



17 February 2016

Financial results

Half year ended 31 December 2015

Peter Harmer
Managing Director and
Chief Executive Officer

Nick Hawkins
Chief Financial Officer



iag



Important information

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Local currencies have been used where possible. Prevailing exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate.

All references starting with "1H" refer to the six months ended 31 December, being the first half of IAG's financial year. For example, "1H16" refers to the six months ended 31 December 2015. All references starting with "2H" refer to the six months ended 30 June, being the second half of IAG's financial year. For example, "2H16" refers to the six months ended 30 June 2016. All references starting with "FY" refer to the financial year ended 30 June. For example, "FY16" refers to the year ended 30 June 2016.



Results overview

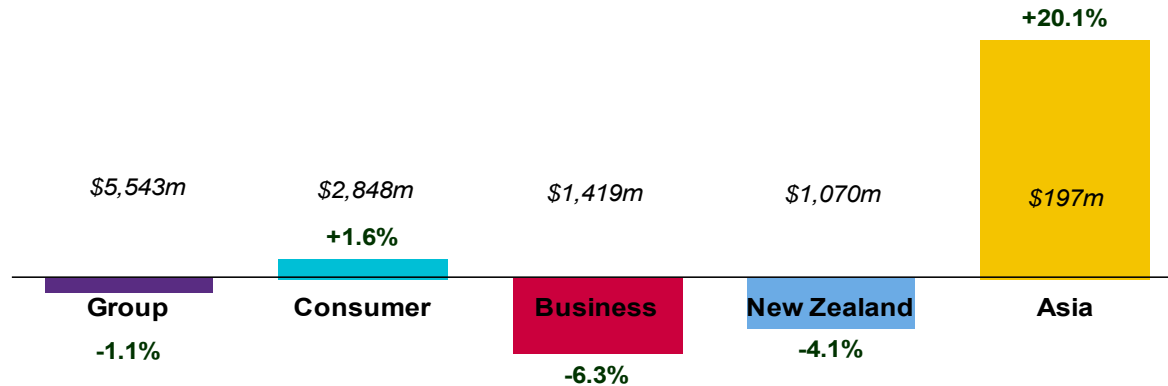
Peter Harmer

Managing Director and
Chief Executive Officer

Highlights

Sound result in challenging environment

Gross written premium growth



- GWP of \$5,543m, down 1.1%
- Strong underlying margin of 14.2%
- On track to realise benefits from integration and new operating model

Strategic transactions

Acquisitions and capital management initiatives to create value

History of strategic transactions

- AMI and Wesfarmers insurance acquisitions
- NSW CTP quota share reinsurance contract
- Strategic relationship with Berkshire Hathaway

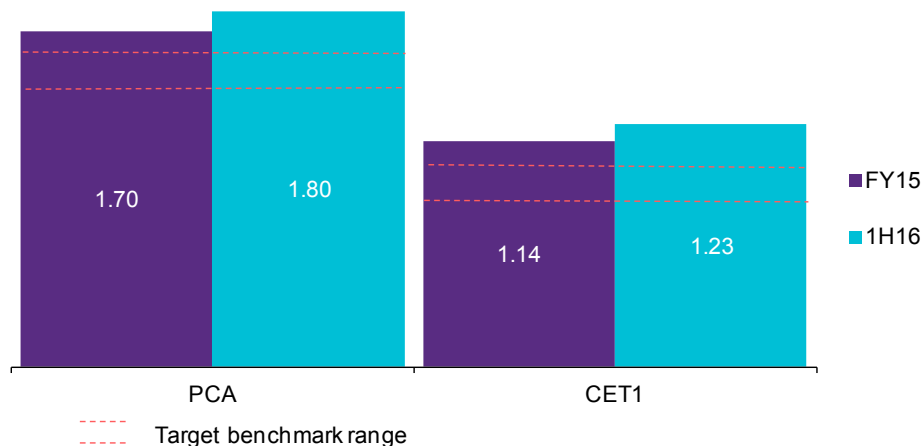
Innovative reinsurance transaction addresses run-off portfolios

- Effective NZ\$5bn cover on February 2011 earthquake event
- Asbestos run-off portfolio solution

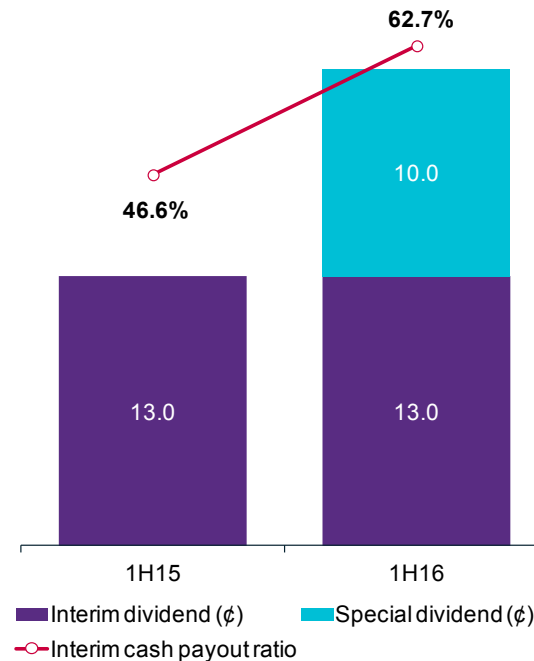
Capital and dividend

Strong position, as quota share benefits flow

Regulatory capital



Interim dividend





Financials

Nick Hawkins
Chief Financial Officer

Financial summary

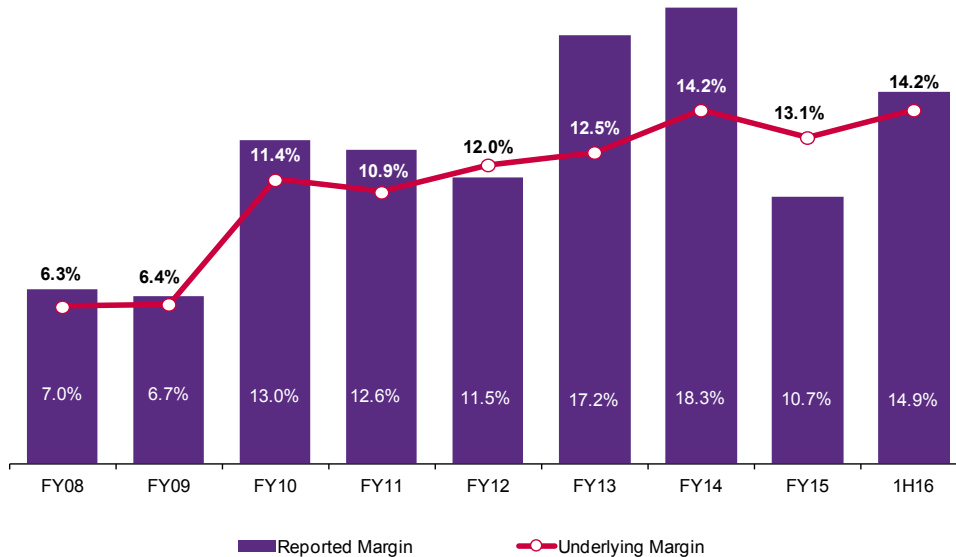
Cash ROE of 14.7%

	1H15	1H16	CHANGE
GWP (\$M)	5,603	5,543	↓ 1.1%
NET EARNED PREMIUM (\$M)	5,154	4,102	↓ 20.4%
INSURANCE PROFIT (\$M)	693	610	↓ 12.0%
UNDERLYING MARGIN (%)	13.3	14.2	↑ 90bps
REPORTED MARGIN (%)	13.4	14.9	↑ 150bps
SHAREHOLDERS' FUNDS INCOME (\$M)	137	38	↓ 72.3%
NET PROFIT AFTER TAX (\$M)	579	466	↓ 19.5%
CASH EARNINGS (\$M)	653	504	↓ 22.8%
DIVIDEND (CPS)	13.0	13.0	↔ 0%
SPECIAL DIVIDEND (CPS)	n/a	10.0	n/a
CASH ROE (%)	19.8	14.7	↓ 510bps
PCA MULTIPLE	1.62	1.80	↑ 18bps

Underlying insurance margin

Quota share uplift of c.250bps

Insurance margin (reported vs. underlying)



- Higher underlying margin of 14.2% (1H15: 13.3%) from blend of:
 - Favourable Berkshire Hathaway quota share effect of approximately 250bps
 - Maintenance of strong returns in short tail personal lines
 - Lower CTP profitability – higher claim frequency
 - Pressure on commercial lines in soft rating environment

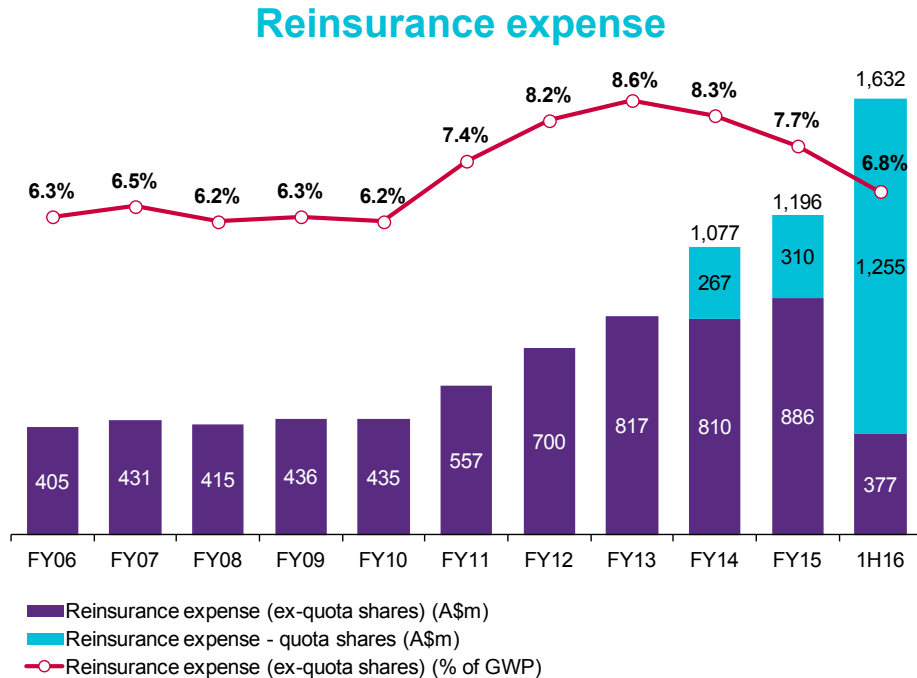
Berkshire Hathaway quota share

Reducing earnings volatility and capital requirement

	1H16	CHANGE (VS 1H15)		QUOTA SHARE IMPACT
GWP (\$M)	5,543	↓ 1.1%		None
REINSURANCE EXPENSE (\$M)	1,632	↑ 150.7%		Includes 20% of GWP attributable to BH
NET EARNED PREMIUM (\$M)	4,102	↓ 20.4%		Reflects higher reinsurance expense
NET CLAIMS EXPENSE (\$M)	2,589	↓ 25.6%		20% attributable to BH, excluding reserve releases
COMMISSION EXPENSE (\$M)	423	↓ 18.3%		20% attributable to BH
UNDERWRITING EXPENSE (\$M)	654	↓ 26.4%		20% attributable to BH, plus exchange commission
TECHNICAL RESERVES INCOME (\$M)	174	↓ 59.3%		Progressive reduction, <10% in 1H16
INSURANCE PROFIT (\$M)	610	↓ 12.0%		Neutral \$ effect
UNDERLYING MARGIN (%)	14.2	↑ 90bps		Margin enhancement of approximately 250bps
PCA MULTIPLE	1.80	↑ 18bps		Positive impact of approximately 10bps in 1H16

Reinsurance expense

Reported reinsurance expense inflated by quota share effect

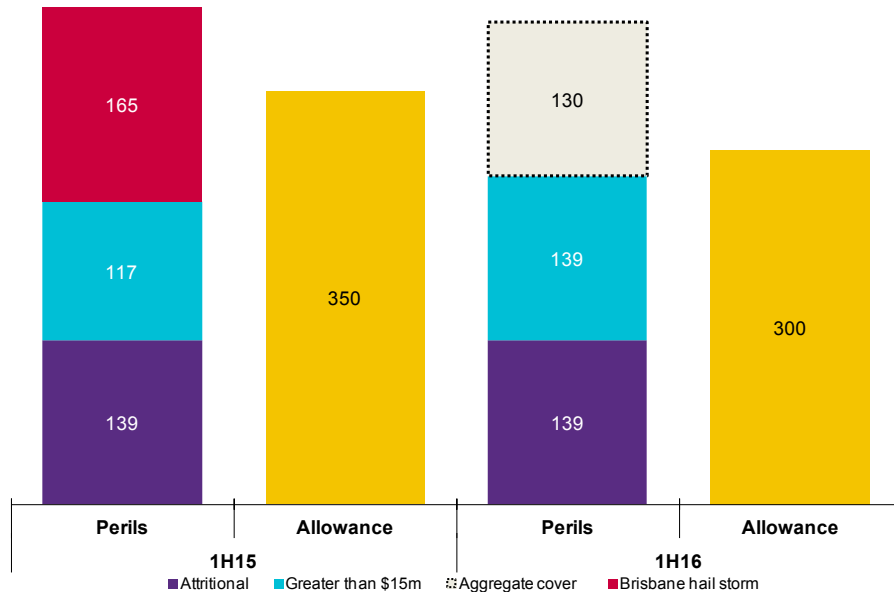


- Reported reinsurance expense amplified by commencement of Berkshire Hathaway quota share
- Ex-quota share expense ratio trending down:
 - Full realisation of Wesfarmers-related synergies
 - Lower catastrophe costs
- Calendar 2016 catastrophe renewal:
 - \$7bn of cover, placed to 80%
 - MER of \$200m
 - Favourable market conditions

Natural perils

Outcome below allowance, assisted by aggregate cover

Natural perils experience vs. allowance (\$m)

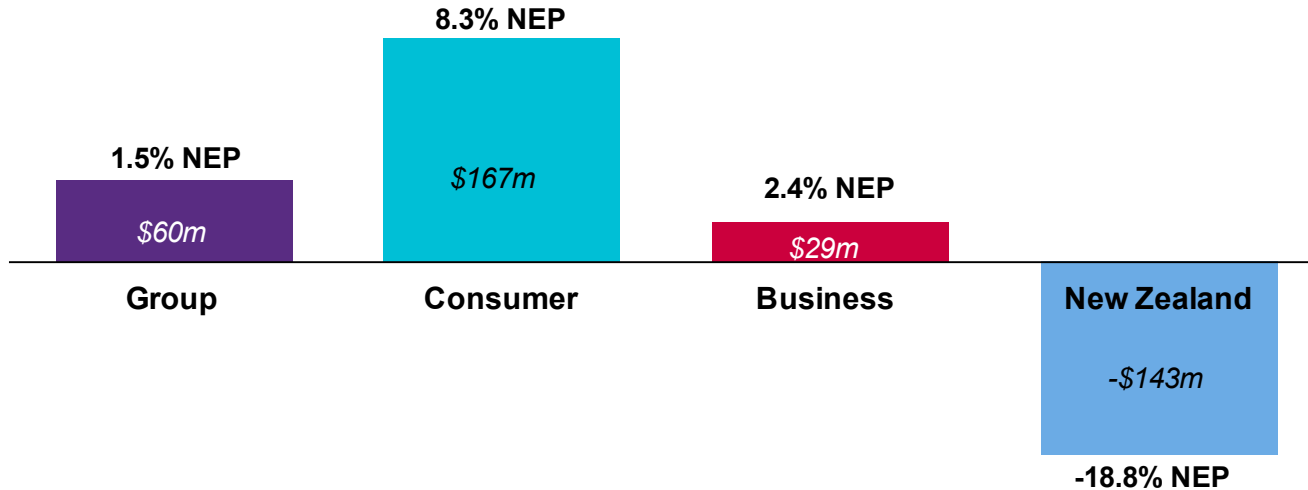


- 1H16 net perils outcome \$22m below allowance:
 - Significant aggregate protection during period
 - Six events capped at \$20m net cost
 - Attritional activity c.20% higher than 1H15
- Lower allowance (vs 1H15) reflects presence of quota share
- 1H15 net perils cost dominated by Brisbane hail storm

Reserve releases

Offsetting CTP and earthquake effects

1H16 prior period net reserve releases (\$m)



- Significantly higher than expected CTP releases (Consumer)
- Increased risk margin for February 2011 earthquake event (New Zealand)

Reinsurance of run-off portfolios

Materially mitigates earthquake and asbestos exposures

Asbestos

- Mainly CGU liability and workers' compensation risks from 1970s/1980s
- ADC and loss portfolio transfer

February 2011 earthquake

- ADC protection of NZ\$600m excess NZ\$4.4bn, 100% placed

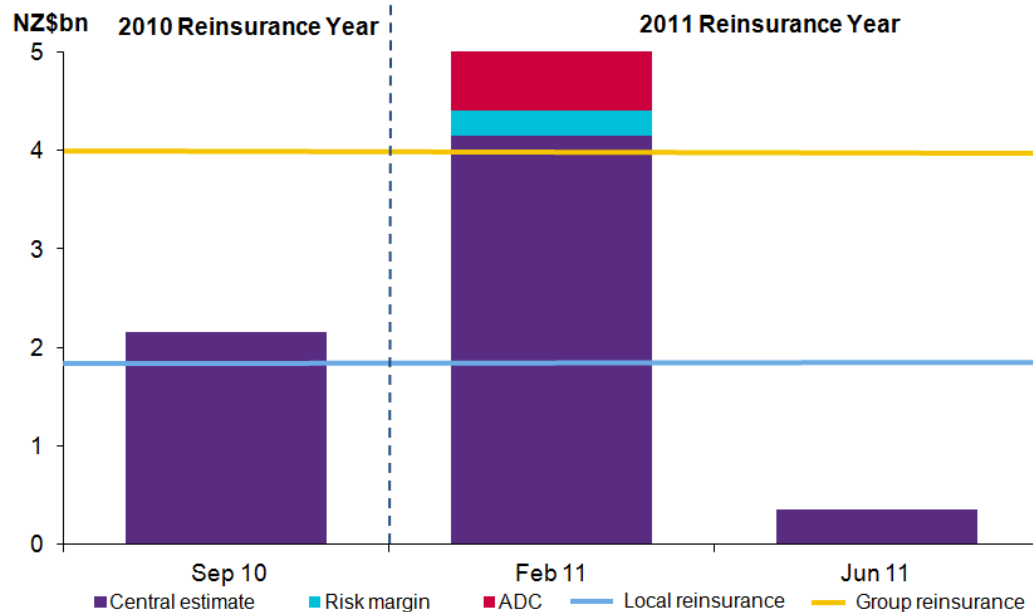
Small negative P&L effect in 2H16

- Significant reserve releases (asbestos), offset by overall premium paid
- Net effect to be reported in Group net corporate expense line
- Modest negative impact on regulatory capital position

New Zealand earthquake exposure

February 2011 event effective cover increased to NZ\$5bn

FY11 earthquake events

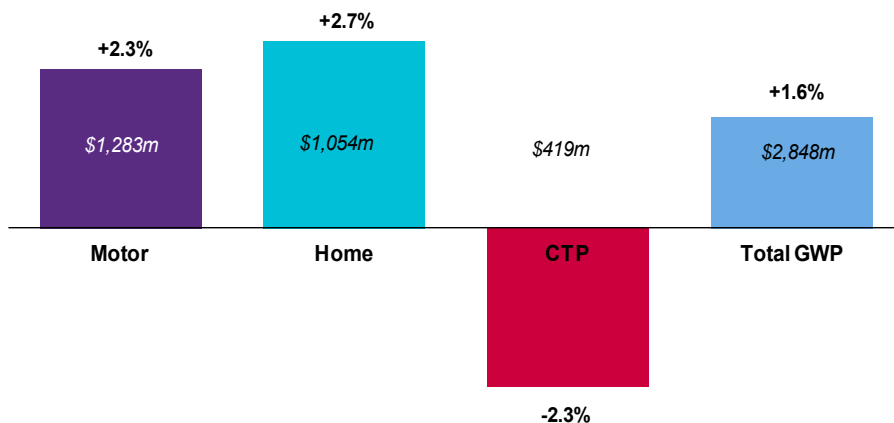


- February 2011 effective cover raised to NZ\$5bn, via:
 - Additional risk margin NZ\$150m
 - ADC NZ\$600m
- Increased cost attribution to September 2010 – remains well within reinsurance limit

Consumer Division

Solid short tail growth, strong profitability maintained

GWP by class

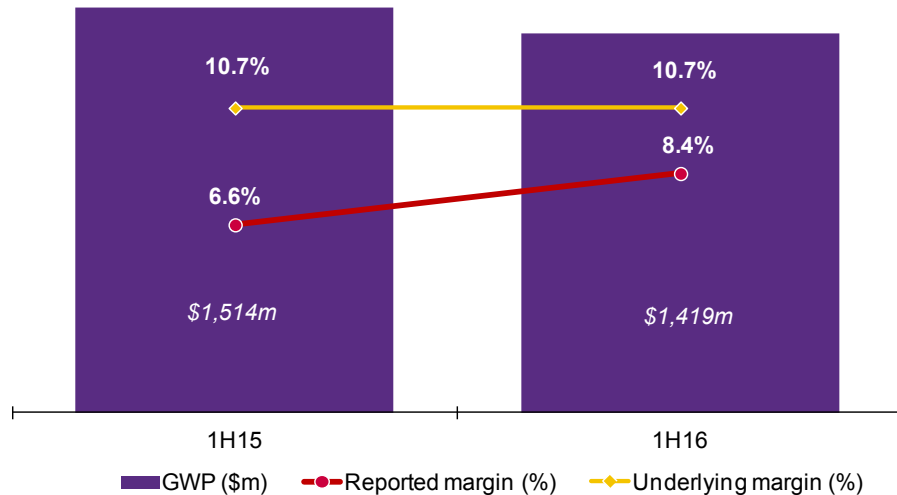


- GWP growth of 1.6%, comprising:
 - Solid growth in short tail motor and home from mix of rate and volume
 - High retention levels
 - Lower CTP GWP from market share loss in ACT and reduced exposure to less profitable risks in NSW
- Strong underlying margin of 15.5%:
 - Uplift from quota share effect
 - Deterioration in NSW CTP profitability – frequency and legal representation
- Reported margin of 24.6% driven by higher than expected reserve releases (8.3% of NEP)

Business Division

Tough operating environment, early signs of cycle bottoming

GWP / Insurance margin

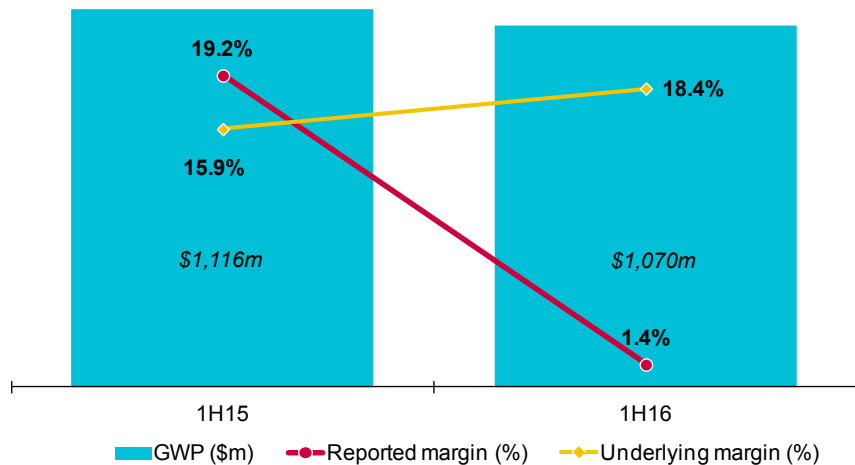


- GWP contraction of 6.3%, reflecting:
 - Reduced average rates in soft market
 - Lower GWP in specific portfolios – workers' compensation and strata
 - Maintained underwriting discipline
- Flat underlying margin of 10.7%:
 - Uplift from quota share effect
 - Pressure from soft market conditions
 - Additional integration synergies
- Higher reported margin than 1H15:
 - Improved perils experience, but above allowance

New Zealand

Strong underlying performance, despite pressures in commercial

GWP / Insurance margin

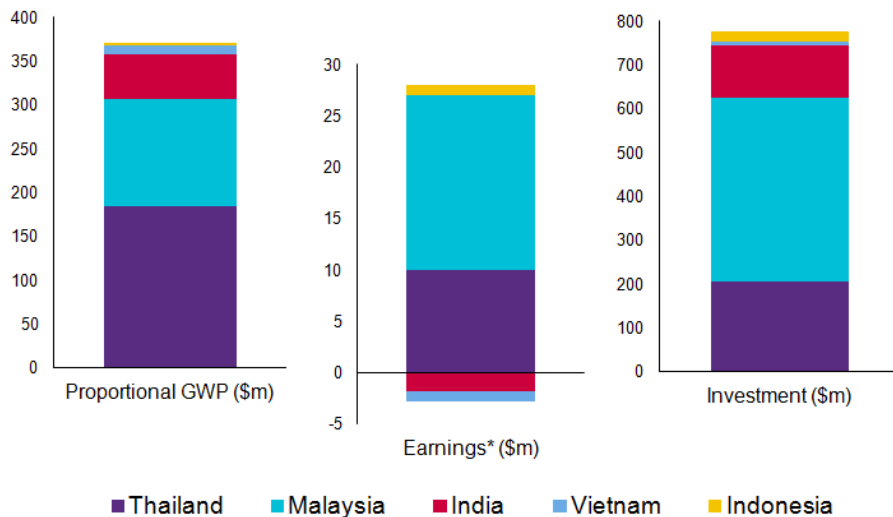


- GWP lower by 4.1%, reflecting:
 - Sound growth in direct personal lines
 - Softening premium rates and increased competition in commercial
 - Minor FX effect
- Strong underlying margin of 18.4%:
 - Uplift from quota share effect
 - Lumley integration completed
- Lower reported margin reflecting February 2011 earthquake risk margin increase
- Canterbury rebuild progress:
 - >NZ\$5.3bn settled
 - 85% of claims by number

Asia

Strong growth in proportional GWP

Financial contribution by country



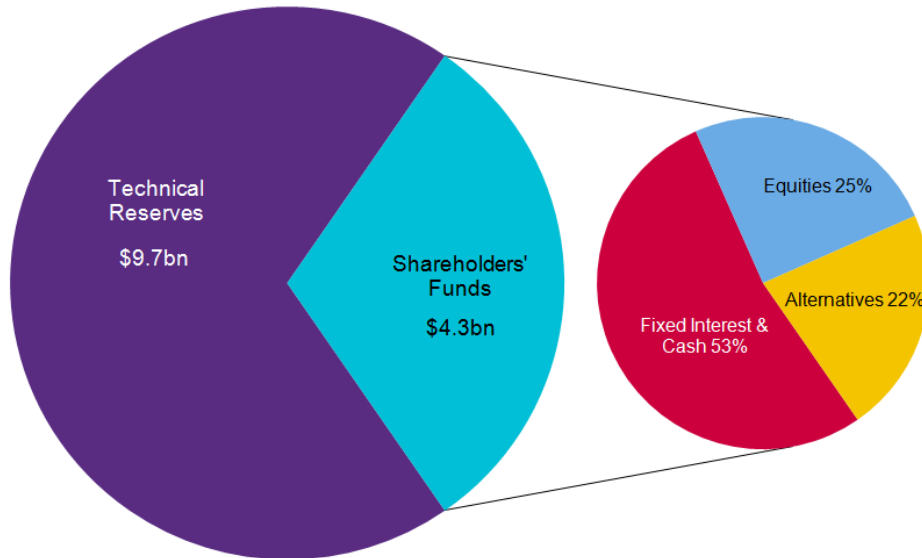
* Before regional support and development costs

- An important long term growth opportunity focused on five markets:
 - Strong organic growth prospects
 - Participation in industry consolidation
 - Ownership dial-up
- Proportional GWP growth of 11.7%
- Lower profit contribution influenced by mark-to-market effects
- Investment of \$776m (FY15: \$893m):
 - \$23m dividend from Malaysia
 - Bohai reclassified following ownership dilution

Investments

Lower technical reserves as a result of quota share effects

Asset allocation

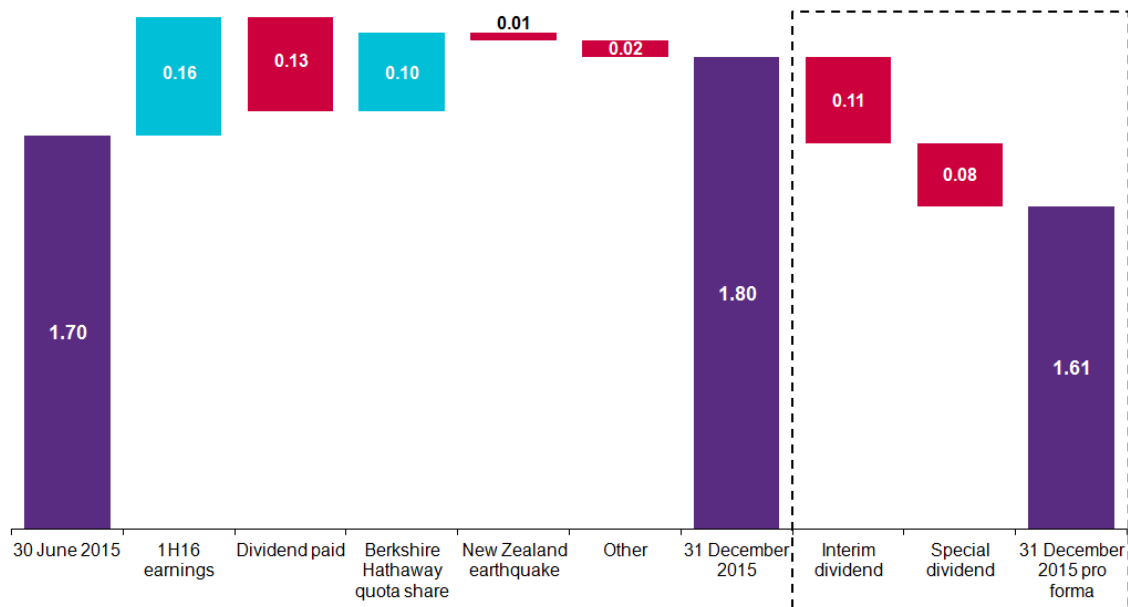


- Total investments of \$14bn (FY15: \$15.5bn):
 - Conservative mix and high credit quality characteristics unchanged
 - Progressive effect of quota share on technical reserves position
 - Growth asset weighting in shareholders' funds of 47%
- Technical reserves income consistent with prior period, allowing for timing of quota share-related outflows
- Lower shareholders' funds income impacted by weaker equity market

Capital

Strong capital position, in excess of benchmarks

PCA movement since 30 June 2015



- Stronger capital position
- Favourable quota share effect – skewed to front half of FY16
- Modest earthquake effect:
 - Settlement of claims
 - Gross strengthening
- Ongoing intent to manage within stated benchmarks
 - PCA 1.4-1.6
 - CET1 0.9-1.1



Strategy & Outlook

Peter Harmer
Managing Director and
Chief Executive Officer

Strategy

Delivering great customer experiences and creating value

OUR PURPOSE

We make
your world
a safer place

OUR STRATEGY

Leverage our market leadership to deliver great customer experiences and create value for our shareholders, partners, people, customers and community.

GROWTH LEVERS IN AUSTRALIA AND NEW ZEALAND

World-leading customer experiences
Corporate partnering
Customer-led digital ecosystems

GROWTH LEVERS IN ASIA

Dial-up opportunities
In-market consolidation
Digital opportunities

LEVERS TO DRIVE PROFITABILITY

Simplicity
Scalability
Agility

Realising our strategy

Building our capability platform

**Customer-led,
and
data-driven**

Simpler
and more
scalable

Agile and
quick to
respond

Realising our strategy

Building our capability platform

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FY16 guidance

Lower end of margin guidance range expected

FY16 GUIDANCE

GWP growth	Relatively flat
Reported insurance margin	Lower end of 14.0-16.0%*

- Modest growth in short tail personal lines, broadly in line with system
- Continued pressure in commercial markets
- Similar full year Berkshire Hathaway quota share impact on underlying margin, of c.250bps

FY16 ASSUMPTIONS

- Net losses from natural perils of \$600m
- Reserve releases of at least 1%
- No material movement in foreign exchange rates or investment markets

* Excludes effect of run-off portfolio reinsurance in 2H16 (included in net corporate expenses)

We make your world a safer place



APPENDIX - GROUP RESULTS

GROUP RESULTS	1H15	2H15	1H16
	A\$m	A\$m	A\$m
Gross written premium	5,603	5,837	5,543
Gross earned premium	5,805	5,720	5,734
Reinsurance expense	(651)	(545)	(1,632)
Net earned premium	5,154	5,175	4,102
Net claims expense	(3,481)	(3,460)	(2,589)
Commission expense	(518)	(516)	(423)
Underwriting expense	(889)	(924)	(654)
Underwriting profit	266	275	436
Investment income on technical reserves	427	135	174
Insurance profit	693	410	610
Net corporate expense	(44)	(111)	(14)
Interest	(52)	(55)	(51)
Profit from fee based business	10	9	10
Share of profit from associates	9	7	8
Investment income on shareholders' funds	137	86	38
Profit before income tax and amortisation	753	346	601
Income tax expense	(68)	(51)	(67)
Profit after income tax (before amortisation)	685	295	534
Non-controlling interests	(63)	(39)	(40)
Profit after income tax and non-controlling interests (before amortisation)	622	256	494
Amortisation and impairment	(43)	(107)	(28)
Profit attributable to IAG shareholders	579	149	466

Insurance Ratios	1H15	2H15	1H16
Loss ratio	67.5%	66.9%	63.1%
Immunised loss ratio	63.7%	67.0%	62.7%
Expense ratio	27.3%	27.9%	26.2%
Commission ratio	10.1%	10.0%	10.3%
Administration ratio	17.2%	17.9%	15.9%
Combined ratio	94.8%	94.8%	89.3%
Immunised combined ratio	91.0%	94.9%	88.9%
Reported insurance margin	13.4%	7.9%	14.9%
Underlying insurance margin	13.3%	13.0%	14.2%

Key Financial Metrics	1H15	2H15	1H16
Reported ROE (average equity) (% pa)	17.6%	4.6%	13.6%
Cash ROE (average equity) (% pa)	19.8%	10.3%	14.7%
Basic EPS (cents)	24.87	6.38	19.25
Diluted EPS (cents)	24.08	6.51	18.64
Cash EPS (cents)	28.05	14.30	20.81
DPS (cents)	13.00	16.00	13.00
Special DPS (cents)	n/a	n/a	10.00
Probability of adequacy	90%	90%	90%
NTA backing per ordinary share (\$)	1.28	1.34	1.37
PCA multiple	1.62	1.70	1.80

APPENDIX – DIVISIONAL PERFORMANCE

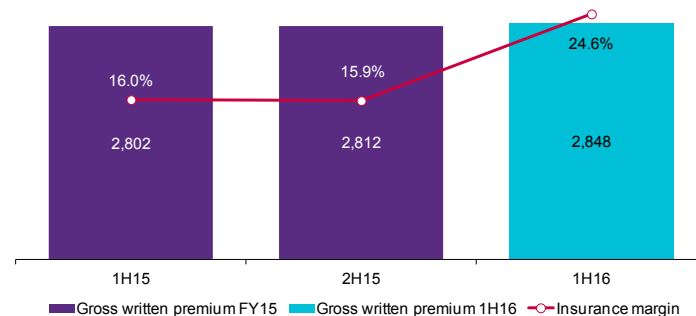
DIVISION	1H15				1H16			
	GWP		INSURANCE MARGIN		GWP		INSURANCE MARGIN	
	Reported	Growth	Reported	Underlying	Reported	Growth	Reported	Underlying
	A\$m	%	%	%	A\$m	%	%	%
Consumer Division	2,802	4.3	16.0	14.0	2,848	1.6	24.6	15.5
Business Division	1,514	43.9	6.6	10.7	1,419	(6.3)	8.4	10.7
New Zealand	1,116	26.2	19.2	15.9	1,070	(4.1)	1.4	18.4
Asia	164	6.5	nm	nm	197	20.1	nm	nm
Corporate & Other	7	nm	nm	nm	9	nm	nm	nm
Total Group	5,603	17.1	13.4	13.3	5,543	(1.1)	14.9	14.2

APPENDIX – CONSUMER DIVISION

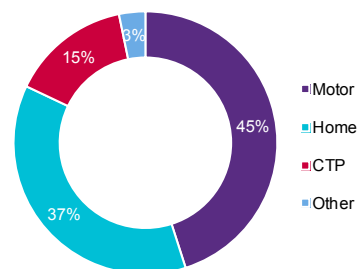
	1H15	2H15	1H16
	A\$m	A\$m	A\$m
CONSUMER DIVISION RESULTS			
Gross written premium	2,802	2,812	2,848
Gross earned premium	2,814	2,780	2,834
Reinsurance expense	(365)	(279)	(818)
Net earned premium	2,449	2,501	2,016
Net claims expense	(1,755)	(1,628)	(1,221)
Commission expense	(129)	(132)	(105)
Underwriting expense	(388)	(413)	(276)
Underwriting profit	177	328	414
Investment income on technical reserves	214	69	81
Insurance profit	391	397	495

Insurance Ratios	1H15	2H15	1H16
Loss ratio	71.7%	65.1%	60.6%
Immunised loss ratio	68.0%	65.3%	60.1%
Expense ratio	21.1%	21.8%	18.9%
Commission ratio	5.3%	5.3%	5.2%
Administration ratio	15.8%	16.5%	13.7%
Combined ratio	92.8%	86.9%	79.5%
Immunised combined ratio	89.1%	87.1%	79.0%
Reported insurance margin	16.0%	15.9%	24.6%
Underlying insurance margin	14.0%	13.9%	15.5%

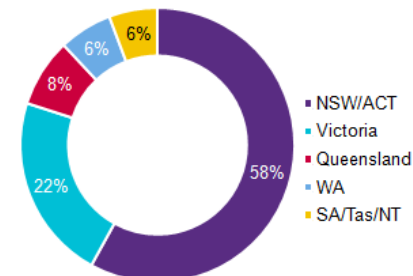
GWP (\$M) / INSURANCE MARGIN (%)



1H16 GWP BY CLASS



1H16 GWP BY STATE

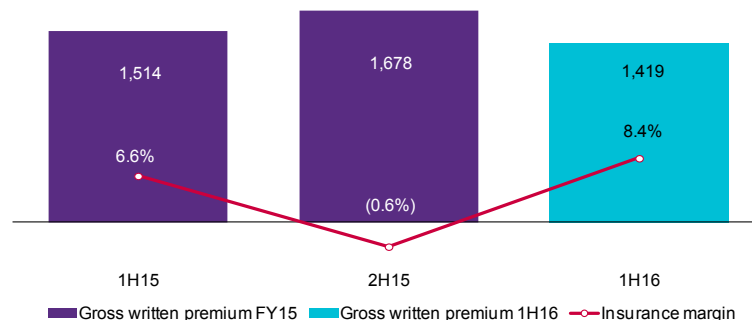


APPENDIX – BUSINESS DIVISION

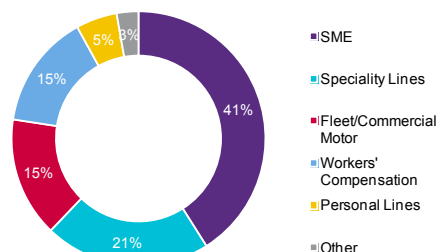
BUSINESS DIVISION RESULTS	1H15 A\$m	2H15 A\$m	1H16 A\$m
Gross written premium	1,514	1,678	1,419
Gross earned premium	1,673	1,594	1,597
Reinsurance expense	(122)	(90)	(413)
Net earned premium	1,551	1,504	1,184
Net claims expense	(1,099)	(1,024)	(748)
Commission expense	(229)	(221)	(185)
Underwriting expense	(301)	(291)	(226)
Underwriting profit/(loss)	(78)	(32)	25
Investment income on technical reserves	180	23	75
Insurance profit/(loss)	102	(9)	100
Profit from fee based business	9	7	11
Share of profit from associates	0	0	1
Total divisional result	111	(2)	112

Insurance Ratios	1H15	2H15	1H16
Loss ratio	70.9%	68.1%	63.2%
Immunised loss ratio	64.3%	69.8%	61.1%
Expense ratio	34.2%	34.0%	34.7%
Commission ratio	14.8%	14.7%	15.6%
Administration ratio	19.4%	19.3%	19.1%
Combined ratio	105.1%	102.1%	97.9%
Immunised combined ratio	98.5%	103.8%	95.8%
Reported insurance margin	6.6%	(0.6%)	8.4%
Underlying insurance margin	10.7%	10.2%	10.7%

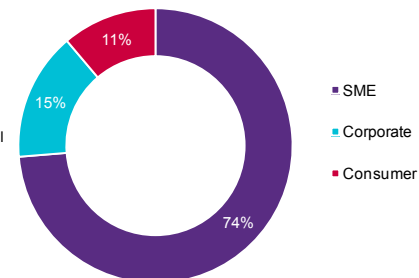
GWP (\$M) / INSURANCE MARGIN (%)



1H16 GWP BY CLASS



1H16 GWP BY SEGMENT

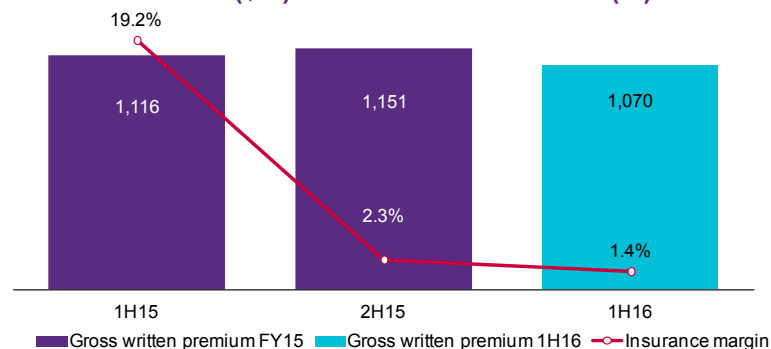


APPENDIX – NEW ZEALAND

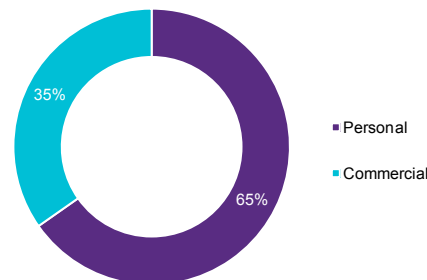
	1H15	2H15	1H16
	A\$m	A\$m	A\$m
NEW ZEALAND RESULTS			
Gross written premium	1,116	1,151	1,070
Gross earned premium	1,148	1,151	1,101
Reinsurance expense	(143)	(151)	(340)
Net earned premium	1,005	1,000	761
Net claims expense	(538)	(701)	(545)
Commission expense	(121)	(121)	(96)
Underwriting expense	(178)	(192)	(126)
Underwriting profit/(loss)	168	(14)	(6)
Investment income on technical reserves	25	37	17
Insurance profit	193	23	11
Profit from fee based business	2	2	1
Total divisional result	195	25	12

Insurance Ratios	1H15	2H15	1H16
Loss ratio	53.5%	70.1%	71.6%
Immunised loss ratio	53.4%	68.0%	73.6%
Expense ratio	29.7%	31.3%	29.2%
Commission ratio	12.0%	12.1%	12.6%
Administration ratio	17.7%	19.2%	16.6%
Combined ratio	83.2%	101.4%	100.8%
Immunised combined ratio	83.1%	99.3%	102.8%
Reported insurance margin	19.2%	2.3%	1.4%
Underlying insurance margin	15.9%	15.9%	18.4%

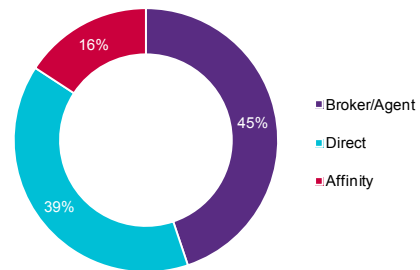
GWP (\$M) / INSURANCE MARGIN (%)



1H16 GWP BY CLASS



1H16 GWP BY CHANNEL



APPENDIX – ASIA

	1H15 A\$m	2H15 A\$m	1H16 A\$m
Gross written premium	164	189	197
Gross earned premium	163	187	193
Reinsurance expense	(19)	(22)	(57)
Net earned premium	144	165	136
Net claims expense	(84)	(106)	(75)
Commission expense	(37)	(41)	(35)
Underwriting expense	(22)	(27)	(25)
Underwriting profit/(loss)	1	(9)	1
Investment income on technical reserves	7	6	2
Insurance profit/(loss)	8	(3)	3
Share of profit from associates	9	7	7
Total divisional result	17	4	10

**IAG ASIA GWP 1H16 -
PROPORTIONAL BASIS**

