

30 October 2014

ABN 60 090 739 923

ANNUAL GENERAL MEETING 2014

Mike Wilkins
Managing Director &
Chief Executive Officer



Thank you Brian and good morning ladies and gentlemen.

I also welcome you here today and thank you for attending our AGM.

KEY HIGHLIGHTS

STRONGLY POSITIONED FOR THE FUTURE

STRONG UNDERLYING PERFORMANCE

- Further improvement in underlying margin across FY14, to 14.2%
- Year-on-year improvement in all divisions in Australia and New Zealand
- Small profit from Asia – development progressing to plan
- Lower GWP growth of 3% – limited cost inflation

NEXT PHASE OF GROUP'S DEVELOPMENT

- Completion of acquisition of Wesfarmers insurance underwriting business on 30 June 2014
- New Australian operating model implemented from 1 July 2014
- Significant combined synergies / benefits expected over two years



2014 ANNUAL GENERAL MEETING

2

The 2014 financial year was very significant for IAG and I am very proud of what we have achieved.

We reported another year of strong financial performance.

This result is further evidence of the rewards of the strategy that we have been consistently following, with its focus on our home markets of Australia and New Zealand, and on establishing a longer term growth platform in Asia.

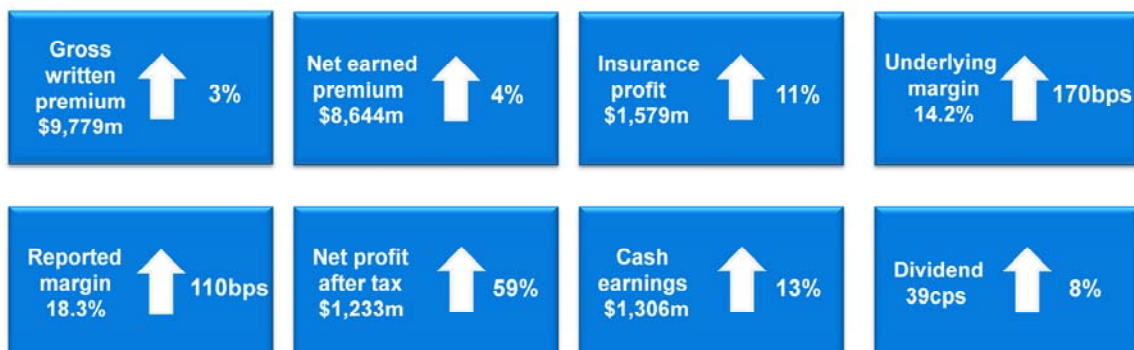
It's also been an exciting year for us strategically, as we laid the groundwork for the next stage of our growth and development.

Pivotal to this are the acquisition of the former Wesfarmers business, and our move to a new operating model in Australia.

Before dealing with these in more detail, I first want to discuss our strong financial performance.

FY14 FINANCIAL SUMMARY

ALL KEY INDICATORS POSITIVE



2014 ANNUAL GENERAL MEETING

3

As you can see from this slide, all of our key income statement measures improved:

- As Brian has already said, our Gross Written Premium, or GWP, grew by 3%, reflecting the low inflation environment in which we find ourselves.
- Our overall net profit after tax rose by nearly 60%, helped by the absence of the UK business, the sale of which was completed last year.
- Cash earnings grew by 13%.
And the full year dividend increased by 8% to 39 cents per share.

AUSTRALIA DIRECT STRONG PERFORMANCE



KEY POINTS

- Relatively flat GWP
 - Removal of Victorian FSL
 - Substantially reduced need for input cost recovery, notably in home
 - Motor volume growth in line with system
 - Competitive changes in ACT and Queensland CTP
- Improved underlying margin of 16.4% (FY13: 13.5%)
 - Strong performance from short tail portfolios
 - Improvement in underlying claim costs – supply chain initiatives and lower than expected frequency
 - NSW CTP pressures eased – full impact of FY13 rate increase
 - Modest favourable CTP quota share effect
- Reported margin bolstered by higher reserve releases, partially offset by less benign natural peril experience



2014 ANNUAL GENERAL MEETING

4

Our Australia Direct business continued to perform well.

Its GWP was relatively flat, reflecting the end of Victorian Fire Services Levy collection and our decision to exit the Queensland CTP market, which between them reduced GWP by over \$80 million.

Its higher reported margin of 22.5% reflected higher reserve releases and lower natural peril costs.

Key to this performance has been our focus on customer experience, and this has been on display in our new advertising campaign that was launched in September.

The campaign – NRMAde better – highlights the work we are doing to make insurance better for our customers. The image on the screen comes from this campaign.

Whilst it's early days, there have been positive responses from our customers, with comments that the new campaign shows that NRMA is leading the field in improvements and benefits for the customer.

AUSTRALIA INTERMEDIATED IMPROVEMENT SUSTAINED



KEY POINTS

- GWP growth of 1% (2.8% ex-Victorian FSL)
 - Maintained market position
 - Modest rate growth, varies by segment
- Maintained double digit underlying margin of 11.4% (FY13: 11.2%)
 - Further improvement in underlying claims performance
 - Portfolio remediation largely complete
- Slightly lower reported margin
 - Lower reserve releases of 2.9% of NEP – absence of case-specific releases recognised in FY13
 - Partial offset from more benign natural peril activity



2014 ANNUAL GENERAL MEETING

5

Our Australian intermediated business, CGU, achieved pleasing results in an increasingly competitive environment.

This business maintained its market position, with GWP growth of 2.8%, excluding the removal of the Victorian Fire Services Levy, and its reported margin was a little lower than that in 2013, largely owing to a reduction in prior period reserve releases.

Like all of us at IAG, CGU is focused on its customers and this focus was brought to life when we launched the new CGU brand campaign with a promise to See It Through.

The first stage of the campaign featured Max Cunningham, a Tasmanian oyster farmer – who you can see on the screen now.

Max's home and business were destroyed by the January 2013 bushfires. With the help of CGU and his broker, Max received emergency funds to purchase a caravan so he could continue to run his business onsite.

The See it Through message has resonated strongly with our customers, with over 400,000 YouTube views of the campaign and a 55% increase in visits to the CGU website.

NEW ZEALAND CONTINUED STRONG PERFORMANCE



KEY POINTS

- GWP growth of 17.2% boosted by favourable FX effect
 - Local currency growth of 3.7%
 - Further rate increases concentrated on domestic home
 - Move to sum insured home product complete
- Improved underlying margin of 14.8% (FY13: 11.1%)
- Reported margin absorbed natural peril costs well above allowance – adverse 2.4% margin impact
- Canterbury rebuild progress
 - Over NZ\$3.3bn of claims paid, 58% fully settled by number at 30 June
 - Increased complexities have pushed expected completion date out to mid-2016 (previously December 2015)



2014 ANNUAL GENERAL MEETING

6

Our New Zealand business has continued to perform strongly.

We saw sound local currency GWP growth of nearly 4%, while favourable foreign exchange movements led to reported growth of 17%.

During the year we completed the integration of AMI, which delivered synergies higher than our original forecast.

New Zealand's reported margin, of 11.5%, was an improvement on the prior year, and was achieved despite net natural peril claim costs being well above allowances.

I'm proud of the key role that we've continued to play in the recovery of the Canterbury region.

As at 30 June we had paid over NZ\$3.3 billion of claims and last week, we handed over the keys to the 400th house that we have built from scratch – which is in addition to the thousands of homes that we have also repaired.

ASIA DEVELOPMENT PROGRESSING TO PLAN



KEY POINTS

- 7.1% of Group GWP on a proportional basis (FY13: 6.3%)
 - Thailand impacted by contraction in new vehicle sales
 - A full twelve-month contribution from Kurnia in Malaysia
 - Continued strong growth in India and China
 - Consolidation of Vietnam
- Slightly lower divisional result
 - Established businesses continue to perform well
 - Slightly higher losses from developing markets, in line with expectations
 - Adverse \$12m mark-to-market effect from investment portfolios
 - Increased regional support and development costs
- Overall development progressing to plan



2014 ANNUAL GENERAL MEETING

7

In Asia, our established businesses in Thailand and Malaysia continued to perform well.

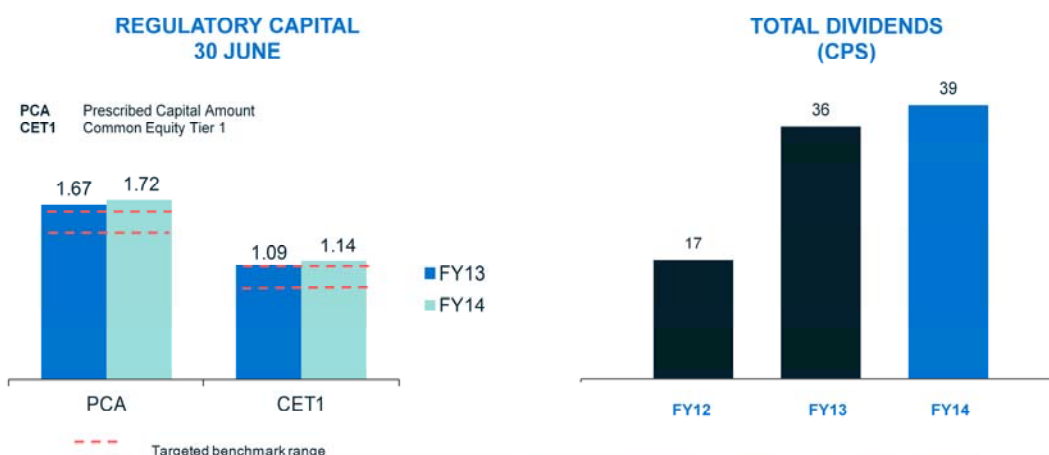
GWP in Thailand contracted slightly, following the conclusion of the prior year's government incentive scheme for car buyers, while the Malaysian business benefited from a full year's contribution from our acquisition of Kurnia, which was completed in September of 2012.

In our developing markets of India, China and Vietnam, we again achieved strong growth.

Meanwhile, we continue to assess further growth opportunities in our existing markets, as well as market entry opportunities in Indonesia.

In summary, we remain very enthusiastic about the long term growth prospects in Asia and we are pleased with our progress to date.

CAPITAL AND DIVIDEND STRONG FINANCIAL POSITION, HIGHER DIVIDEND



2014 ANNUAL GENERAL MEETING

8

Turning now to our capital position and dividend.

Our overall capital position remains strong, with both of our key regulatory capital measures sitting above our targeted long term benchmarks.

And as Brian has already said, the Board determined to pay an increased final dividend of 26 cents per share, and this was paid on 8 October. This brings the full year's dividend to 39 cents per share.

Our dividend was at the top end of our payout range of between 50% and 70% of cash earnings, reflecting our confidence in the future of our organisation.

FY14 SUSTAINABILITY PERFORMANCE

KEY INDICATORS REMAIN STRONG

COMMUNITY INVESTMENT

\$12.1m

Increased from last year's \$11.1m

CARBON NEUTRAL

Carbon neutral position maintained

DIVERSITY

Women represent 32% of senior management positions

INCLUSION

Support for Indigenous communities through our Reconciliation Action Plan



2014 ANNUAL GENERAL MEETING

9

In addition to our strong financial results, we also continued to perform well on a range of non-financial measures that reflect our business sustainability focus.

Our community investment has increased as we continue to seek out and support opportunities that align with our priority of helping to build stronger and more resilient communities.

We have also maintained our carbon neutral commitment.

And we are making progress in our Diversity & Inclusion objectives, with the proportion of women occupying senior management positions increasing to 32%.

Brian's already mentioned some of our achievements against the objectives set out in our Reconciliation Action Plan.

ACQUISITION OF WESFARMERS UNDERWRITING BUSINESS STRONG STRATEGIC FIT

ACQUISITION

- Wesfarmers' insurance underwriting companies in Australia and New Zealand
- Includes a 10-year distribution agreement with Coles
- Finalised 30 June 2014

STRONG STRATEGIC FIT

- Consistent with IAG's stated strategic priorities:
 - Accelerate profitable growth in Australia – delivers market-leading commercial position
 - Sustain leading position in New Zealand – enhances existing market-leading position
- Strengthens key portfolios and capabilities



2014 ANNUAL GENERAL MEETING 10

The Wesfarmers acquisition and our new Australian operating model are key to the next phase of our growth.

We completed the acquisition of the former Wesfarmers business on 30 June this year and we are very pleased with the quality of this business.

It is a highly complementary acquisition which will deliver significant value for IAG.

It is clearly consistent with our strategy to leverage our market leadership to create superior value for customers, shareholders, partners, employees, and the community.

NEW AUSTRALIAN OPERATING MODEL SHARPENED CUSTOMER FOCUS



THREE DIVISIONS IN AUSTRALIA

- Personal Insurance
- Commercial Insurance
- Enterprise Operations

BENEFITS

- Better alignment with the needs and expectations of our customers
- Sharper focus on activities that directly affect the customer experience
- Greater opportunities to leverage our portfolio of brands



2014 ANNUAL GENERAL MEETING

11

Our move to a new operating model in Australia will allow us to better respond to the changing expectations and behaviours of our customers, and will ensure we remain fit for the future.

IAG now has three divisions in Australia, with our Enterprise Operations business providing the platforms, processes and services our Personal Insurance and Commercial Insurance businesses need to deliver an outstanding customer experience.

The iconic brands our customers know and trust will continue, while our sharpened focus will enable us to better meet our customers' needs, as they evolve.

Because they are intertwined, we are treating the integration of the Wesfarmers business and the move to a new operating model in Australia as one project.

Over a two-year period, we expect to realise combined overall pre-tax synergies and benefits of \$230 million per annum, and we expect to hit that run rate as we complete the 2016 financial year.

FY15 OUTLOOK

STRONG PERFORMANCE EXPECTED TO CONTINUE

YEAR TO DATE PERFORMANCE

- Continued strong operating performance
- On track to deliver FY15 guidance
- New operating model/Wesfarmers integration proceeding to plan

FY15 GUIDANCE	
GWP growth	17-20%
Insurance margin	13.5-15.5%

FY15 ASSUMPTIONS

- Net losses from natural perils in line with budgeted allowance of \$700m
- Reserve releases of around 2% of NEP
- No material movement in foreign exchange rates or investment markets



2014 ANNUAL GENERAL MEETING

12

Turning now to the current year. I'm pleased to say that in the opening months of the 2015 financial year, we have seen a continuation of our strong operating performance and we believe we are well-placed to deliver on our full year guidance.

We anticipate GWP growth in the range of 17-20%, with the vast majority of this sourced from the addition of the former Wesfarmers business.

We also expect to deliver a reported insurance margin in the range of 13.5 – 15.5%.

And we will continue to pursue our wider agenda for the benefit of our customers, the communities in which we operate, our people and our shareholders.

As I said at the outset, this has been a significant year for IAG, both financially and strategically.

We've delivered a strong performance which reflects the benefits of the changes we have been progressively making over the last few years and the consistent and disciplined execution of our strategy.

We look forward to the future with considerable confidence, and I want to publicly recognise the efforts of all our people in getting us to this point. Their dedication and enthusiasm are so important for our future. Together we are building a great company and it's an exciting journey that we are on.

I also want to thank and acknowledge the Board for their wise counsel and strong guidance, and finally I thank you, our shareholders, for your continued support.