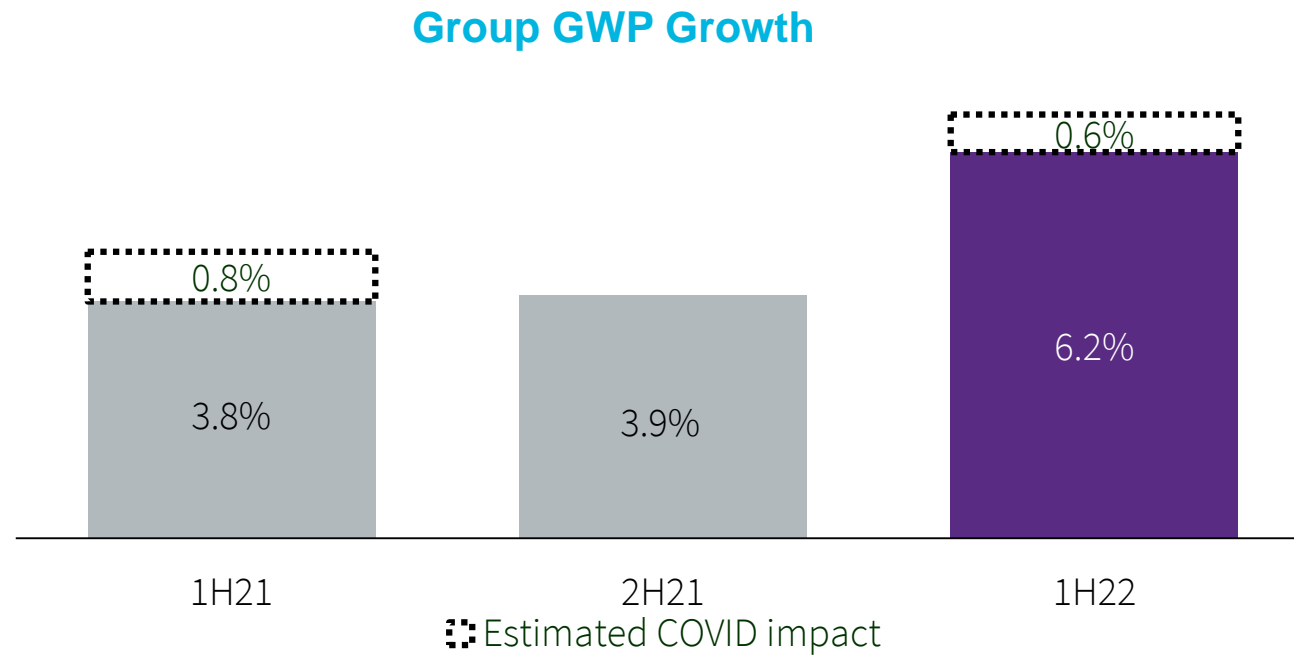
- Notable GWP momentum
- Large claims increase after benign 1H21
- Underlying margins higher than FY21 overall

GWP growth / underlying margin



Favourable Market Environment.

Rate increases underpinning GWP momentum



Strong rate rises to counter inflation, perils allowance & underperforming lines



DIA rate increases: >4% in Motor & Home, 9% in IIA



>1% volume growth across direct short tail personal lines in Australia

Capital, Reinsurance and Investments.

03

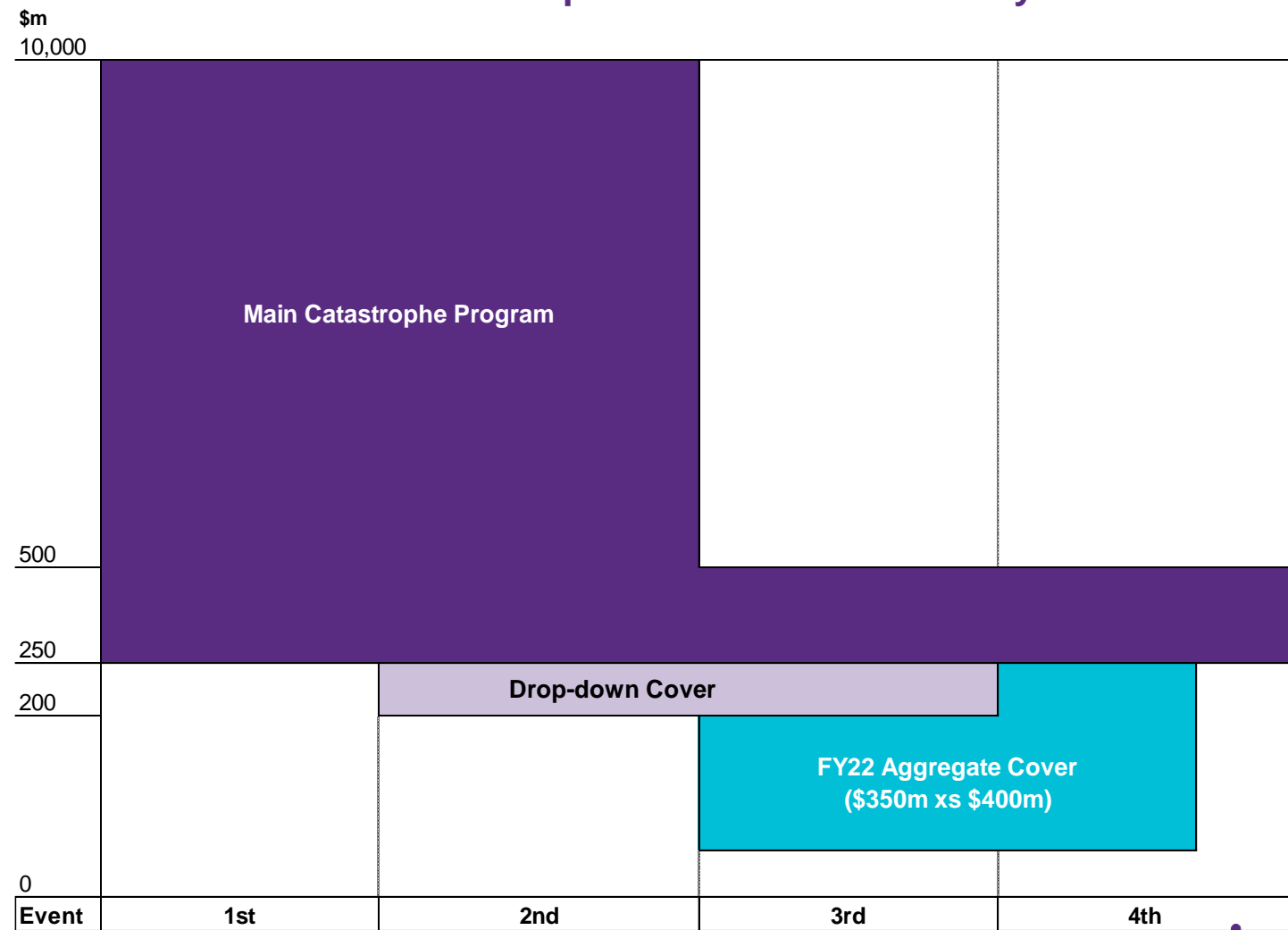
Reinsurance.

The main features at a gross (pre-quota share) level include:

- A main catastrophe cover for losses up to \$10bn, including one prepaid reinstatement;
- The Group retains the first \$250m (2021: \$250m) of each loss;
- Second and third event drop-down covers of \$50m, reducing the cost of these events to \$200m (2021: \$50m for a second and third event); and
- Three prepaid reinstatements secured for the lower layer (\$250m excess of \$250m) of the main program (2021: three).

The overall credit quality of the 2022 program is strong, with over 90% placed with entities rated A+ or higher, an increase compared to 2021.

Gross Catastrophe Cover as at 1 January 2022



Reinsurance.

Increased use of quota shares to reduce earnings volatility

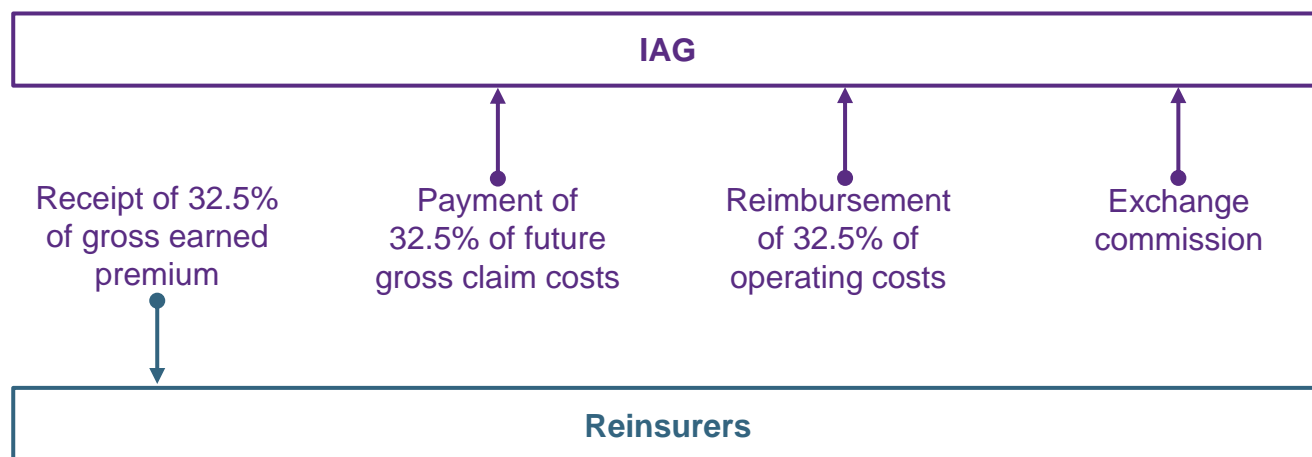
Cumulative 32.5% whole-of-account quota share position, comprising:

- **20% Berkshire Hathaway** arrangement commencing 1 July 2015 for 10 years
- **12.5% combined** arrangements with **Munich Re, Swiss Re and Hannover Re** commencing 1 January 2018 for average period of ~5 years

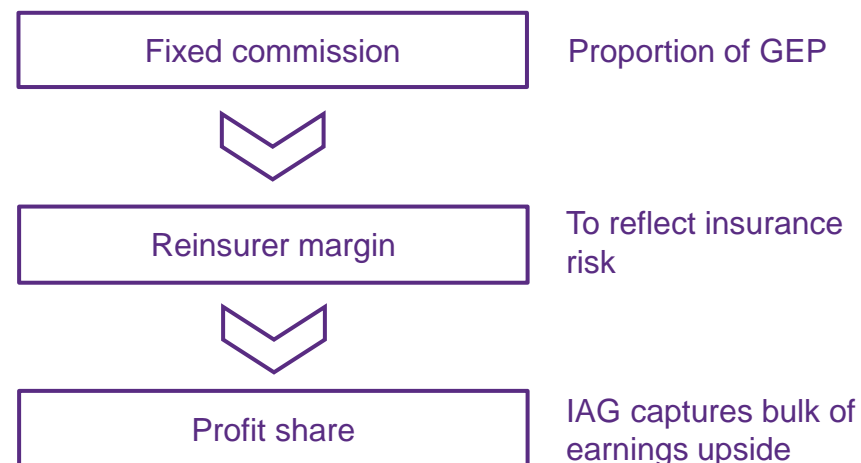
Positive Financial Effects for IAG

- Reduced earnings volatility and downside risk
- Preservation of significant exposure to earnings upside, via profit shares
- Lower exposure to catastrophe reinsurance rates
- Reduction in regulatory capital requirement
- Broadly neutral EPS and ROE effects, pre-capital management

Quota share mechanics



Exchange commission



Investments.

(as at 31 December 2021)

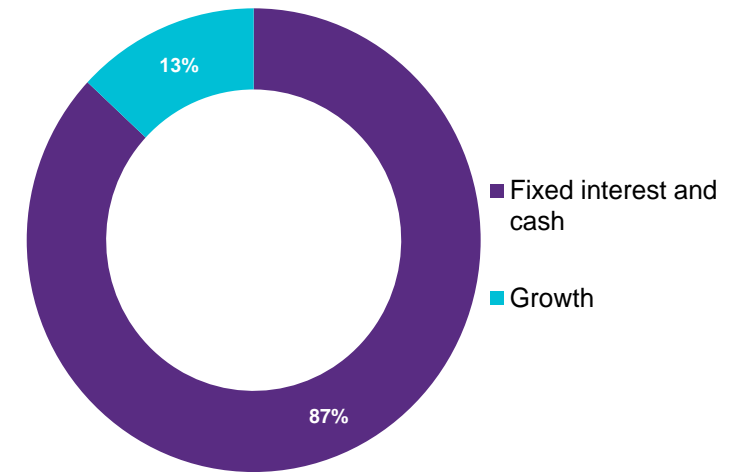
Total Investments of \$12.2bn as at 31 December 2021

- Investment allocation remains conservatively positioned
- Technical reserves of \$7.7bn invested in fixed interest and cash
- Shareholders' funds of \$4.5bn – defensive asset weighting of 66%
- Investment return on technical reserves impacted by interest rates moving sharply higher
- Positive returns in shareholders' funds growth assets

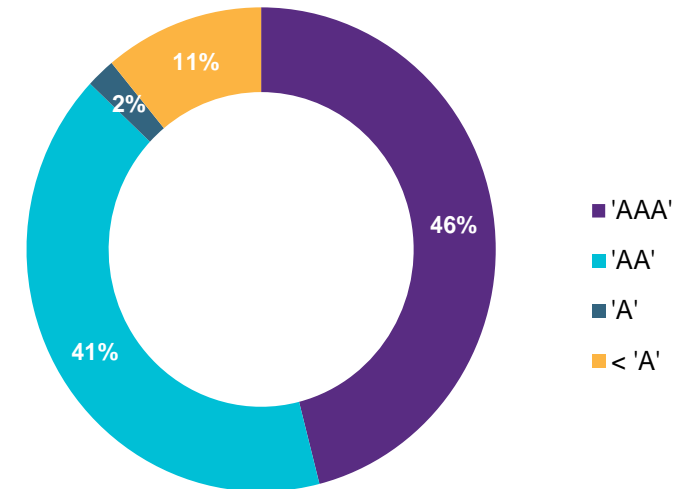
Investment Philosophy

- Invest the assets backing technical reserves, wherever possible, in securities with interest rate sensitivities that align to the underlying insurance liabilities;
- Invest shareholders' funds to maximise the return on capital, consistent with IAG's risk appetite and flexibility requirements; and
- Invest assets so that the contribution of investment risk to earnings volatility should not dominate the contribution from insurance risk

Total Asset Allocation



Credit Quality

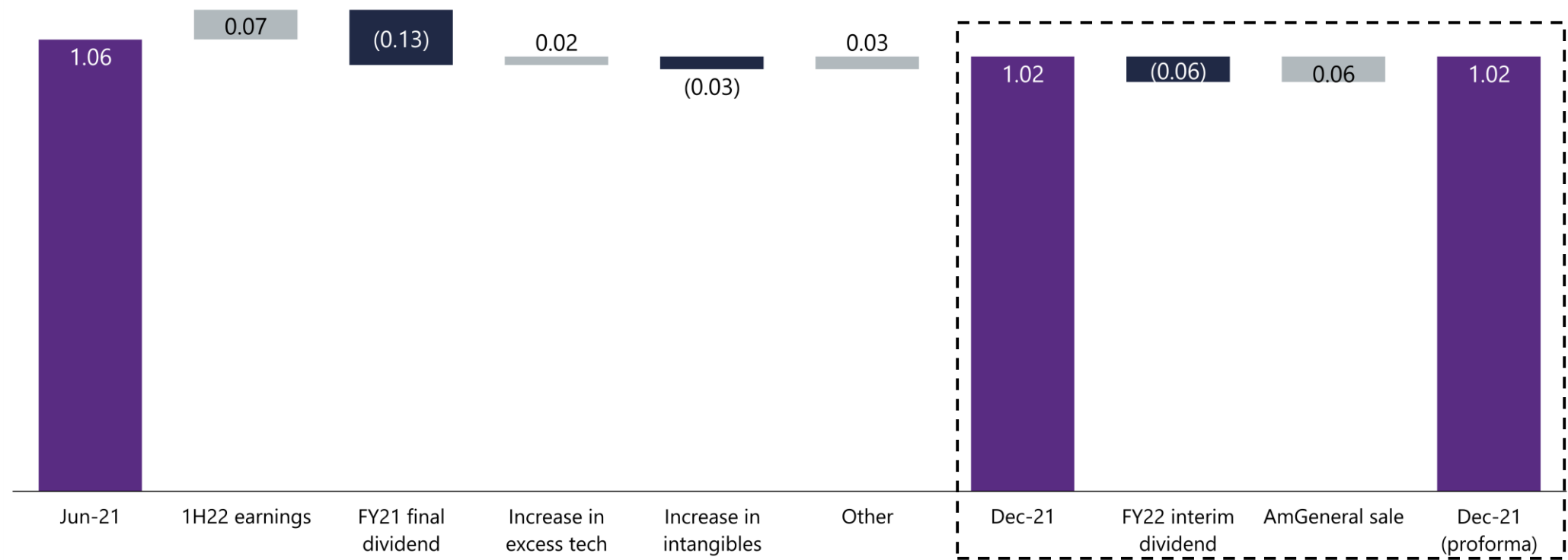


*Cash and securities issued with a short-term rating are included in the rating category with the equivalent APRA counterparty grade

Strong Capital Position.

Above mid-point of targeted range

Movement in CET1 Ratio



IAG Regulatory Capital Instruments.

04

Debt and Hybrid Capital.

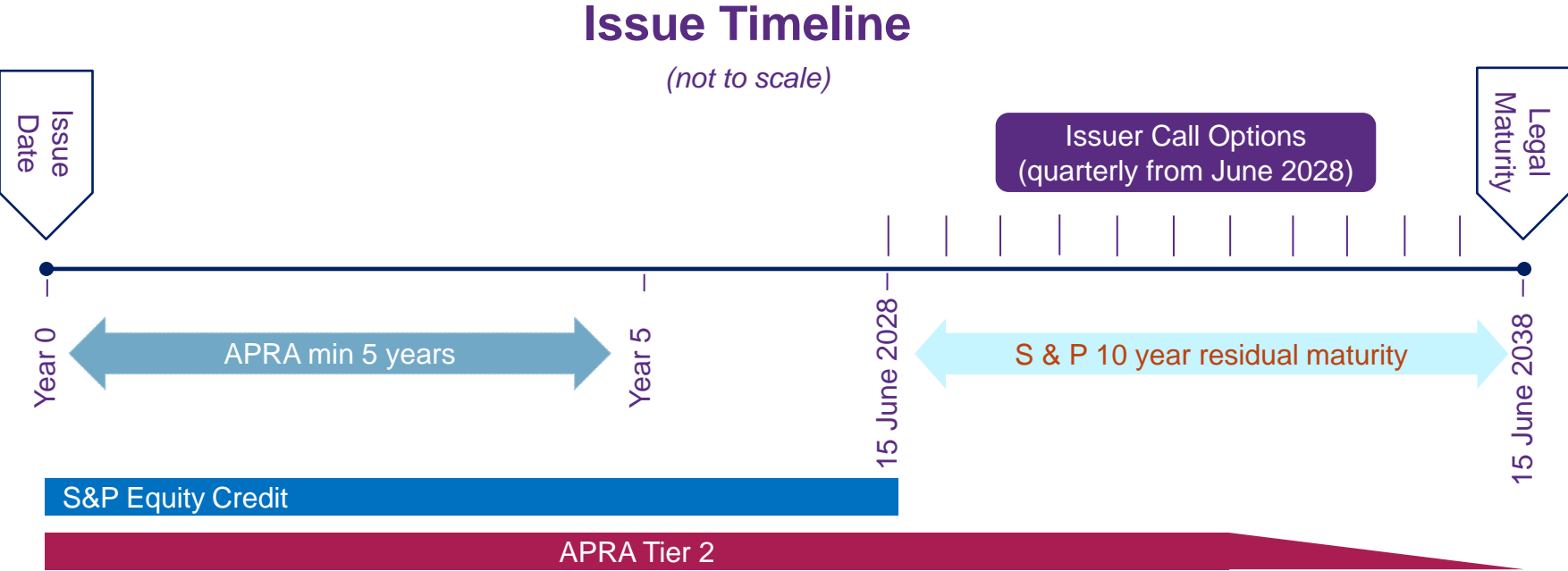
All instruments all qualify as regulatory capital

Issuer		Principal		Margin/ Coupon	Issuer Call	S&P Rating
		m (ccy)	A\$m			
IAG	NZ\$ fixed rate subordinated (IAGFB)	350	330	5.15% Fixed	Jun-22	BBB
IAG	A\$ wholesale subordinated FRN	350	350	BBSW +2.10%	Jun-24	BBB
IAG	A\$ wholesale subordinated FRN	450	450	BBSW +2.35%	Jun-25	BBB
IAG	A\$ wholesale subordinated FRN	450	450	BBSW +2.45%	Dec-26	BBB
Total Tier 2 Subordinated Debt			1,580			
IAG	A\$ Capital Notes (IAGPD)	404	404	BBSW +4.70%	Jun-23	N/R
Total Additional Tier 1 Capital			404			
Total Debt & Hybrid Capital			1,984			

Capital Treatment of Subordinated Debt.

Meeting regulatory and S&P requirements

S&P Treatment	Assessed as 'Intermediate' equity content
Regulatory Treatment	Qualifies as Tier 2 Capital under APRA guidelines



IAG Tier 2 Capital Instruments.

Interest Payments - interest may not always be paid when scheduled

- Interest payments are conditional on an Interest Deferral Condition not existing on the interest payment date
- An Interest Deferral Condition exists on an interest payment date if (i) on or before that date APRA requests IAG to restore or improve solvency or capital levels and no interest payments have been made on Tier 1 regulatory capital instruments and no dividends have been paid to IAG shareholders since the date of APRA's request or (ii) during the financial year, no interest payments have been made on Tier 1 or Tier 2 regulatory capital instruments and no dividends or other distributions have been paid to IAG's shareholders
- The Interest Deferral Condition does not apply to payments made on the Maturity Date or on any early redemption date
- Unpaid interest accumulates meaning if interest is not paid on the Notes because an Interest Deferral Condition exists, unpaid interest will remain owing, will itself bear interest and will be payable when the Interest Deferral Condition ceases to exist or a date fixed for the redemption of the Notes

Events of Default are very limited

- No Event of Default if IAG fails to pay interest on an Interest Payment Date because of an Interest Deferral Condition existing
- Occurs if IAG does not pay any face value due in respect of the Notes within 7 days of its due date, or IAG does not pay any interest due in respect of the Notes within 30 days of its due date
- On the winding up of IAG
- Rights are limited if an Event of Default occurs

Non-Viability Triggers

- A Non-Viability Trigger Event occurs when APRA provides a written determination to IAG that the conversion or write-off of regulatory capital instruments is necessary because, without it, or without a public sector injection of capital or equivalent support, IAG would become non-viable
- Non-viability would be expected to include serious impairment of IAG's financial position and insolvency
- If a Non-Viability Trigger Event occurs, IAG must immediately convert or write-off regulatory capital instruments in an amount that is sufficient to satisfy APRA that IAG is viable without further conversion or write-off
- If APRA does not require all Notes to be converted, IAG will first convert or write-off Tier 1 instruments, and if that is not sufficient to satisfy APRA that IAG is viable without further conversion or write-off, IAG will Convert some or all of the Tier 2 instruments (including the Notes)
- If Conversion is required and Notes are not converted into Ordinary Shares for any reason, they will be Written-Off

Summary of Proposed Terms and Key Dates.

05

Summary of Proposed Terms.

Issuer	Insurance Australia Group Limited
Type of Instrument	Unsecured subordinated notes (Notes)
S&P Treatment	Qualifies as 'Intermediate' equity credit for IAG
Regulatory Capital	The Notes qualify as Tier 2 Capital for the IAG Level 2 Insurance Group for Australian regulatory capital purposes
Ranking	<p>In a winding-up of IAG (if the Notes have not been repaid, Converted or Written Off), the claims of holders of Notes will rank:</p> <ul style="list-style-type: none"> i. ahead of claims of holders of Ordinary Shares and holders of other subordinated securities that rank behind the Notes; ii. equally with claims of other holders of Notes and holders of other subordinated securities that rank equally with the Notes; and iii. behind all other claims on IAG. <p>If the Notes are Converted into Ordinary Shares, holders will rank equally with existing Ordinary Shares and behind all other claims on IAG.</p> <p>Holders will have no claim in the winding up of IAG if all of their Notes are Written-Off.</p>
No Guarantee	The Notes are not guaranteed by any other member of the IAG Group, by any other person or by any government.
Repayment	<ul style="list-style-type: none"> • Depending on the circumstances, the Notes may be repaid, Converted into IAG ordinary shares (Ordinary Shares) or Written-Off • The Notes must be repaid by IAG on the Maturity Date • IAG may repay all of the Notes earlier on an Optional Redemption Date or if a Tax Event or Regulatory Event occurs • Early repayment is subject to certain conditions, including APRA's prior written approval, which is at its absolute discretion • Holders have no right to request that the Notes be repaid early
Issue Rating	Expected issue rating: BBB, S&P Global Ratings
Governing Law	New Zealand and the State of New South Wales, Australia

This is a summary of the Terms and Conditions for the Notes – further information and full terms are included in the Product Disclosure Statement

Summary Terms – Interest Payments.

Interest payments	Quarterly on 15 March, 15 June, 15 September and 15 December until the date on which the Notes are repaid	
Margin	Announced by IAG via NZX on the Rate Set Date and will not change once set	
Interest Rate	Fixed Rate	Floating Rate
	<p>The interest rate until the first Optional Redemption Date will be a fixed rate:</p> <ul style="list-style-type: none"> • sum of the Swap Rate and the Margin • announced on or about the Rate Set Date 	<p>The interest rate for subsequent interest periods will be a floating rate:</p> <ul style="list-style-type: none"> • sum of the 3 Month Bank Bill Rate plus the Margin • if less than 0% p.a., the rate will be deemed 0% p.a. • announced on or about the first Business Day of each interest period
Calculation of Interest	<p>Until the First Optional Redemption Date, interest will be payable in equal amounts on each Scheduled Interest Payment Date, other than:</p> <ul style="list-style-type: none"> • for the first Scheduled Interest Payment Date (where interest will be adjusted to reflect the number of days from the Issue Date to the first Scheduled Interest Payment Date); or • if the Notes are repaid on a date that is not a Scheduled Interest Payment Date (where interest will be adjusted to reflect the number of days from the previous Scheduled Interest Payment Date to the date of repayment). 	<p>From the First Optional Redemption Date, interest payable will be calculated on the basis of the actual number of days from the previous Interest Payment Date to the Interest Payment Date.</p>

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Offer Process.

Issue amount	Up to NZ\$400,000,000 via a Primary Offer and a Direct Re-investment Offer	
Offer	Primary Offer	Direct Re-investment Offer
	Up to NZ\$370,000,000 plus any unallocated amount under the Direct Re-investment Offer	Up to NZ\$30,000,000
Application process	Reserved for clients of the Joint Lead Managers, Co-Managers, Primary Market Participants and other persons invited to participate in the Bookbuild, including New Zealand resident clients whose investment in 2016 Notes is held under a Custody arrangement.	The Direct Re-investment Offer is available only to New Zealand resident investors in 2016 Notes whose investment is not held under a Custody arrangement. On-line application process, on a first- come, first- served basis. You can apply on-line at www.iagsubordinatednotes2022.co.nz from the Offer Opening Date.
Custody Arrangement	Investment in 2016 Notes are held under a Custody arrangement if a company who provides custodial services in the ordinary course of business holds your 2016 Notes as a trustee or nominee for your benefit.	
Indicative Margin	Announced by IAG via NZX on or about the Opening Date. Margin will be determined in the Primary Offer bookbuild process	
Selling Restrictions	The offer of Notes will only be made to retail investors in New Zealand and to eligible New Zealand and Australian institutional investors	
Minimum application	NZ\$5,000, and in multiples of NZ\$1,000 thereafter	
Brokerage	0.50% on firm allocations plus 0.50% brokerage	0.50% brokerage

This is a summary of the Terms and Conditions for the Notes – further information and full terms are included in the Product Disclosure Statement

Key Dates and IAG contacts.

Key dates for the Offer

PDS registered	11 March 2022
Opening Date	21 March 2022
Closing Date	12pm NZT 25 March 2022
Rate Set Date	25 March 2022
Issue Date	5 April 2022
Expected Quotation Date	6 April 2022

Key dates for the Notes

First Interest Payment Date	15 June 2022
First Optional Redemption Date	15 June 2028
Maturity Date	15 June 2038

Key IAG contacts for the offer

Alan Cazalet

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