



Investor report FY18

15 August 2018

Insurance Australia Group Limited ABN 60 090 739 923

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.

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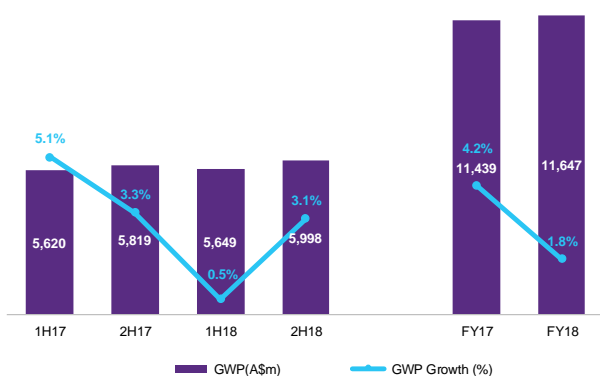
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NOTE: THROUGHOUT THIS REPORT THE CONSOLIDATED BUSINESSES IN ASIA (THAILAND, INDONESIA AND VIETNAM) HAVE BEEN TREATED AS 'DISCONTINUED OPERATIONS' FOR DISCLOSURE PURPOSES. COMPARATIVE FIGURES IN THE STATEMENT OF COMPREHENSIVE INCOME FOR FY17 AND 1H18 HAVE BEEN ADJUSTED ACCORDINGLY.

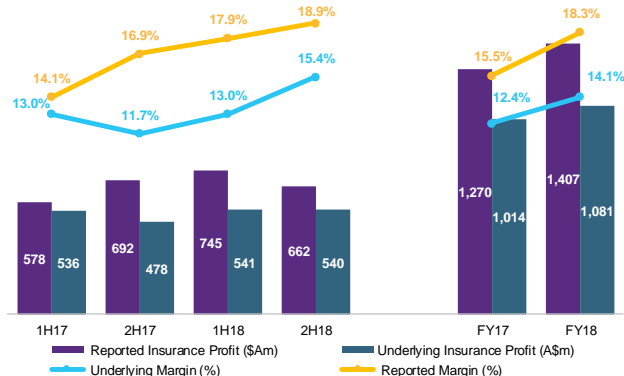
FY18 RESULTS

KEY RESULTS	FY17 A\$m	1H18 A\$m	2H18 A\$m	FY18 A\$m	FY18 vs FY17 Mvt
Gross written premium (GWP)	11,439	5,649	5,998	11,647	+1.8%
Net earned premium (NEP)	8,199	4,167	3,504	7,671	-6.4%
Insurance profit	1,270	745	662	1,407	+10.8%
Net profit after tax (NPAT)	929	551	372	923	-0.6%
Cash earnings	990	630	404	1,034	+4.5%
Reported insurance margin	15.5%	17.9%	18.9%	18.3%	+280bps
Underlying insurance margin	12.4%	13.0%	15.4%	14.1%	+170bps
Diluted EPS (cents)	37.72	22.60	15.58	38.30	+1.5%
Diluted cash EPS (cents)	40.13	25.73	16.86	42.75	+6.5%
Cash return on equity (ROE)	15.2%	19.1%	12.2%	15.6%	+40bps
Dividend (cents per share)	33.0	14.0	20.0	34.0	+3.0%
Common Equity Tier 1 Capital (CET1) multiple	1.09	1.19	1.26	1.26	+18bps

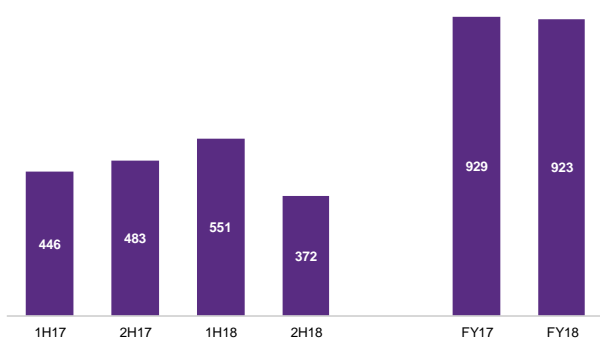
GWP GROWTH



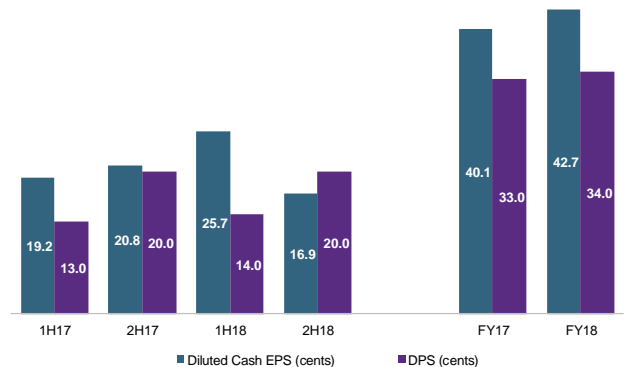
INSURANCE PROFIT & MARGIN



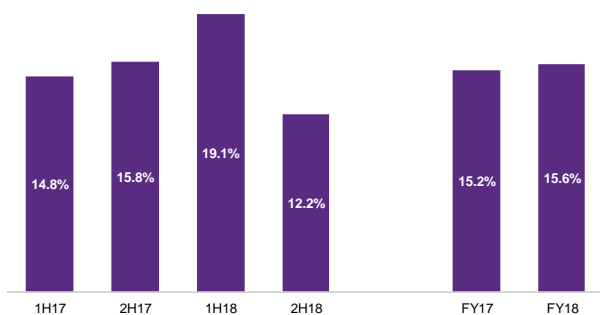
NET PROFIT AFTER TAX (A\$m)



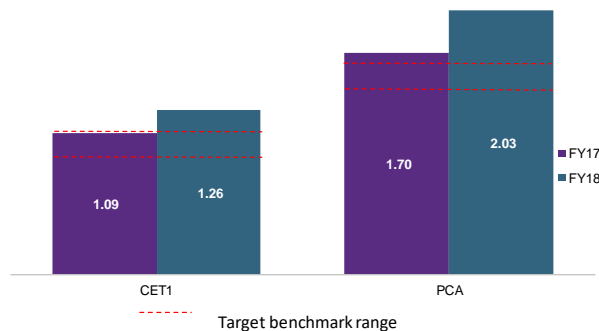
DILUTED CASH EPS & DPS



CASH ROE



REGULATORY CAPITAL (MULTIPLE)



1. EXECUTIVE SUMMARY

GROUP HIGHLIGHTS

- Improved FY18 underlying performance
- Reported margin of 18.3% slightly in excess of updated guidance – favourable net perils experience and higher than expected reserve releases
- Gross written premium (GWP) growth of 1.8% – over 4% on like-for-like basis, mainly rate-driven
- Higher underlying margin¹ of 14.1%, amplified by initial impact of combined 12.5% quota share agreements from 2H18
- Broadly neutral impact from optimisation program which continues to progress to plan – net benefit anticipated from FY19 onwards
- Cash earnings of \$1,034m (+4.5%), cash ROE of 15.6%
- 20 cent final dividend, giving 3% increase in full year dividend of 34 cents – cash payout ratio of 77.9%
- Sale of operations in Thailand, Indonesia and Vietnam announced in June 2018 – expected recognition of net profit after tax of at least \$200m in FY19 and settlement of Thailand by 31 August 2018
- Capital management initiative of 25 cents per share (\$592m), expected to comprise 19.5 cents capital return and 5.5 cents special dividend – subject to shareholder approval at AGM
- FY19 guidance reflects further expected improvement in underlying performance

FY18 OVERVIEW

IAG has delivered an improved underlying performance in FY18 which matches the expectations held at the beginning of the year. The overall outcome embraces:

- A strong performance by Australia Consumer, as rate increases addressed claims inflation issues;
- Modest improvement from Australia Business, against the low point experienced in 2H17; and
- A continued strong performance from New Zealand.

GWP growth of 1.8% was in line with IAG's guidance of 'low single digit growth', with like-for-like growth exceeding 4% after allowance for ceased activities, NSW CTP reform impacts and foreign exchange translation effects. Underpinning this outcome were positive rate movements in short tail lines, of both a personal and commercial nature. Overall volumes were relatively flat, with advances in CTP and New Zealand personal lines offset by shrinkage in commercial segments.

IAG's underlying insurance margin increased to 14.1%, up from 12.4% in FY17. Approximately 125bps of this improvement attached to the inception of the combined 12.5% quota share deals, from 1 January 2018. The balance was derived from pricing and operational actions, translating to improved loss and expense ratios.

As anticipated, IAG's optimisation program had a broadly neutral impact on the reported insurance profit, as realised benefits were countered by related one-off costs borne above-the-line. It remains IAG's expectation that meaningful net benefits will emerge in future periods, including a net pre-tax benefit of around \$100m in FY19.

IAG's reported margin, of 18.3%, slightly exceeded updated guidance of 16-18%. This was driven by a favourable net natural peril claim cost outcome, which was over \$80m below allowance, and higher than anticipated prior period reserve releases, which equated to 4% of net earned premium (NEP).

Improved underlying performance, in line with expectations

¹ IAG defines its underlying insurance margin as the reported insurance margin adjusted for:
– Net natural peril claim costs less related allowance for the period;
– Reserve releases in excess of 1% of NEP; and
– Credit spread movements.

1. EXECUTIVE SUMMARY

IAG has progressed the strategic review to assess the options for its Asian businesses, with the results being:

- The announced sale of its operations in Thailand, Indonesia and Vietnam, which have been reclassified as discontinued operations for accounting purposes;
- Continued pursuit of options to divest IAG's investment in China; and
- The minority interests in joint ventures in Malaysia and India continuing to be held.

The announced Asian divestments are expected to realise a net profit after tax of at least \$200m, after allowance for related costs and foreign currency translation reserve effects, which will be recognised in FY19. The vast majority of indicated proceeds (of over \$525m) relate to the sale of the business in Thailand, which is expected to settle by 31 August 2018.

GROSS WRITTEN PREMIUM (GWP)

FY18 GWP increased 1.8% to \$11,647m. Like-for-like growth exceeded 4%, after allowing for:

- Rate reductions and premium refunds stemming from NSW CTP scheme reform, which lowered reported GWP by ~\$190m;
- A greater than \$40m reduction in GWP as a result of the decisions to exit motor dealership and motorcycle activities of Swann Insurance in Australia; and
- An adverse foreign exchange movement in respect of New Zealand, which reduced reported GWP by over \$60m compared to FY17.

Whilst a factor in 1H18, the reintroduction of the Emergency Services Levy (ESL) in NSW had a negligible impact on GWP for the full year.

Underlying GWP growth in FY18 was of the order of \$500m, across Australia and New Zealand and driven by:

- Mid-single-digit rate increases in short tail motor and home; and
- Higher average rates in short tail commercial lines, offset by some volume loss.

UNDERLYING INSURANCE MARGIN

IAG's underlying insurance margin increased to 14.1%, compared to 12.4% in FY17, and included approximately 125bps of improvement arising from the 12.5% quota share agreements which commenced on 1 January 2018.

Other features of the net improvement in underlying margin were:

- Rate-driven growth in earned premium in short tail personal and commercial classes in both Australia and New Zealand;
- Related alleviation of claim cost pressures, notably in short tail motor, as rate increases at least matched increases in average claim costs;
- Some respite from lower large loss experience in Australian commercial property;
- Improved NSW CTP profitability following initial reform measures; and
- The absorption of approximately \$10m of Royal Commission-related costs in 2H18.

Like-for-like GWP growth of over 4%

Improved underlying margin, amplified by quota share effects

1. EXECUTIVE SUMMARY

REPORTED INSURANCE MARGIN

IAG's reported margin increased to 18.3% (FY17: 15.5%), slightly exceeding guidance of 16-18%. This was driven by better than expected peril and reserve release outcomes.

The higher reported margin contained:

- A favourable natural peril experience which saw related net claim costs fall below allowance by over \$80m, contrasting with an overrun against allowance of nearly \$140m in FY17;
- Lower net prior period reserve releases of \$305m, which represented 4.0% of NEP and compared to prior guidance of around 3%; and
- A similarly favourable credit spread impact of \$14m (FY17: \$20m).

Reported margin of 18.3% boosted by favourable perils and higher than expected reserve releases

DIVISIONAL HIGHLIGHTS

DIVISION	FY17				FY18			
	GWP		INSURANCE MARGIN		GWP		INSURANCE MARGIN	
	Reported A\$m	Growth %	Reported %	Underlying %	Reported A\$m	Growth %	Reported %	Underlying %
Australia	9,081	3.4	17.5	11.5	9,144	0.7	19.6	12.9
Consumer	6,119	5.5	21.8	13.9	6,214	1.6	24.0	15.5
Business	2,962	(0.6)	9.2	6.9	2,930	(1.1)	10.7	7.8
New Zealand	2,339	7.2	7.6	14.8	2,486	6.3	13.8	17.6
Corporate & Other	19	nm	nm	nm	17	nm	nm	nm
Total Group	11,439	4.2	15.5	12.4	11,647	1.8	18.3	14.1

Australia (79% of GWP) achieved like-for-like GWP growth of over 3%, as increased short tail personal line rates answered claim inflation pressures and average commercial rates maintained their positive momentum. Reported GWP growth was more modest, after bearing adverse impacts from discontinued business and NSW CTP reform effects which collectively reduced GWP by around \$230m, compared to FY17. Australia's higher reported margin of 19.6% involved lower reserve releases and a significantly better net natural perils outcome, compared to FY17. The underlying margin rose to 12.9%, with much of the improvement explained by an increased quota share effect. At an Australian segment level:

- **Consumer** (54% of GWP) recorded GWP growth of 1.6%, despite absorbing a reduction of around \$190m from NSW CTP reform influences. Like-for-like GWP growth exceeded 4% and was predominantly rate-driven. Consumer's underlying margin increased to 15.5%, including benefits from earned rate increases and improved CTP profitability; and
- **Business** (25% of GWP) reported a 1.1% reduction in GWP, while registering slightly higher GWP on a like-for-like basis, after allowing for discontinued business. Positive momentum in average commercial rates was maintained, offset by some volume loss from lower new business and retention levels, as well as portfolio remediation. A slower than expected turnaround in underlying margin was experienced, despite some assistance from less severe large loss experience in commercial property.

Strong performance from Australia Consumer and New Zealand, while turnaround in Australia Business margin slower than expected

New Zealand continued to perform strongly. Local currency GWP growth of nearly 9% was trimmed to 6.3% on foreign exchange translation. Strong rate-driven growth in commercial lines was offset by some volume loss, while a mix of increased rates and volumes drove personal lines GWP higher. Underlying and reported profitability strengthened, with net natural peril claim costs being over \$80m lower than FY17, despite exceeding allowance.

1. EXECUTIVE SUMMARY

NET PROFIT AFTER TAX / ROE

Net profit after tax of \$923m was similar to FY17 (\$929m), and comprised:

- A near-11% increase in insurance profit to \$1,407m, from the combination of improved underlying profitability, lower reserve releases and a markedly more favourable net natural peril claims cost;
- A greater than \$80m contraction in contribution from investment income on shareholders' funds, including the effect of lower equity market returns;
- A higher effective tax rate of 25.5% (FY17: 23.4%); and
- A \$34m increase in amortisation and impairment expense, after the recognition of an impairment to certain Asian assets in 1H18.

Cash earnings increased by 4.5% to \$1,034m, while diluted cash EPS was 42.75 cents, an increase of 6.5% over FY17.

Reported return on equity (ROE) in FY18 was 14.0%, while cash ROE was 15.6%. This compares to IAG's through-the-cycle target of at least 1.5 times weighted average cost of capital (WACC), which equates to an ROE of approximately 15% on a longer term perspective.

DIVIDEND

The Board has determined to pay a final fully franked dividend of 20.0 cents per ordinary share (2H17: 20.0cps). This brings the full year payout to 34.0 cents (FY17: 33.0cps), equating to a 77.9% cash payout ratio.

IAG's franking credit balance has reduced in recent years, owing to past capital management measures and the move to a higher dividend payout policy. Following the special dividend component of the initiative planned to occur in November 2018, it is anticipated that IAG's franking balance will further reduce. As a result, IAG may not be in a position to fully frank distributions on its securities from the second half of calendar 2019 onwards, with franking from that date expected to be in the range of 70% to 100%.

CAPITAL

IAG's capital position remains strong. At 30 June 2018 IAG's Common Equity Tier 1 (CET1) ratio was 1.26, against a target benchmark of 0.9-1.1.

In acknowledgement of the surplus capital position to IAG's regulatory benchmarks, the absence of significant operational demands on its capital and the anticipated completion of the sale of the Thailand business by the end of August 2018, IAG has announced a \$592m capital management initiative of 25 cents per ordinary share which is expected to occur on or around 26 November 2018. This is expected to comprise:

- A capital return of 19.5 cents;
- A fully franked special dividend of 5.5 cents; and
- A share consolidation which would reduce IAG's ordinary shares on issue by approximately 2.4% and preserve consistency of EPS calculation.

The capital return and share consolidation components are subject to shareholder approval, which is being sought at IAG's Annual General Meeting on 26 October 2018. IAG has made payment of the special dividend conditional on that approval being obtained.

On a pro forma 30 June 2018 basis, IAG expects its CET1 multiple to be close to the mid-point of its benchmark range. This is after allowance for payment of the 2H18 dividend and the capital management initiative, as well as receipt of the proceeds from the sale of the Thailand business which is expected to occur by 31 August 2018.

Cash ROE of 15.6%, in excess of long term target

Increased full year dividend – 77.9% of cash earnings

25 cents per share (\$592m) capital management initiative to distribute surplus capital

1. EXECUTIVE SUMMARY

IAG's debt to total tangible capitalisation ratio at 30 June 2018 was 34.3%, close to the mid-point of its targeted 30-40% range.

IAG's core operating insurance subsidiaries continue to hold 'very strong' 'AA-' ratings from Standard & Poor's (S&P). IAG is rated 'A' at the Group level.

IAG's probability of adequacy for the outstanding claims liability remained 90% at 30 June 2018.

FY19 OUTLOOK

IAG expects to report further improvement in its underlying performance in FY19.

FY19 GWP guidance is growth of 2-4%. This is expected to be derived from:

- Further rate increases across short tail personal and commercial classes;
- Modest volume increases in personal lines categories, notably motor; and
- A slight decline in commercial volumes, including those from further remediation activity.

Higher underlying GWP growth is anticipated, after allowance for residual NSW CTP scheme reform effects (~\$80m) and ceased or exited business activities (~\$40m) including retail warranty and consumer credit.

IAG's FY19 reported margin guidance is a range of 16.0-18.0%. Underlying assumptions are:

- A net improvement in pre-tax profit of approximately \$100m from optimisation program initiatives, as implementation costs dissipate;
- Net losses from natural perils in line with an allowance of \$608m (increased to \$900m, pre-quota share);
- Prior period reserve releases of around 2% of NEP; and
- No material movement in foreign exchange rates or investment markets.

The reported margin guidance also incorporates a further uplift of approximately 125bps from a full year's effect of the combined 12.5% quota share agreements which commenced on 1 January 2018.

Excluding the factors outlined above, IAG's overall underlying performance in FY19 is expected to reflect:

- Steady profitability in short tail personal lines within Australia Consumer;
- A lower contribution from long tail CTP in Australia Consumer stemming from changed scheme design in NSW which came into force on 1 December 2017;
- An improved Australia Business margin, from ongoing momentum in average commercial line rates;
- The maintenance of strong profitability in New Zealand; and
- A higher non-quota share reinsurance expense as a result of:
 - Increased protection from the FY19 stop loss cover which extends directly from the FY19 natural perils allowance; and
 - Increased renewal costs attached to commercial line per risk excess of loss cover, reflecting recent high large loss experience.

While IAG expects prior period reserve releases of around 2% of NEP in FY19, it remains the Group's belief that long term reserve releases of around 1% of NEP are a recurring feature of its reported operating results in benign inflationary periods.

FY19 GWP growth
guidance range of 2-4%.

FY19 reported margin
guidance range of 16-18%

2. STRATEGY

Optimise our core insurance business while creating future growth options



At IAG, our **purpose** is to **make your world a safer place**: IAG's purpose means that whether you are a customer, partner, employee, shareholder or part of the communities IAG serves, IAG exists to 'make your world a safer place'. IAG believes its purpose will enable it to become a more sustainable business over the long term, and deliver stronger and more consistent returns for its shareholders.

2. STRATEGY

FINANCIAL TARGETS

IAG is focused on delivering through-the-cycle targets of:

- Cash return on equity (ROE) 1.5x weighted average cost of capital (WACC);
- A dividend payout of 60-80% of cash earnings;
- Top quartile total shareholder return (TSR); and
- Approximately 10% compound earnings per share (EPS) growth.

STRATEGIC PRIORITIES

IAG has identified three key strategic priorities, supported by organisational capabilities, to deliver its strategy:

I. Customer – World-leading customer experiences:

- Create a delivery platform that transforms customer experiences;
- Better connect customers and automate processes, enabling IAG to reach more customers in a timely manner;
- Develop an innovation approach which provides the ability to think differently and deliver quickly;
- Embed cognitive capabilities and artificial intelligence that anticipate customers' needs; and
- Use data to power decision-making, allowing IAG to better understand its customers.

II. Simplification – Simplified, modular and lower cost operating model:

- Reduce organisational complexity by consolidating technology platforms, harmonising products, simplifying processes and systems, and executing the technology strategy;
- Leverage operational partners to optimise the operating model and drive scale economies across the value chain; and
- Improve allocation and maximise utilisation of the preferred repairer network to reduce average claim size.

III. Agility – An agile organisation distinguished by innovation, speed and execution skills:

- Create a disciplined approach to IAG's management and leadership, including building stronger role clarity and introducing agile ways of working;
- Build a talent pipeline based on the skills required to deliver IAG's strategy and help IAG people transition to the future of work; and
- Be recognised as a purpose-led organisation that shapes its internal and external environment.

3. SAFER COMMUNITIES

IAG has a clear purpose: to make your world a safer place. This is at the heart of IAG's strategy to achieve world-leading customer experiences and to operate with simplicity, scalability and agility. To help IAG execute its strategy and maintain its purpose, a **Safer Communities framework** has been developed that supports the creation of safer, stronger and more confident communities. This framework guides IAG's customer and community-facing initiatives, with execution delivered through four priorities that manage material business risks as well as realise potential opportunities:

1. Using purpose to create meaning for IAG's people and support organisational performance

Strengthening people and culture programs to drive alignment with IAG's purpose, increase agility and build readiness for the future of work.

2. Acting responsibly to build and maintain trust

Remaining committed to operating transparently and ethically. Ensuring actions build a foundation of trust by addressing social and environmental issues important to IAG's stakeholders.

3. Embedding IAG's purpose through shared value innovation

Building on this foundation by developing and adapting products, services and business models that deliver commercial, customer and community advantage.

4. Building safe, confident and connected communities

Looking beyond IAG's own business model by collaborating with partners to tackle systemic issues that affect community resilience and IAG's business. By addressing risk exposure, community preparedness, insurance access and insurance affordability, IAG aims to make communities safer and more resilient so they can thrive.



3. SAFER COMMUNITIES

CONTRIBUTION TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) are an international commitment to 17 goals and supporting targets that aim to address the challenges and opportunities for advancing economic, social and environmental prosperity. IAG has committed to the SDGs.

IAG acknowledges the SDGs can only be achieved if business, government and society work together. While IAG's work on safer communities and risk transfer through insurance can support many of the SDGs, IAG recognises and prioritises those where it can make the biggest difference:

- **Decent work and economic growth** (SDG 8) – the need to support wide access to insurance is explicitly called for in Target 8.10;
- **Industry, innovation and infrastructure** (SDG 9) – playing a role in supporting investment in resilient infrastructure, innovation and technological progress to finding lasting solutions to both economic and environmental challenges;
- **Sustainable cities and communities** (SDG 11) – using IAG's expertise and partnerships to deliver resilient and sustainable communities and infrastructure; and
- **Climate action** (SDG 13) – given IAG's central role of helping customers transfer the risk stemming from weather-related natural perils.

IAG's experience as an insurer and its role in the **Australian Business Roundtable for Disaster Resilience & Safer Communities** highlights the vulnerability of communities to weather events and the impact this can have on achieving the SDGs. The cost of natural disasters in Australia is forecast to more than double to \$39bn per year by 2050. Climate, urbanisation and coastal developments are all key risk factors and if climate science is not well understood and communicated, and good planning does not occur, insurance will not be available, accessible or affordable for many.

PURPOSE-LED INITIATIVES TO GENERATE COMMERCIAL RETURNS

In FY18, IAG tested a range of commercially viable solutions that make communities safer and more inclusive for its customers.

Road safety

Distracted driving has been shown to significantly increase the chance of crashing. To raise awareness and reduce related claims, IAG developed the NRMA Insurance Safer Journeys mobile app which rewards people with discounts at retail stores in return for not touching their phones while driving.

Community resilience

IAG continues to support increased disaster preparedness, working with governments, customers and community organisations. In FY18, IAG launched a new emergency preparedness digital tool in partnership with the Australian Red Cross and is targeting active use by 100,000 households. NRMA Insurance's storm preparedness campaigns with the State Emergency Service in both NSW and Queensland have seen nearly 90% of recipients undertake action to be better prepared for storms.

During FY18, the Australian Business Roundtable for Disaster Resilience & Safer Communities launched its fifth report, 'Building resilience to natural disasters in our states and territories'. Following this, IAG was invited to contribute to the work commenced by the Federal Government National Resilience Taskforce to develop a national Risk Reduction Framework. This framework will create a nation-wide approach to disaster risk reduction.

Commitment to UN Sustainable Development Goals

Range of solutions tested to make communities safer

3. SAFER COMMUNITIES

TAKING ACTION ON CLIMATE CHANGE

IAG has long recognised the impact weather events have on the community and its own business, and that it needs to play a role in climate change adaptation as well as reducing the emissions that are driving it. In FY17 IAG designed a three-year **Climate Action Plan** to do both these things, with work initiated in FY18. As IAG delivers its plan for change, it aims to support and empower its customers, partners and communities to do the same. IAG publicly launched its Climate Action Plan on 23 July 2018.

Reducing carbon emissions is increasingly urgent to avoid the impact of catastrophic climate change and potential longer term commercial impacts. IAG is committed to understanding climate risk and has commenced disclosure consistent with the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD), which embrace:

- **Governance:** Accountability and oversight for IAG's Climate Action Plan, including the approach to disclosure, sits with IAG's Board and Group Leadership Team.
- **Strategy:** Climate change is a key consideration in IAG's strategy-setting process. While resilient to short term risks through the use of risk-based pricing, reinsurance and the annual adjustment of premiums, IAG recognises longer term considerations from increasing frequency and severity of natural peril events. Climate scenarios are being explored to inform steps to improve short to long term outcomes, and IAG is investigating product and service opportunities that support adaptation and emission reductions, in addition to existing fuel-efficient vehicle pricing benefits.
- **Risk management:** IAG considers climate-related risks through its Enterprise Risk Profile, supported by its Risk Management Framework and Risk Management Strategy. In FY18, IAG commenced assessment of physical and transitional risks, working with leading climate researchers on potential trends and impacts of extreme weather events. A first phase modelled different climate futures to inform how much and where extreme weather may impact claim events and, ultimately, home insurance costs. IAG's TCFD-informed risk assessments, scenario analysis and disclosure will also be informed by its participation in a global pilot led by the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance.
- **Metrics and targets:** IAG has been carbon neutral since 2012 and achieved its absolute carbon emissions reduction target of 10% ahead of its 2020 commitment. IAG has recently set science-based emission targets out to 2050.

Expanded TCFD disclosure will be provided by the conclusion of FY19. This will be informed by IAG's participation in the global UNEP FI-led pilot, which commenced in August 2018. Such disclosure will consider the most appropriate analysis of the physical and transitional risks faced by IAG in various global warming scenarios, and their financial implications for the company.

GLOBAL WORK ON SUSTAINABLE FINANCE AND RISK MANAGEMENT

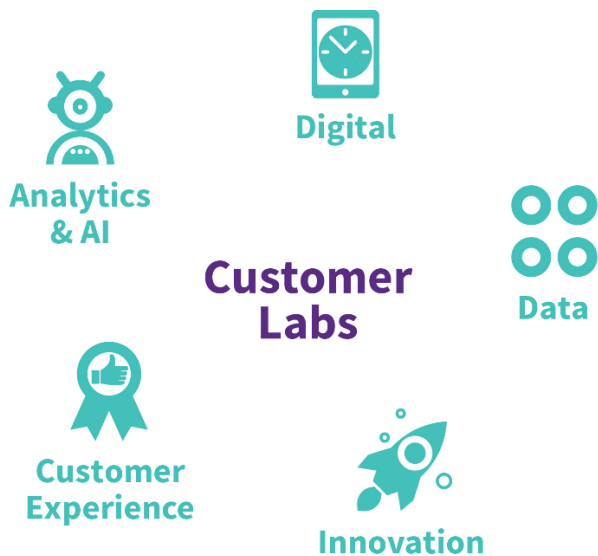
In FY18, IAG continued to work with local, regional and global partners to address large scale challenges. IAG co-organised a UNEP FI conference on Financing a Resilient and Sustainable Economy, held in Sydney on 23-24 July 2018. A regional plan is being developed, focused on sustainable finance solutions that support progress against the SDGs.

Climate Action Plan
launched July 2018

IAG is implementing TCFD
recommendations

Co-organisation of UNEP
FI conference on Financing
a Resilient and Sustainable
Economy

4. CUSTOMER LABS



CUSTOMER LABS

Customer Labs is central to IAG's strategy and competitive advantage over the longer term. It is responsible for IAG's customer experience strategy, which entails innovation in product, pricing and marketing, data insights, brand architecture, human centred design, new business incubation and venturing.

Customer Labs is also the champion of digital innovation across IAG, including the identification and harnessing of disruptive technology and building digital solutions and ecosystems. Customer Labs focuses on deeply understanding customers to create relevant, personalised experiences in an increasingly digital world.

Customer Labs brings together diverse expert capabilities to create world-leading customer experiences. Through deepening the engagement with customers, Customer Labs is able to gain valuable insights that fuel and inspire IAG's innovation efforts.

CUSTOMER EXPERIENCE

The **customer segmentation model** developed in FY17 remains a key pillar of Customer Labs' work. Drawn from deep engagement with customers across Australia and New Zealand, the model identified 14 customer segments that reflect distinct groups with specific needs and desired experiences. These segments form the foundation of IAG's brand strategy, with the NRMA Insurance brand aligning to seven segment categories and the CGU brand speaking to five of the 14. The new marketing campaigns launched for both brands in FY18 were inspired by these findings. In 2H18, the segment model continued to bring unique insights to the development of digital customer journeys, brand expression, personalisation and the exploration of new products and offerings.

Following 1H18 implementation of more detailed, active, real-time advocacy and experience measures, in 2H18 Customer Labs commenced an analysis of the **correlation between advocacy and customer behaviour**. The results of this work, to be completed in FY19, will assist in identifying and prioritising IAG's investment into initiatives that improve customer experience. Recognising that the customer experience is closely linked to the quality of the employee experience, Customer Labs is working with IAG's People Performance & Reputation team to ensure these improvements are replicated in the experience employees have.

To foster a strongly customer-led strategy, in 2H18 Customer Labs commenced the **IAG Customer Connections Program**. Its objective is to deepen customer empathy and understanding across all roles, from the Board and Senior Executives through to frontline staff. The program includes live customer calls and interactions with frontline areas of the business, giving everyone at IAG a real appreciation of what is important to customers.

DATA

Data provides IAG with a lens into customers' worlds, the assets they insure and the environments in which they interact. IAG's simplified, consolidated **data platform** is a gateway for customers to interact with it in more engaging and personalised ways. The approach taken by Customer Labs to compose its data asset through open source technologies received international recognition in the form of the Red Hat 2018 Innovation Award.

Customer segmentation model at heart of Customer Labs' work

Drawing on data to grow customer understanding

4. CUSTOMER LABS

Customer Labs is well-advanced in transitioning its data platform onto a scalable, flexible and cost-efficient **cloud capability** that powers decision-making. To ensure best practice in data security, governance and risk management, in 2H18 extensive testing and reinforcement of Customer Labs' frameworks was undertaken, including ongoing consultation with APRA. The first tranche of data workloads moves to the cloud in 1H19.

The IAG data asset has enabled Customer Labs to **improve efficiency** by creating self-service reporting for the business, including an interactive dashboard for Group Executives, and to develop data products that power new initiatives. Ongoing improvements to the data capability have included access to real-time data capture and machine learning to enhance data discovery techniques.

ANALYTICS & AI

Customer Labs' analytics function is focused on embedding **cognitive capabilities** across IAG. 2H18 initiatives included the introduction of chat bots to enhance customer experience and the development of a computer visioning system to triage repairs and automate reserving. The existing AI capability has been augmented through a connection to employee, claims and customer digital platforms to enhance data-driven insights.

During 2H18 IAG's world-class **pricing capability**, which relies on machine learning and real-time pricing models, was deployed across the core personal lines insurance portfolios in Australia (NRMA and RACV).

DIGITAL

Customer Labs has accelerated its **digital transformation**. The elements underpinning this are personalisation, further development of APIs, scaling of digital infrastructure and growing use of the cloud to achieve flexible, cost-effective infrastructure. This transformation is underpinned by an agile approach and simultaneous implementation across Australia and New Zealand, allowing IAG to move faster and deliver more for its customers.

As part of IAG's digital innovation strategy, in 1H18 Customer Labs commenced delivery of redesigned **customer digital journeys**. During 2H18, the redesign of the motor recovery journey delivered the first minimum viable product: tracking motor repair status and associated customer notification. Positive feedback from customers and repairers has validated ongoing scaling of this initiative. Work has also commenced on redesigning the home recovery journey.

INNOVATION & VENTURING

At IAG **innovation** entails learning, experimentation and partnering to rapidly develop, test and prototype new products and services.

During FY18, IAG's **Firemark Ventures** investment fund, capitalised to \$75m, assessed 185 opportunities and made five investments. Its investment in the Airtasker platform is one example of IAG's commitment to explore new insurance solutions for the sharing economy and connect customers with new service offerings. Customer Labs sees significant value in this platform and great potential for collaboration to reduce risk and improve customer safety. In 2H18, efforts centred on further development of processes to leverage investments for the benefit of IAG and each investee.

Customer Labs will continue **partnering** with emerging businesses and identifying new investment opportunities, particularly in areas with potential to disrupt the insurance value chain or which can meaningfully enrich customers' experiences. IAG views relationships with research institutions, start-up communities and partners as critical to its innovation efforts.

Focus on accelerating IAG's digital transformation

Five investments completed in FY18 by Firemark Ventures

5. GROUP RESULTS

FINANCIAL PERFORMANCE

GROUP RESULTS	1H17 A\$m	2H17 A\$m	1H18 A\$m	2H18 A\$m	FY17 A\$m	FY18 A\$m
Gross written premium	5,620	5,819	5,649	5,998	11,439	11,647
Gross earned premium	5,682	5,639	5,780	5,742	11,321	11,522
Reinsurance expense	(1,571)	(1,551)	(1,613)	(2,238)	(3,122)	(3,851)
Net earned premium	4,111	4,088	4,167	3,504	8,199	7,671
Net claims expense	(2,536)	(2,546)	(2,505)	(2,112)	(5,082)	(4,617)
Commission expense	(383)	(391)	(387)	(320)	(774)	(707)
Underwriting expense	(646)	(659)	(653)	(517)	(1,305)	(1,170)
Underwriting profit	546	492	622	555	1,038	1,177
Investment income on technical reserves	32	200	123	107	232	230
Insurance profit	578	692	745	662	1,270	1,407
Net corporate expense	(4)	(4)	-	(9)	(8)	(9)
Interest	(51)	(42)	(39)	(43)	(93)	(82)
Profit/(loss) from fee based business	(1)	(33)	-	(12)	(34)	(12)
Share of profit from associates	9	12	19	15	21	34
Investment income on shareholders' funds	103	143	129	36	246	165
Profit before income tax and amortisation	634	768	854	649	1,402	1,503
Income tax expense	(108)	(220)	(211)	(173)	(328)	(384)
Profit after income tax (before amortisation)	526	548	643	476	1,074	1,119
Non-controlling interests	(45)	(32)	(19)	(60)	(77)	(79)
Profit after income tax and non-controlling interests (before amortisation)	481	516	624	416	997	1,040
Amortisation and impairment	(29)	(30)	(65)	(28)	(59)	(93)
Profit attributable to IAG shareholders from continuing operations	452	486	559	388	938	947
Net (loss) after tax from discontinued operations	(6)	(3)	(8)	(16)	(9)	(24)
Profit attributable to IAG shareholders	446	483	551	372	929	923
Insurance Ratios - Continuing Business	1H17	2H17	1H18	2H18	FY17	FY18
Loss ratio	61.7%	62.3%	60.1%	60.3%	62.0%	60.2%
Immunised loss ratio	63.9%	61.4%	60.9%	60.1%	62.6%	60.5%
Expense ratio	25.0%	25.7%	25.0%	23.9%	25.3%	24.5%
Commission ratio	9.3%	9.6%	9.3%	9.1%	9.4%	9.2%
Administration ratio	15.7%	16.1%	15.7%	14.8%	15.9%	15.3%
Combined ratio	86.7%	88.0%	85.1%	84.2%	87.3%	84.7%
Immunised combined ratio	88.9%	87.1%	85.9%	84.0%	87.9%	85.0%
Reported insurance margin	14.1%	16.9%	17.9%	18.9%	15.5%	18.3%
Underlying insurance margin	13.0%	11.7%	13.0%	15.4%	12.4%	14.1%
Key Financial Metrics (Total Operations)	1H17	2H17	1H18	2H18	FY17	FY18
Reported ROE (average equity) (% pa)	13.7%	14.9%	16.8%	11.2%	14.3%	14.0%
Cash ROE (average equity) (% pa)	14.8%	15.8%	19.1%	12.2%	15.2%	15.6%
Basic EPS (cents)	18.61	20.45	23.32	15.75	39.03	39.06
Diluted EPS (cents)	17.92	19.70	22.60	15.58	37.72	38.30
Cash EPS (cents)	19.98	21.64	26.66	17.11	41.60	43.78
Diluted Cash EPS (cents)	19.19	20.80	25.73	16.86	40.13	42.75
DPS (cents)	13.00	20.00	14.00	20.00	33.00	34.00
Probability of adequacy	90%	90%	90%	90%	90%	90%
CET1 multiple	1.09	1.09	1.19	1.26	1.09	1.26
PCA multiple	1.81	1.70	1.81	2.03	1.70	2.03

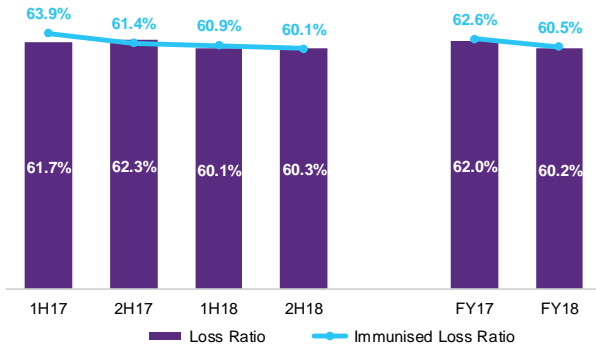
KEY FOREIGN EXCHANGE RATES APPLIED

	Balance Sheet (spot rate)		Income Statement (average rate)	
	FY17	FY18	FY17	FY18
New Zealand dollar	1.0488	1.0929	1.0582	1.0846
Malaysian ringgit	3.2964	2.9868	3.2268	3.1526
Indian rupee	49.6278	50.6073	50.0751	50.4286

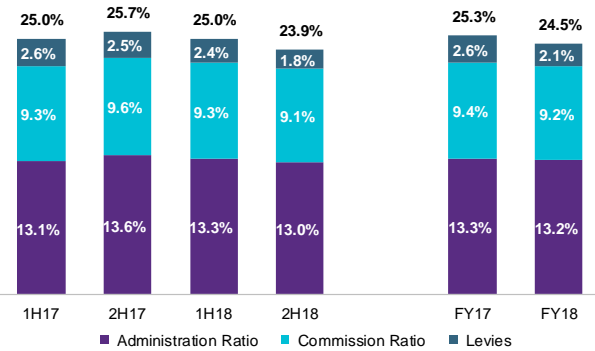
5. GROUP RESULTS

INSURANCE RATIOS

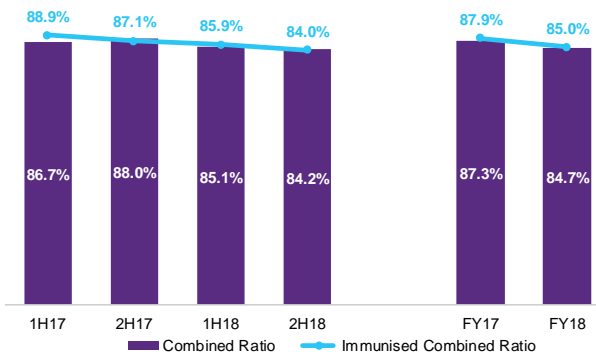
LOSS RATIO



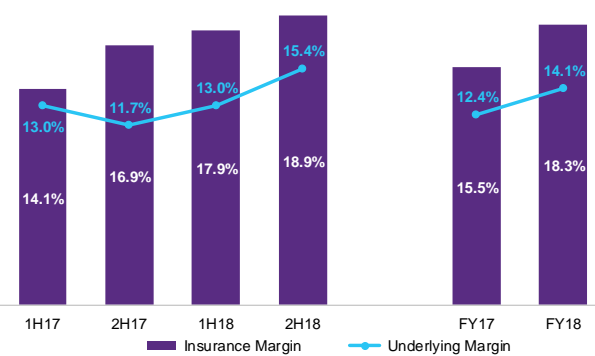
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



PREMIUMS

In FY18 IAG's total GWP amounted to \$11,647m, an increase of 1.8%. Like-for-like growth was over 4%, after allowing for:

- Significantly lower premium from NSW CTP, where rate reductions and premium refunds from scheme reform reduced GWP by ~\$190m;
- An ~\$40m reduction in GWP from exiting motor dealership and motorcycle activities within Swann Insurance in Australia; and
- An adverse foreign exchange movement in respect of New Zealand, which reduced reported GWP by over \$60m compared to FY17.

The reintroduction of ESL in NSW had a negligible impact on annual GWP, with a reduction of nearly \$50m in 1H18 countered by an opposing effect of similar magnitude in 2H18. ESL is not expected to cause any significant change to reported GWP in FY19.

Underlying GWP growth in FY18 amounted to roughly \$500m, driven by:

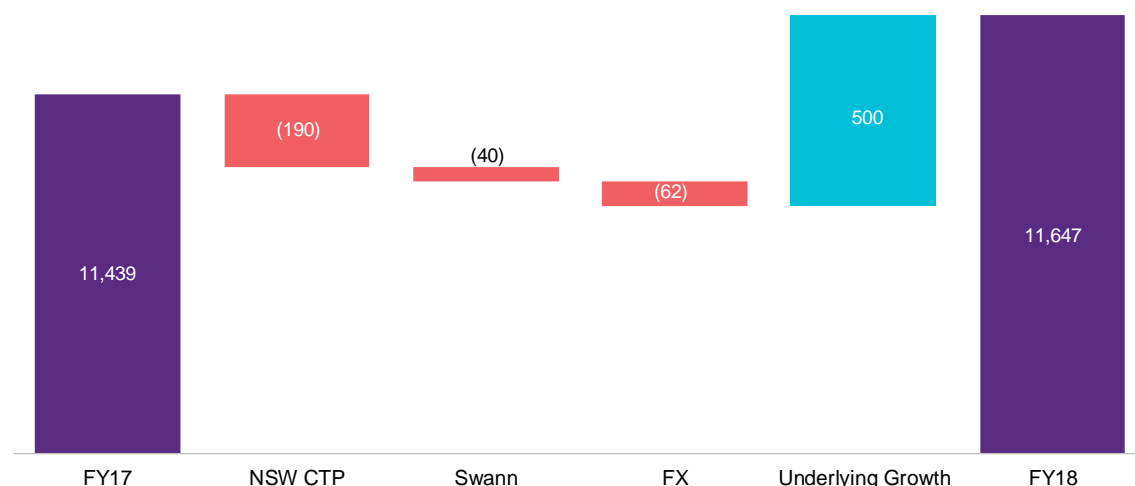
- Mid-single-digit rate increases in short tail motor and home; and
- Ongoing average rate increases in short tail commercial lines, offset by some volume loss.

These factors applied to both Australia and New Zealand.

Like-for-like GWP growth of over 4% in FY18, fuelled by rate increases in short tail personal and commercial lines

5. GROUP RESULTS

GWP – FY18 VS. FY17 (A\$M)



INSURANCE MARGIN

IAG's underlying insurance margin was 14.1%, compared to 12.4% in FY17. Part of the increase is attributable to the new quota share agreements entered into from 1 January 2018 for 12.5% of the consolidated business, which served to raise the margin by approximately 125bps in FY18 and 250bps in 2H18.

Other features of the net improvement in underlying margin were:

- Rate-driven growth in earned premium from past and ongoing pricing initiatives, covering short tail personal and commercial classes in both Australia and New Zealand;
- Related alleviation of claim cost pressures, notably in short tail motor, as rate increases at least matched increases in average claim costs;
- A reduction in large loss experience in Australian commercial property, following the heightened severity witnessed in 2H17;
- Maintenance of the improved CTP profitability seen in 2H17, as initial reform measures in the NSW market reduced claims frequency; and
- The absorption of approximately \$10m of Royal Commission-related costs in 2H18.

IAG's underlying margin is its reported insurance margin adjusted for:

- Net natural peril claim costs less related allowance for the period;
- Reserve releases in excess of 1% of NEP; and
- Credit spread movements.

A higher reported margin of 18.3% (FY17: 15.5%) resulted from the combination of the new quota share agreements in 2H18 and a near-11% increase in insurance profit, to \$1,407m (FY17: \$1,270m). The latter included:

- A favourable net natural peril experience, assisted by the use of reinsurance protection in 1H18, which saw related claim costs fall below allowance by \$84m. This was in contrast to the overrun against allowance of \$138m in FY17;
- Lower net prior period reserve releases of \$305m (FY17: \$456m), which represented 4.0% of NEP (FY17: 5.6%); and
- A similarly favourable credit spread impact of \$14m (FY17: \$20m).

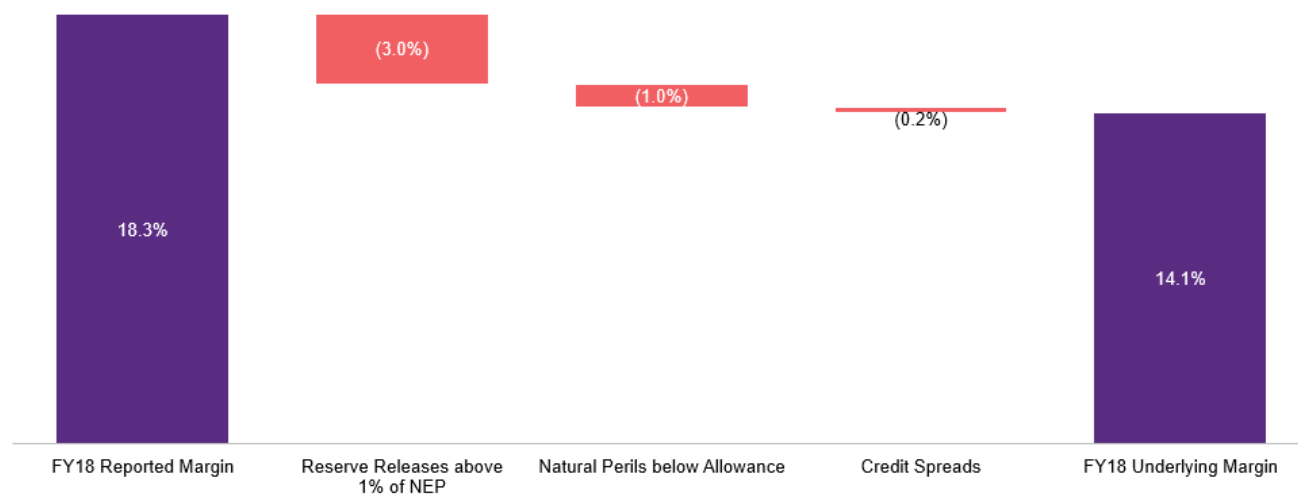
Improved underlying margin of 14.1%, assisted by increased quota share effect

Reported margin of 18.3%, including favourable perils outcome and higher than expected reserve releases

5. GROUP RESULTS

The reported margin was slightly above IAG's market guidance of 16-18%, owing to better than expected peril and reserve release outcomes.

GROUP INSURANCE MARGIN – REPORTED VS. UNDERLYING



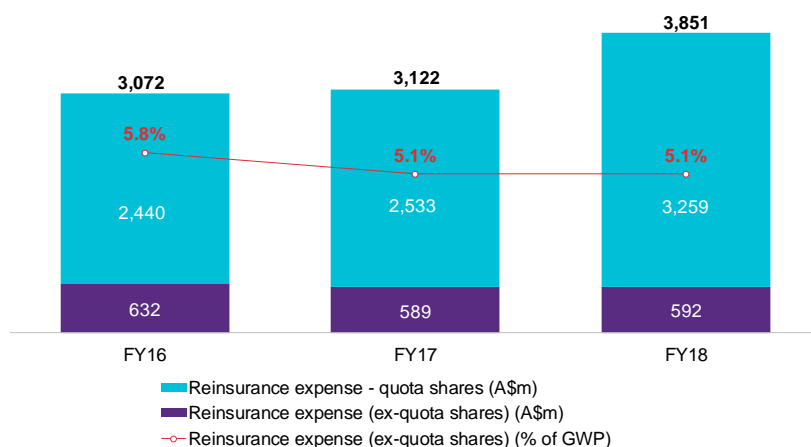
INSURANCE MARGIN IMPACTS	1H17	2H17	1H18	2H18	FY17	FY18
Continuing Business	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Reserve releases	159	297	122	183	456	305
Natural perils	(420)	(396)	(262)	(279)	(816)	(541)
Natural peril allowance	339	339	339	286	678	625
Credit spreads	5	15	47	(33)	20	14
Reserve releases	3.9%	7.3%	2.9%	5.2%	5.6%	4.0%
Natural perils	(10.2%)	(9.7%)	(6.3%)	(8.0%)	(10.0%)	(7.1%)
Natural peril allowance	8.2%	8.3%	8.1%	8.2%	8.3%	8.1%
Credit spreads	0.1%	0.4%	1.1%	(0.9%)	0.2%	0.2%

REINSURANCE EXPENSE

The total reinsurance expense includes the cost of all covers purchased, including catastrophe, casualty, facultative and proportional protection.

Minor increase in underlying reinsurance expense

REINSURANCE EXPENSE



5. GROUP RESULTS

The FY18 expense of \$3,851m compares to \$3,122m in FY17. The 23.4% increase was predominantly a function of the additional quota share arrangements entered into from 1 January 2018, covering 12.5% of the consolidated business.

A minor increase in underlying reinsurance expense occurred from a mixture of influences, including aggregate growth and increased cover. The amalgam of calendar 2017 catastrophe cover rates (affecting 1H18) and those for calendar 2018 (2H18) was broadly neutral, compared to FY17.

CLAIMS

A lower immunised loss ratio of 60.5% (FY17: 62.6%) contained:

- Significantly lower net natural peril claim costs, \$275m below those incurred in FY17;
- A greater than \$150m reduction in net prior period reserve releases; and
- An improved underlying claims performance, as rate increases addressed short tail claim inflation issues and some abatement of large losses in Australian commercial property was experienced.

The FY18 reported loss ratio was 60.2% (FY17: 62.0%). In addition to reserve release and peril movements, this included a reduced favourable risk free discount rate adjustment of \$26m (after inclusion of foreign exchange effects), down from \$52m in FY17.

Reserve Releases

The FY18 net claims expense includes \$305m of prior period reserve releases, equivalent to 4.0% of NEP (FY17: 5.6%), compared to IAG's updated FY18 guidance of around 3% of NEP provided in February 2018.

The higher than anticipated outcome reflects:

- A continuation of particularly benign inflationary conditions influencing releases from long tail CTP and commercial classes, predominantly from 2016 and prior accident years; and
- A net \$39m of reserve strengthening in New Zealand, primarily from a mixture of professional indemnity and prior year storm cost development factors, as identified in 1H18.

RESERVE RELEASES	1H17	2H17	1H18	2H18	FY17	FY18
Continuing Business	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Reserve releases	159	297	122	183	456	305
Impact on insurance margin	3.9%	7.3%	2.9%	5.2%	5.6%	4.0%

As embodied in its underlying margin definition, it remains IAG's belief that long term reserve releases of around 1% of NEP are a recurring feature of its reported operating results in benign inflationary periods. This reflects IAG's approach to reserving, with long term inflation assumptions tending to be in excess of actual experience in most years.

In the shorter term, however, it is IAG's expectation that the relative absence of inflation will persist, causing guidance of reserve releases of around 2% of NEP in FY19.

Natural Perils

Net natural peril claim costs in FY18 were \$541m, which was \$84m lower than the allowance for the year. This contrasts with a net overrun against allowance of nearly \$140m in FY17. The net effect of natural perils (after allowance) was a favourable margin movement of 270bps compared to FY17.

Lower loss ratio driven by relatively benign net natural perils experience

Higher than expected reserve releases – 4.0% of NEP

Net natural peril claim costs \$84m below allowance

5. GROUP RESULTS

NATURAL PERILS	1H17	2H17	1H18	2H18	FY17	FY18
Continuing Business	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Net natural peril claim costs	(420)	(396)	(262)	(279)	(816)	(541)
Natural peril allowance	339	339	339	286	678	625
Impact on insurance margin	(81)	(57)	77	7	(138)	84
Impact on insurance margin	(2.0%)	(1.4%)	1.8%	0.2%	(1.7%)	1.0%

FY18 benefited from over \$120m of reinsurance protection under the calendar 2017 aggregate cover. This limited IAG's exposure to \$20m on five individual events in 1H18, most notably the Melbourne hailstorm in December 2017.

FY18 NATURAL PERIL COSTS BY EVENT	A\$m
Queensland and NSW thunderstorms (October 2017)*	20
NSW storms and New Zealand South Island low (November 2017)*	20
Melbourne hailstorm (December 2017)*	20
Severe thunderstorms - SE Queensland, NE NSW (December 2017)*	20
Severe thunderstorms - Queensland and NSW (December 2017)*	20
Ex-Tropical Cyclone Fehi - New Zealand (January 2018)	16
NSW (Tathra) and SW Victoria bushfires (March 2018)	29
SE Australia (Nelson Bay) hail and windstorm (April 2018)	19
Broad low pressure system - New Zealand (April 2018)	20
Other events (<\$15m)	357
Total	541

* Net of reinsurance recoveries

FY17 net natural peril claim costs included over \$400m from the combination of three major events:

- The Kaikoura earthquake in New Zealand in November 2016;
- The Northern Sydney hailstorm in February 2017; and
- Tropical Cyclone Debbie in March 2017.

Attritional events (below \$15m in size) in FY18 amounted to \$357m, compared to just over \$300m in FY17.

EXPENSES

Total net operating expenses (commission and underwriting) were \$1,877m, compared to \$2,079m in FY17. On a pre-quota share basis, gross expenses were marginally lower, despite absorbing approximately \$10m of Royal Commission-related costs in 2H18.

Small improvement in expense ratio

The reported expense ratio improved to 24.5% (FY17: 25.3%), while on an ex-leaves basis the administration ratio was 13.2% (FY17: 13.3%). A lower reported commission ratio of 9.2% (FY17: 9.4%) was influenced by a relatively lower proportion of intermediated business, particularly in commercial lines.

EXPENSES	1H17	2H17	1H18	2H18	FY17	FY18
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Gross commission expense	486	499	491	479	985	970
Gross underwriting expense	883	898	893	894	1,781	1,787
Total gross expenses	1,369	1,397	1,384	1,373	2,766	2,757
Reinsurance commission revenue	(340)	(347)	(344)	(536)	(687)	(880)
Total net expenses	1,029	1,050	1,040	837	2,079	1,877

5. GROUP RESULTS

OPTIMISATION PROGRAM

IAG's optimisation program continues to progress in line with plan, with related implementation costs borne 'above-the-line'. The FY18 results included a broadly neutral financial impact from this program, in line with original expectations.

It remains IAG's expectation that meaningful net benefits will emerge in FY19 and beyond, with a net pre-tax benefit of approximately \$100m anticipated in FY19.

At the commencement of the optimisation program, based on FY16, IAG identified a total controllable expense base of approximately \$2.5bn (~\$1.6bn of underwriting expenses, ~\$0.7bn of claims handling expenses and ~\$0.2bn of fee based expenses) and a targeted run rate reduction of 10%, or approximately \$250m, expected to be achieved on exiting FY19.

Since FY16, IAG's total controllable expense base starting point has effectively reduced by approximately \$70m, owing to a number of business mix changes. Most notable amongst these are:

- The agreed sale of consolidated operations in Thailand, Indonesia and Vietnam. These have been excluded from continuing business for accounting purposes and the related transactions are expected to complete in FY19; and
- The decision to cease the role of agent in the NSW workers' compensation scheme from 31 December 2017.

IAG continues to target a \$250m reduction in its controllable cost base and anticipates reaching the targeted run rate on exiting FY19.

INVESTMENT INCOME ON TECHNICAL RESERVES

Investment income on technical reserves for FY18 was \$230m, compared to \$232m in FY17. This outcome includes:

- An unrealised capital loss of \$14m, compared with an equivalent loss of nearly \$50m in FY17;
- A similarly positive contribution of \$14m from the narrowing of credit spreads to FY17 (\$20m); and
- An adverse foreign exchange impact of \$12m, primarily from the hedge associated with reinsurance recoveries held by the Singapore-based captive in respect of the New Zealand earthquakes in FY11. The equivalent impact in FY17 was a minor negative.

After allowance for the factors outlined above, the average yield achieved in FY18 was slightly higher than that of FY17. The portfolio is aligned with the average weighted duration of IAG's claims liability, of around two years.

NET CORPORATE EXPENSE

The main contributory factor to the net corporate expense of \$9m pre-tax was the loss on sale of the retail warranty business in 2H18.

Optimisation tracking to plan – neutral impact in FY18

Slightly higher average yield on technical reserves

5. GROUP RESULTS

SHARE OF ASSOCIATES

The combined contribution from associates was a profit of \$34m (FY17: \$21m), largely derived from IAG's interests in Malaysia and India.

Share of associates largely from Malaysia and India

	1H17 A\$m	2H17 A\$m	1H18 A\$m	2H18 A\$m	FY17 A\$m	FY18 A\$m
SHARE OF PROFITS FROM ASSOCIATES						
Malaysia	10	18	13	27	28	40
India	6	8	11	(1)	14	10
Asia development costs	(7)	(13)	(7)	(11)	(20)	(18)
Other	-	(1)	2	-	(1)	2
Total share of profits from associates	9	12	19	15	21	34

Malaysia

IAG owns 49% of AmGeneral Holdings Berhad, the general insurance arm of AmBank Group, Malaysia's sixth largest bank. Established in 2006, the joint venture became the largest motor insurer in Malaysia following the acquisition of Kurnia Insurans (Malaysia) Berhad in September 2012. Since March 2013, the business has operated as AmGeneral Insurance Berhad using two market-leading brands, AmAssurance and Kurnia.

Improved Malaysian margin helped by higher reserve releases

AMGENERAL	1H17	2H17	1H18	2H18	FY17	FY18
Financial Performance	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Gross written premium	245	239	216	250	484	466
Gross earned premium	251	238	231	245	489	476
Reinsurance expense	(20)	(23)	(18)	(22)	(43)	(40)
Net earned premium	231	215	213	223	446	436
Net claims expense	(154)	(134)	(134)	(105)	(288)	(239)
Commission and underwriting expenses	(77)	(74)	(74)	(74)	(151)	(148)
Underwriting profit	-	7	5	44	7	49
Investment income on technical reserves	15	18	17	17	33	34
Insurance profit	15	25	22	61	40	83
Net profit after tax	20	37	26	56	57	82
Net profit after tax - IAG's share (49%)	10	18	13	27	28	40
Insurance Ratios						
Loss ratio	66.7%	62.4%	63.2%	47.1%	64.6%	54.8%
Expense ratio	33.3%	34.5%	34.5%	33.2%	33.9%	34.0%
Combined ratio	100.0%	96.9%	97.7%	80.3%	98.5%	88.8%
Insurance margin	6.5%	11.5%	10.4%	27.4%	8.9%	19.0%

AmGeneral's GWP contracted by 3.7% in FY18 and 5.8% in local currency terms. The decline was largely attributable to intense pricing competition following market liberalisation of motor and fire insurance, coupled with the impact of lower volumes from stricter underwriting and risk selection to address the less profitable segments of AmGeneral's motor book.

AmGeneral's FY18 insurance margin of 19.0% was significantly higher than FY17 (8.9%), reflecting the combination of:

- Reduced NEP from lower average premiums and motor volumes;
- Effective pricing actions and portfolio management;
- Higher bodily injury-related prior period reserve releases, particularly in 2H18; and
- Increased marketing expenses.

5. GROUP RESULTS

India

IAG owns a 26% interest in SBI General Insurance Company (SBI General), a joint venture with State Bank of India (SBI), India's largest bank. SBI General commenced underwriting in April 2010 and is building a portfolio with a presence in the retail, SME and corporate markets across India, with access to SBI's extensive bancassurance channel.

SBI General has continued to grow strongly, generating FY18 GWP equivalent to \$773m, an increase of nearly 40% over FY17. Local currency GWP growth was of similar magnitude. SBI General is now the eleventh largest general insurer in India, with an overall market share of 3.2% as at 31 May 2018.

India continues to generate very strong GWP growth

SBI GENERAL	1H17	2H17	1H18	2H18	FY17	FY18
Financial Performance	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Gross written premium	254	299	369	404	553	773
Gross earned premium	274	250	443	355	524	798
Reinsurance expense	(124)	(95)	(253)	(143)	(219)	(396)
Net earned premium	150	155	190	212	305	402
Net claims expense	(116)	(106)	(137)	(162)	(222)	(299)
Commission and underwriting expenses	(63)	(52)	(32)	(60)	(115)	(92)
Underwriting profit	(29)	(3)	21	(10)	(32)	11
Investment income on technical reserves	37	24	12	11	61	23
Insurance profit	8	21	33	1	29	34
Net profit/(loss) after tax	21	32	41	(3)	53	38
Net profit/(loss) after tax - IAG's share (26%)	6	8	11	(1)	14	10
Insurance Ratios	1H17	2H17	1H18	2H18	FY17	FY18
Loss ratio	77.3%	68.5%	72.3%	76.4%	72.9%	74.4%
Expense ratio	42.0%	33.6%	16.9%	28.3%	37.7%	22.9%
Combined ratio	119.3%	102.1%	89.2%	104.7%	110.6%	97.3%
Insurance margin	5.3%	13.4%	17.4%	0.5%	9.4%	8.5%

FY18 GWP growth was driven by increased health insurance and personal accident sales through the SBI bank channel. Strong motor growth and higher crop insurance volumes were additional factors.

SBI General reported an insurance profit of \$34m in FY18 (FY17: \$29m). This improved outcome comprised the net effect of:

- A relatively benign monsoon season in FY18, reducing seasonal losses;
- A favourable one-off effect of around \$30m from the finalisation of a reinsurance treaty for the long term home portfolio, as recognised in 1H18;
- An improved expense ratio from the benefit of increased scale; and
- Lower investment income due to an unfavourable mark-to-market movement in technical reserves income.

SBI General's net profit after tax was \$38m (FY17: \$53m), of which IAG's share is approximately \$10m. This included an unfavourable mark-to-market movement in shareholders' funds income.

5. GROUP RESULTS

INVESTMENT INCOME ON SHAREHOLDERS' FUNDS

Investment income on shareholders' funds was a profit of \$165m, a reduction of 33% compared to FY17 (\$246m). This included more modest equity market returns compared to FY17, particularly in 2H18.

In 2H18 the broader Australian index (S&P ASX200 Accumulation) delivered a positive return of 4.3% (FY18: 13.0%) and the MSCI World Total Return Index (AUD Hedged) 1.4% (FY18: 11.5%).

At 30 June 2018, the weighting to defensive assets (fixed interest and cash) within shareholders' funds was 57%, compared to 47% at 1H18. Increased funds in 2H18, including those derived from the \$350m subordinated note issue in March 2018, were directed towards fixed interest and cash, alongside some reduction in equity exposures.

TAX EXPENSE

IAG reported a tax expense of \$384m in FY18 (FY17: \$328m), representing an effective tax rate (pre-amortisation and impairment) of 25.5% (FY17: 23.4%).

Contributory elements reconciling the FY18 effective tax rate to the Australian corporate rate are:

- Differences in tax rates applicable to IAG's foreign operations, principally in New Zealand, Singapore and Malaysia; and
- Franking credits generated from IAG's investment portfolio.

NON-CONTROLLING INTERESTS

The \$79m non-controlling interests in IAG's profit compares to \$77m in FY17. The vast majority of the non-controlling interests is attributable to RACV's 30% interest in Insurance Manufacturers of Australia Pty Limited (IMA), whose short tail business lines in NSW, Victoria and the ACT form part of the Australia Division.

The non-controlling interests reflect similar IMA results in both FY17 and FY18, although movements between individual six-monthly periods are more pronounced and were influenced by the timing of net natural peril claim costs and related reinsurance recoveries. IMA purchases its reinsurance cover on a financial year basis, as opposed to IAG's calendar year approach.

DISCONTINUED OPERATIONS

On 19 June 2018 IAG announced it had entered sale agreements covering its consolidated operations in Thailand, Indonesia and Vietnam. In accordance with accounting standard requirements, the post-tax contribution from these operations has been identified as a single line item in the statement of comprehensive income and designated 'discontinued operations'. The reclassification requirement also applies to the prior financial period.

The combined loss from discontinued operations was \$24m, compared to \$9m in FY17. The increased loss includes a portion of the writedown of Asian assets recognised in 1H18, as well as costs in 2H18 that related to the strategic review process which culminated in the agreed sale of these assets.

Lower shareholders' funds income includes more modest equity market returns in 2H18

Higher effective tax rate of 25.5%

Non-controlling interests reflect similar IMA result to FY17

Loss from discontinued Asian operations includes portion of writedown recognised in 1H18

5. GROUP RESULTS

EARNINGS PER SHARE

Diluted cash earnings per share (cash EPS) in FY18 was 42.75 cents per share (cps), an increase of 6.5% compared to FY17. Reported earnings per share (EPS) in FY18 was 39.06 cents per share (cps), which was fractionally higher than FY17, and on a diluted basis was 38.30cps (FY17: 37.72cps).

6.5% increase in diluted cash EPS to 42.75 cents

FY18 basic EPS was calculated on lower weighted average equity on issue (excluding treasury shares) of approximately 2,363m shares (FY17: ~2,380m shares), reflecting the full impact of the off-market buyback which was completed in 1H17. Diluted EPS was based on nearly 2,510m shares after allowance for potential equity issuance from hybrid debt conversion (FY17: ~2,560m shares).

	Shares (m)
ORDINARY ISSUED CAPITAL	
Balance at the beginning of the financial year	2,367.5
Balance at the end of the financial year	2,367.5
Average weighted shares on issue	2,367.5
Less: Treasury shares held in trust	(4.5)
Average weighted shares on issue - basic EPS	2,363.0
Add: Treasury shares held in trust	4.5
Add: Potential dilutionary issues from hybrid debt instruments	142.0
Average weighted potential shares on issue - diluted EPS	2,509.5

Cash earnings are used for targeted ROE and dividend payout policy purposes, and are defined as:

- Net profit after tax attributable to IAG shareholders;
- Plus amortisation and impairment of acquired identifiable intangibles; and
- Excluding any unusual items.

Cash earnings of \$1,034m increased by 4.5% over FY17.

	FY18 A\$m
CASH EARNINGS	
Net profit after tax	923
Acquired intangible amortisation and impairment	107
Unusual items:	
- Corporate expenses	9
- Tax effect on corporate expenses	(5)
Cash earnings	1,034
Dividend payable	805
Cash payout ratio	77.9%

DIVIDEND

The Board has determined to pay a final fully franked dividend of 20.0 cents per share (2H17: 20.0cps). This brings the full year dividend to 34.0 cents per share fully franked (FY17: 33.0cps), an increase of 3.0%.

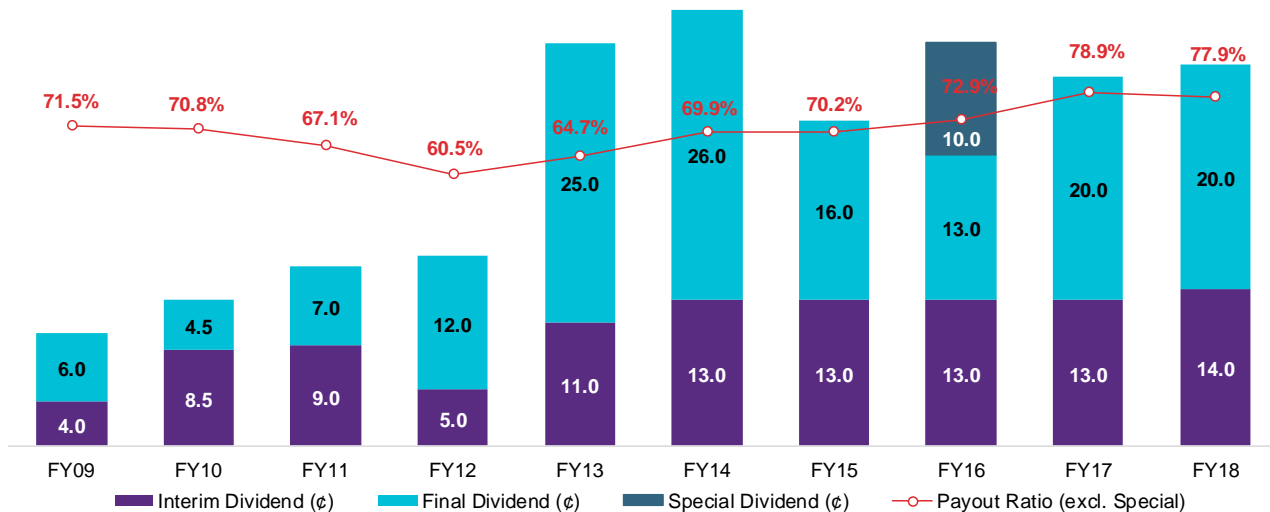
3.0% increase in full year dividend – 77.9% of cash earnings

The final dividend is payable on 27 September 2018 to shareholders registered as at 5pm Australian Eastern Standard Time (AEST) on 22 August 2018.

The full year dividend equates to a payout ratio of 77.9% of cash earnings, and is in accordance with IAG's dividend policy to pay out 60-80% of cash earnings in any financial year.

5. GROUP RESULTS

DIVIDEND HISTORY – FY09-FY18



As at 30 June 2018, and after allowance for payment of the final dividend, IAG's franking balance was \$100m, giving it the capacity to fully frank a further \$234m of distributions. IAG's franking balance includes its 70% entitlement to franking held by IMA, which at 30 June 2018 amounted to \$164m.

The dividend reinvestment plan (DRP) will operate for the final dividend for shareholders registered for the DRP as at 5pm on 23 August 2018. The issue price per share for the final dividend will be the Average Market Price as defined in the DRP terms, and there will be no discount for participants. Shares allocated under the DRP will be purchased on-market. Information about IAG's DRP is available at:

<http://www.iag.com.au/shareholder-centre/dividends/reinvestment>

The DRP will also operate for the special dividend component of the capital management initiative planned for late November 2018, which is subject to shareholder approval.

IAG's franking credit balance has reduced in recent years, owing to past capital management measures and the move to a higher dividend payout policy. Following the special dividend component of the initiative planned to occur in November 2018, it is anticipated that IAG's franking balance will further reduce. As a result, it is IAG's current expectation that it may not be in a position to fully frank distributions on its securities from the second half of calendar 2019 onwards, with franking from that date expected to be in the range of 70% to 100%.

RETURN ON EQUITY

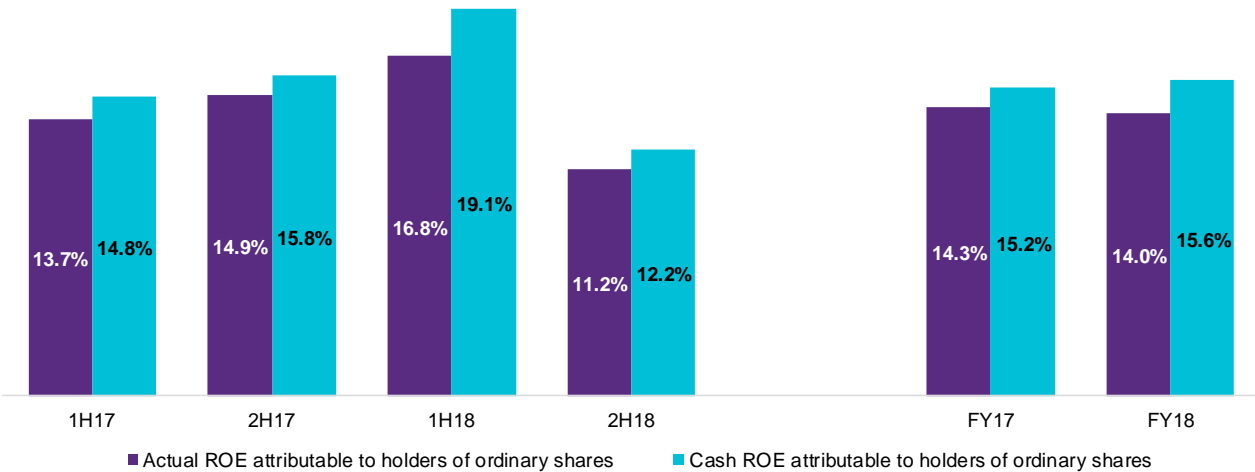
IAG targets a cash ROE of at least 1.5 times its weighted average cost of capital (WACC) on a through-the-cycle basis. This return is based on net profit after tax attributable to IAG shareholders, adjusted for amortisation and impairment of acquired identified intangibles and unusual items.

IAG's current long term cost of capital is approximately 10%, equating to a cash ROE target of approximately 15%. In FY18, IAG reported a cash ROE of 15.6% (FY17: 15.2%).

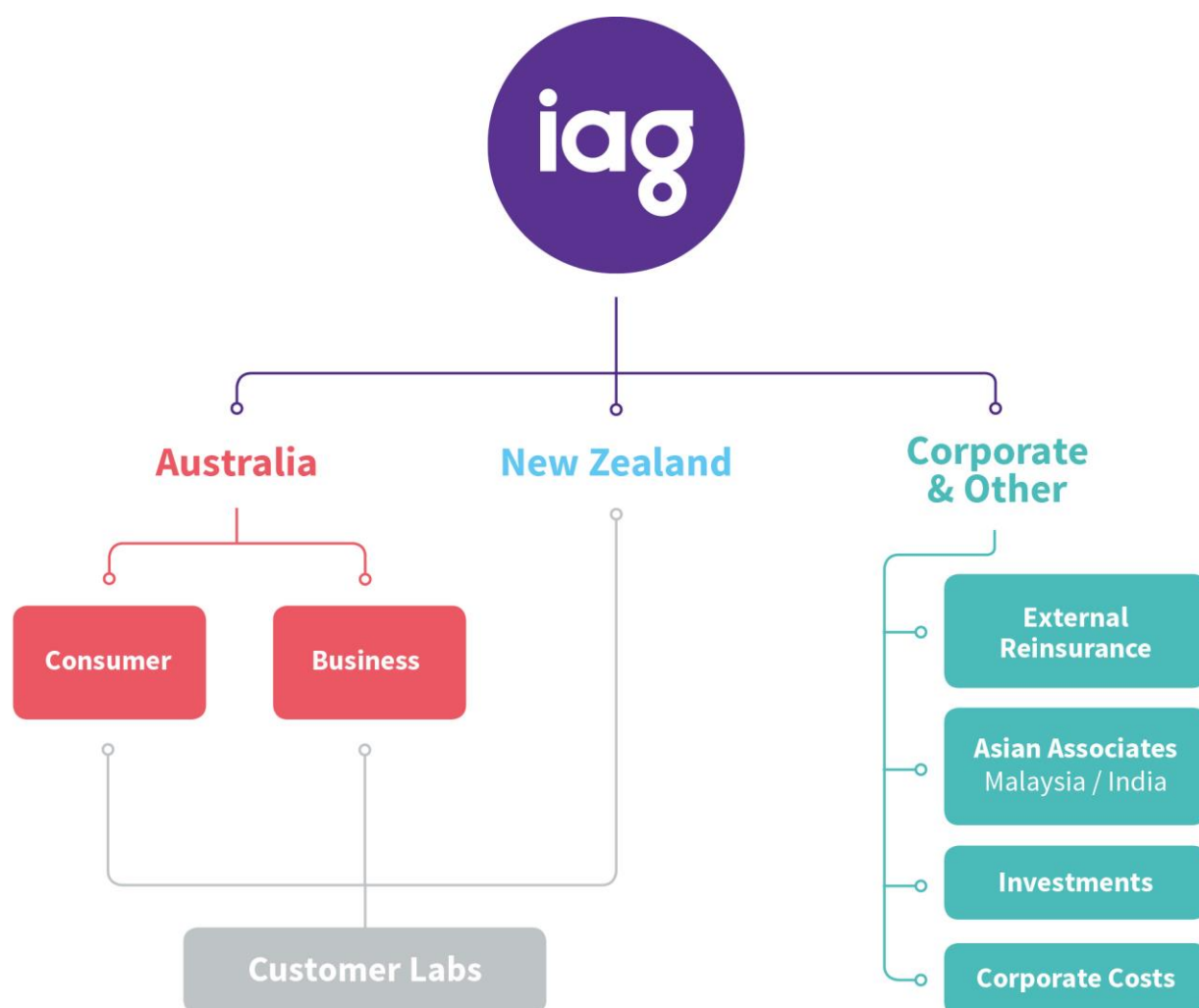
Cash ROE of 15.6%

5. GROUP RESULTS

RETURN ON EQUITY (ANNUALISED)



6. FY18 SEGMENT OVERVIEW



FY18 DIVISIONAL FINANCIAL PERFORMANCE

	Australia A\$m	Consumer A\$m	Business A\$m	New Zealand A\$m	Corporate & Other A\$m	Total Continuing A\$m
Gross written premium	9,144	6,214	2,930	2,486	17	11,647
Gross earned premium	9,131	6,127	3,004	2,374	17	11,522
Reinsurance expense	(3,047)	(2,086)	(961)	(794)	(10)	(3,851)
Net earned premium	6,084	4,041	2,043	1,580	7	7,671
Net claims expense	(3,631)	(2,416)	(1,215)	(975)	(11)	(4,617)
Commission expense	(529)	(228)	(301)	(175)	(3)	(707)
Underwriting expense	(949)	(564)	(385)	(221)	-	(1,170)
Underwriting profit/(loss)	975	833	142	209	(7)	1,177
Investment income on technical reserves	215	138	77	9	6	230
Insurance profit/(loss)	1,190	971	219	218	(1)	1,407
Profit/(loss) from fee based business	(5)	-	(5)	-	(7)	(12)
Share of profit from associates	2	-	2	-	32	34
Total divisional results	1,187	971	216	218	24	1,429

Insurance Ratios

Loss ratio	59.7%	59.8%	59.5%	61.7%		60.2%
Expense ratio	24.3%	19.6%	33.5%	25.1%		24.5%
Commission ratio	8.7%	5.6%	14.7%	11.1%		9.2%
Administration ratio	15.6%	14.0%	18.8%	14.0%		15.3%
Combined ratio	84.0%	79.4%	93.0%	86.8%		84.7%
Insurance margin	19.6%	24.0%	10.7%	13.8%		18.3%
Underlying insurance margin	12.9%	15.5%	7.8%	17.6%		14.1%

7. AUSTRALIA

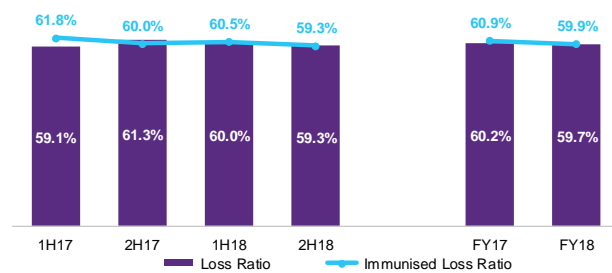
FINANCIAL PERFORMANCE

AUSTRALIA	1H17 A\$m	2H17 A\$m	1H18 A\$m	2H18 A\$m	FY17 A\$m	FY18 A\$m
Gross written premium	4,483	4,598	4,453	4,691	9,081	9,144
Gross earned premium	4,530	4,487	4,612	4,519	9,017	9,131
Reinsurance expense	(1,254)	(1,225)	(1,285)	(1,762)	(2,479)	(3,047)
Net earned premium	3,276	3,262	3,327	2,757	6,538	6,084
Net claims expense	(1,936)	(1,998)	(1,995)	(1,636)	(3,934)	(3,631)
Commission expense	(287)	(295)	(291)	(238)	(582)	(529)
Underwriting expense	(530)	(535)	(536)	(413)	(1,065)	(949)
Underwriting profit	523	434	505	470	957	975
Investment income on technical reserves	19	169	120	95	188	215
Insurance profit	542	603	625	565	1,145	1,190
Profit/(loss) from fee based business	2	(30)	5	(10)	(28)	(5)
Share of profit/(loss) from associates	-	(1)	2	-	(1)	2
Total divisional result	544	572	632	555	1,116	1,187

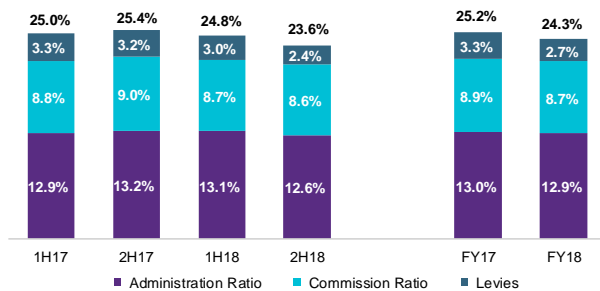
Insurance Ratios	1H17	2H17	1H18	2H18	FY17	FY18
Loss ratio	59.1%	61.3%	60.0%	59.3%	60.2%	59.7%
Immunised loss ratio	61.8%	60.0%	60.5%	59.3%	60.9%	59.9%
Expense ratio	25.0%	25.4%	24.8%	23.6%	25.2%	24.3%
Commission ratio	8.8%	9.0%	8.7%	8.6%	8.9%	8.7%
Administration ratio	16.2%	16.4%	16.1%	15.0%	16.3%	15.6%
Combined ratio	84.1%	86.7%	84.8%	82.9%	85.4%	84.0%
Immunised combined ratio	86.8%	85.4%	85.3%	82.9%	86.1%	84.2%
Reported insurance margin	16.5%	18.5%	18.8%	20.5%	17.5%	19.6%
Underlying insurance margin	12.2%	10.8%	11.4%	14.7%	11.5%	12.9%

INSURANCE RATIOS

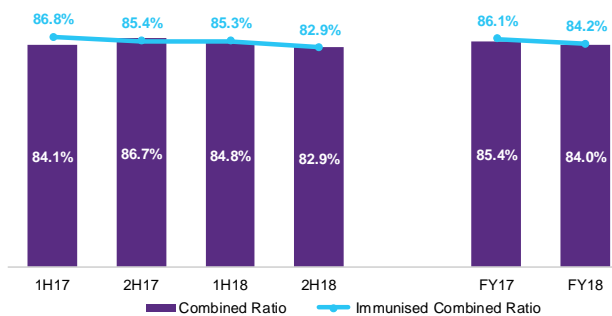
LOSS RATIO



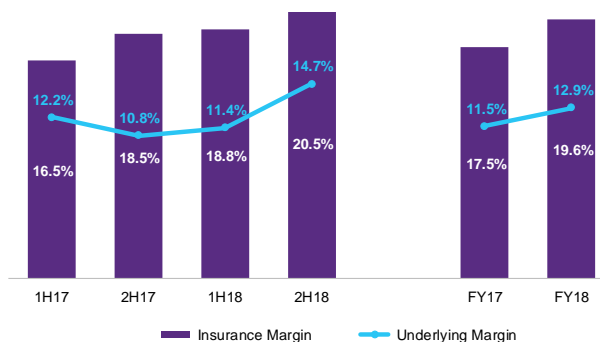
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN

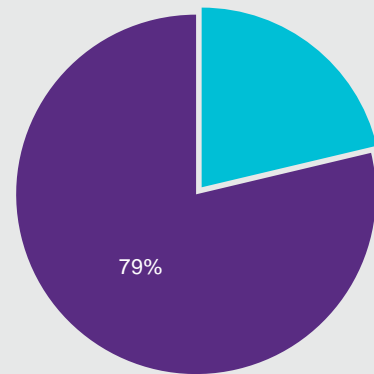


7. AUSTRALIA

EXECUTIVE SUMMARY

- IAG has leading market shares in personal and commercial insurance lines in Australia, with products sold under brands including NRMA Insurance, CGU, WFI, SGIO and SGIC
- Omni-channel offerings, through call centres, branches, digital and intermediaries: personal lines predominantly sold directly, while commercial lines mainly pass through intermediaries
- Like-for-like FY18 GWP growth of over 3%, driven by ongoing rate increases in motor, home and commercial lines
- Slightly higher reported GWP after NSW CTP reform and discontinued business impacts
- Overall underlying profitability consistent with FY17 after allowance for quota share effects, with progressive improvement from low point of 2H17
- Reported margin of 19.6% boosted by significant prior period reserve releases, a favourable perils outcome and initial 12.5% quota shares effect
- Sound GWP growth expected in FY19 – primarily rate-driven
- Positive underlying margin outlook as rate increases earn through, net cost-out benefits are realised and full year's effect of 12.5% quota shares included, with some offset from CTP

Australia - % Group GWP



PREMIUMS

Australia reported slightly higher GWP of \$9,144m (FY17: \$9,081m). Like-for-like growth was over 3% after allowance for impacts from discontinued business areas and the influence of NSW CTP reform.

The overall Australian GWP outcome includes:

- Solid rate-driven growth of over 5% in short tail motor, largely in response to claims inflation pressures;
- Home GWP growth of over 4%, as an adverse ESL effect in 1H18 fully unwound in 2H18;
- Ongoing average rate momentum of ~5% in commercial lines, as targeted increases were applied in most classes;
- An ~\$40m reduction in GWP from exiting motor dealership and motorcycle activities; and
- Significantly lower NSW CTP GWP, with scheme reform-related reductions and premium refunds amounting to over \$190m.

On a full year basis, ESL changes had negligible impact. A reduction in ESL-related GWP of nearly \$50m in 1H18 (vs. 1H17) was countered by a similar-sized increase in 2H18 (vs. 2H17).

Consumer

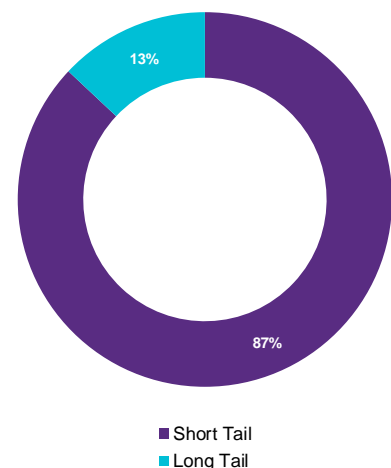
IAG is the largest personal lines insurer in Australia, offering short tail motor and home products across the country under a range of brands, as well as long tail CTP offerings in NSW, the ACT and South Australia.

Consumer GWP increased by 1.6% to \$6,214m (FY17: \$6,119m). Excluding the effect of NSW CTP-related changes, like-for-like Consumer GWP growth was over 4%.

Short tail personal lines GWP represented 87% of Consumer GWP, with 97% of this derived from motor and home classes. Compared to FY17, overall short tail GWP growth of 4.4% was predominantly rate-driven.

Like-for-like GWP increase of over 3% - ongoing rate increases in motor, home and SME

CONSUMER FY18 GWP - TAIL



7. AUSTRALIA

CONSUMER GWP	1H17	2H17	1H18	2H18	FY17	FY18	GWP Growth FY18 vs FY17
Motor	1,354	1,435	1,420	1,522	2,789	2,942	5.5%
Home	1,139	1,066	1,140	1,161	2,205	2,301	4.4%
Niche & Other	96	87	89	74	183	163	(10.9%)
Total Short Tail	2,589	2,588	2,649	2,757	5,177	5,406	4.4%
Long Tail	471	471	403	405	942	808	(14.2%)
Total GWP	3,060	3,059	3,052	3,162	6,119	6,214	1.6%

Motor GWP increased by 5.5%, compared to FY17, including slightly higher second half growth of 6.1%. The majority of this was rate-driven, as higher prices continued to be implemented to counter increased claim costs, while overall volumes were broadly in line with FY17.

Home GWP increased by 4.4%, compared to FY17, from the combination of:

- Average rate increases of over 5%, to match similar-sized claims inflation; and
- Slightly lower volumes, with growth in Victoria offset by weakness elsewhere, notably in Western Australia and NSW.

ESL-related home GWP was similar to FY17, however individual halves were distorted by ESL's reintroduction from August 2017 onwards. Lower ESL collection in 1H18 translated to flat reported home GWP in that period, before recording apparent growth of nearly 9% in 2H18 as ESL collection increased. Excluding ESL effects, growth in home GWP was of a similar magnitude across the year.

Due and paid renewal levels for both motor and home have remained high, with slight improvements seen in most portfolios.

GWP from niche and other short tail lines, comprising boat, caravan, classic car, credit card, warranty and other specialty products, was nearly 11% lower than FY17. Primary drivers of this reduction were:

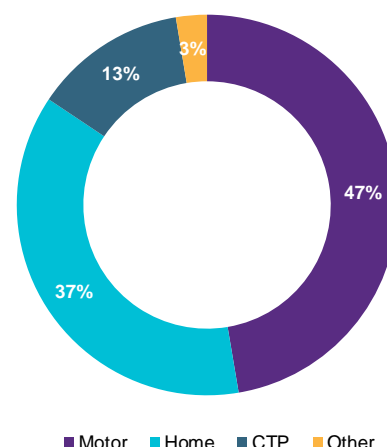
- The sale of the retail warranty business to The Warranty Group in January 2018. Related GWP was \$17m in FY18, compared to \$29m in the prior year; and
- The flow-on impact of a product restructure in consumer credit insurance enacted in 2H17, which saw both a significant price reduction and lower volumes. IAG has determined to exit consumer credit insurance from FY19. Sold through financial intermediaries, related GWP was approximately \$25m in FY18, down from \$38m in FY17.

In Consumer, the main brands' online sales channel continued to register substantial growth throughout FY18, of over 25%. NRMA Insurance conducted approximately 28% of new business sales and renewals online during FY18.

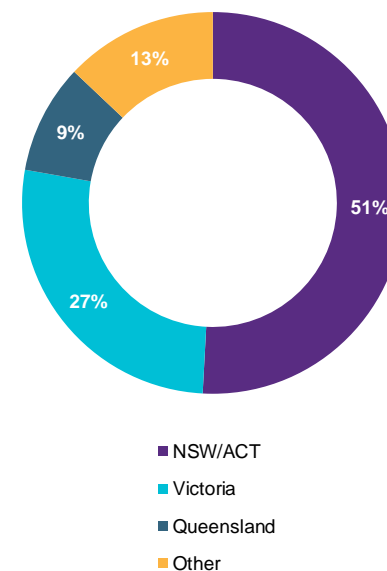
IAL (via the intermediated channel in partnership with Steadfast) continued to deliver strong growth of double digit proportions, albeit off a considerably smaller base than those of the major brands. Tougher conditions were experienced by the SGIO brand in Western Australia, where GWP was down. While Coles Insurance's GWP was slightly lower, positive margin momentum was maintained through improved risk selection and pricing.

Motor GWP growth of 5.5%, largely rate-driven

CONSUMER FY18 GWP - CLASS



CONSUMER FY18 SHORT TAIL GWP - STATE/TERRITORY



7. AUSTRALIA

Long tail (CTP) GWP decreased by over 14%, compared to FY17, largely owing to rate reductions and refunds associated with NSW scheme reform.

Changes to legal cost regulations enacted in late calendar 2016 resulted in lower claim frequency under the old NSW scheme, warranting average rate reductions of 4% in July 2017 and a further 4% in September 2017.

Broader reforms to the NSW scheme took effect from 1 December 2017. Changes in scheme design, including defined benefits for low severity injuries and access to common law for the most seriously injured, are expected to reduce future claim costs. In response, IAG reduced its average NSW CTP premiums by an additional 22% from 1 December 2017.

The combination of these rate reductions, together with refunds (\$57m in 1H18) on policies in force prior to 1 December 2017, reduced reported GWP by over \$190m, compared to FY17. A \$24m reduction in GWP was recognised in FY17 for anticipated refunds for policies on risk at 30 June 2017 which overlapped with the new scheme.

NSW CTP volumes grew by over 5% compared to FY17, as market share began to pick up towards the end of 2H17 after an extended period of deliberate reduction in exposure to less profitable business. This has seen IAG's share of NSW CTP registrations (on a 12-month rolling average basis) increase to 33.4% (FY17: 32.3%).

CTP GWP in FY18 also included:

- A 2% increase in ACT GWP, following a greater than 2% rise in volumes and a further 1% rate reduction from July 2017. IAG's share of ACT CTP registrations (on a 12-month rolling average basis) was stable at 55%; and
- An increase of over 4% in South Australian GWP, including the impact of the annual CPI rate increase of 3% implemented by the regulator on 1 July 2017. IAG's South Australian CTP market share remains fixed at 20% until FY19.

Business

IAG sells a range of commercial insurance products across Australia under the CGU, WFI, RACV, SGIO and SGIC brands, as well as niche products through brands such as Swann Insurance. IAG's Business offering has a strong SME emphasis, and a leading market share in rural areas.

BUSINESS GWP	1H17	2H17	1H18	2H18	FY17	FY18	GWP Growth FY18 vs FY17
Short Tail	1,070	1,061	1,032	1,027	2,131	2,059	(3.4%)
Long Tail	353	478	369	502	831	871	4.8%
Total GWP	1,423	1,539	1,401	1,529	2,962	2,930	(1.1%)

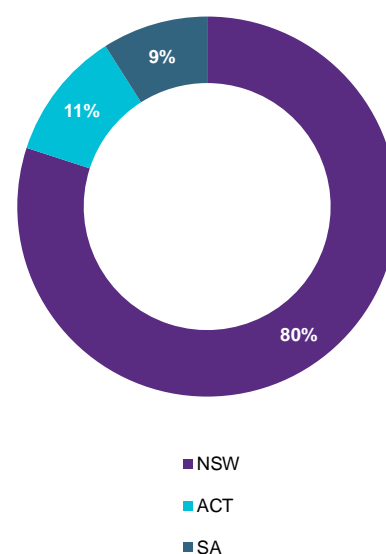
Business GWP declined by 1.1% to \$2,930m (FY17: \$2,962m). Like-for-like Business GWP was marginally higher, after allowance for discontinued Swann Insurance activities.

The overall Business GWP outcome included:

- A continuation of rate increases across most business classes;
- Remediation of the property and fleet portfolios;
- Underwriting agency-derived growth, primarily from NTI;
- Retention levels in key portfolios which were slightly lower than last year, however higher than expected;

CTP GWP reduction influenced by NSW scheme reform

CONSUMER FY18 LONG TAIL GWP – STATE/TERRITORY



7. AUSTRALIA

- Lower new business volumes; and
- An approximately \$40m reduction from divested or discontinued Swann Insurance activities.

On a full year basis, ESL-related GWP was similar to FY17. A reduction in ESL-related GWP of \$18m in 1H18 (vs. 1H17) was countered by a similar-sized increase in 2H18 (vs. 2H17).

A focus on maintaining underwriting and pricing discipline across Business segments through targeted portfolio reviews was a feature of FY18. Rate increases continued to be implemented with an average increase of around 5% during FY18. Rate movements varied by segment, with portfolios such as property and commercial motor experiencing increases of up to double digit proportions. Whilst this has helped to ensure pricing is appropriate, volumes have been adversely impacted in some portfolios.

The key June renewal period, which represents approximately 20% of Business' annual GWP, saw an average rate increase of 6% achieved across intermediated portfolios. Some larger policies within the property and fleet portfolios were exited as part of a targeted review process. For the balance, retention and new business levels held up relatively well, but were lower than those in the FY17 June renewal period.

Workers' compensation GWP grew by 4% compared to FY17, reflecting a combination of new business and rate increases. The market remains highly competitive with many competitors focused on the retention of existing business.

Packaged business GWP was slightly lower than FY17. Pricing initiatives to improve the underlying profitability of this portfolio, which commenced at the beginning of FY17, adversely impacted volumes.

The direct market continues to perform well, with volume growth of around 4% supplemented by modest rate increases. Growth was supported by CGU's marketing campaign as well as the building of increased digital capability. Direct represented over 24% of Business' GWP in FY18, with the direct digital channel seeing policy growth, albeit off a low base.

Swann Insurance divested its motor dealer, finance broker and fleet network operations at the beginning of August 2016 and ceased participation in the motorcycle dealer channel from July 2017. The combined impact on FY18 GWP was a reduction of slightly over \$40m, compared to FY17.

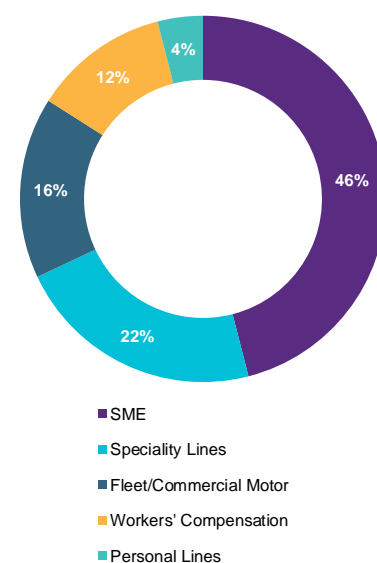
Long tail classes represented nearly 30% of Business' GWP in FY18 (FY17: 28%). The increase reflects the combination of growth across all long tail portfolios and lower short tail GWP, with the latter including the impact from Swann and rate and remediation activity.

Customer Initiatives

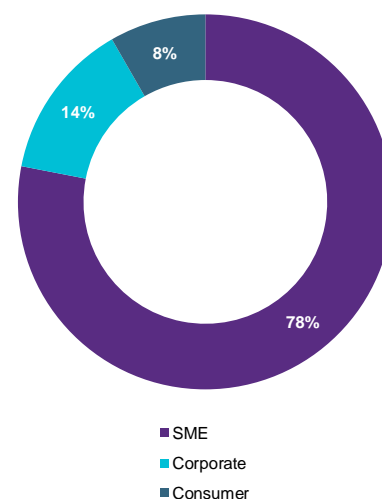
During FY18, the Australian business continued to enhance its product offering, strengthen its partnerships and improve the quality of its customer service. Additionally, the main brands advanced their digital sales and service functionality making it easier for customers to purchase insurance online. Developments included:

- The opening of the first NRMA Insurance hub in March 2018 in Liverpool (NSW), embracing immersive installations and educational zones;
- Launch of a pilot digital capability in May 2018 that provides customers throughout the motor repair process with status updates and expected completion date via email and SMS;

BUSINESS FY18 GWP - CLASS



BUSINESS FY18 GWP – MARKET SEGMENT



7. AUSTRALIA

- Inclusion of CTP in the new NRMA Insurance customer management system, enhancing the quality and efficiency of conversations with customers and providing knowledge management tools to optimise the customer experience;
- Launch of the #YouOwnIt campaign in September 2017, supporting CGU's direct business strategy, as well as generating benefits through increased brand awareness. Since the launch of the campaign, Business has expanded the service offering to cover 1,500 small business occupations, which has generated policy growth from both the call centre and digital channels;
- Launch of the CGU 'More Time' campaign aimed at small business owners and including a specialised portal which incorporates time-saving solutions through partnerships with Airtasker, Squirrel Street and Legal Access Services; and
- Continuation of the foundation partnership with Tropfest, held in February 2018. This included two short films commissioned by CGU highlighting the contributions of migrant small business owners, supporting the most recent CGU Direct marketing campaign.

The Australian brands' strong levels of service and partnership capabilities have continued to be reflected in industry recognition:

- In August 2017, NRMA Insurance was voted 'Direct General Insurance Company of the Year' in a survey by the Australian and New Zealand Institute of Insurance and Finance (ANZIIF) and Asia Insurance Review;
- In September 2017, CGU was voted 'General Insurer of the Year' for the third year in a row in the National Insurance Brokers Association Insurer Survey by Brokers;
- In May 2018, CGU was voted 'General Insurer of the Year' by a panel of industry professionals at the inaugural Insurance Business Awards; and
- In June 2018, CGU was voted '2018 Insurer of the Year' by Insurance Business magazine, its third win in four years.

REINSURANCE EXPENSE

Australia's reinsurance expense was \$3,047m, compared to \$2,479m in FY17. The near-23% increase comprises:

- An increase in quota share entitlements, in line with higher gross earned premium and the inception of the combined 12.5% quota share agreements from 1 January 2018; and
- A slightly higher underlying reinsurance expense, reflecting aggregate growth and increased cover.

The amalgam of calendar 2017 catastrophe cover rates (affecting 1H18) and those for calendar 2018 (2H18) was broadly neutral, compared to FY17.

CLAIMS

Australia reported a lower immunised loss ratio of 59.9% in FY18 (FY17: 60.9%). This improvement was driven by the combination of:

- Significantly lower net natural peril claim costs;
- Lower prior period reserve releases;
- An improvement in long tail portfolio current year performance, notably from CTP in the opening half of the year;
- Premium rate increases and increased utilisation of IAG's preferred repairer network countering increased average short tail claim costs, particularly in Consumer; and
- Lower large loss levels in the commercial property portfolio.

Further industry recognition for key brands

Higher reinsurance expense reflects initial effect of combined 12.5% quota shares

Premium rate increases matching short tail claim cost pressures

7. AUSTRALIA

The reported loss ratio of 59.7% was also lower than that of FY17 (60.2%), and contained a reduced favourable risk-free discount rate adjustment of \$16m, compared to \$48m in FY17.

Reserve Releases

Reserve releases of \$344m were \$114m lower than those reported in FY17 (\$458m), but remained well above long term expectations. These were predominantly sourced from the NSW CTP portfolio, as well as commercial long tail classes, and followed further favourable experience against underlying assumptions for claim size, frequency and inflation. The majority of the releases are in respect of 2016 and prior accident years.

FY18 reserve releases were 5.7% of NEP, compared to 7.0% in FY17. The equivalent figure for Consumer is 6.6% (FY17: 8.5%), reflecting CTP-related releases, and for Business 3.8% (FY17: 4.2%) derived from workers' compensation and liability classes.

Significant reserve releases from CTP

RESERVE RELEASES	1H17	2H17	1H18	2H18	FY17	FY18
Australia	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Reserve releases	159	299	175	169	458	344
Impact on insurance margin	4.9%	9.2%	5.3%	6.1%	7.0%	5.7%

Natural Perils

Losses from natural perils (net of reinsurance) totalled \$439m, which was \$107m lower than the year's allowance. This outcome was assisted by significant protection from IAG's aggregate cover in 1H18, notably in respect of the Melbourne hailstorm event in December 2017 which was capped at a net cost of \$20m.

Favourable net natural peril experience, assisted by aggregate protection in 1H18

Secondary peril events during the year included:

- Queensland and NSW thunderstorms in October 2017;
- NSW storms in November 2017;
- Two severe thunderstorm events in NSW and Queensland in late December 2017; and
- NSW and Victorian bushfires in March 2018.

Natural perils experience in Consumer resulted in a \$108m shortfall against allowance, translating to a favourable margin impact of 2.7% (FY17: 0.2% favourable). The equivalent outcome in Business was a minor overrun against allowance of \$1m, reflecting a differing geographical and event exposure mix to Consumer. This equated to a negligible negative margin effect in Business (FY17: 1.2% adverse).

NATURAL PERILS	1H17	2H17	1H18	2H18	FY17	FY18
Australia	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Net natural peril claim costs	(297)	(337)	(239)	(200)	(634)	(439)
Natural peril allowance	307	307	296	250	614	546
Impact on insurance margin	10	(30)	57	50	(20)	107
Impact on insurance margin	0.3%	(0.9%)	1.7%	1.8%	(0.3%)	1.8%

Claims Experience

Australia's underlying claims ratio (excluding reserve releases, natural perils and discount rate adjustments) was 58.4% (FY17: 58.2%). This embraced:

- A slightly improved outcome in Consumer compared to FY17, as rate increases successfully addressed claims inflation in motor; and
- A higher ratio in Business compared to FY17.

Similar underlying claims performance compared to FY17

7. AUSTRALIA

Short tail Consumer claims experience in FY18 was characterised by:

- A modest rise in average motor collision costs, including higher total losses;
- Higher home average claim costs, with high value fire and water claims driving costs higher in 1H18 before some improvement in the second half of the year; and
- Relatively stable home and motor frequency.

Higher motor premium rates in FY18 have continued to keep pace with ongoing underlying claim inflation, while further rate increases have been implemented in home to address higher average working claim costs. Improved customer and quality outcomes from the motor repair relationship model are also continuing to counter repair cost pressures.

IAG has also addressed the issue of increased credit hire activity and associated cost inflation, having introduced car hire for 'not-at-fault' drivers as a standard policy feature from September 2017. Early indications are of a modest decline in credit hire industry volumes, with added impetus expected as competitors introduce similar 'not-at-fault' hire car offerings.

Initiatives to increase the utilisation and uptake of the home supply chain model across all brands are being pursued. There is scope for significantly increased customer use of preferred supplier networks, based on current uptake levels of over 70% for motor and nearly 50% for home.

Large losses in Business short tail property portfolios were lower than those observed in FY17, but remained above longer term historical averages. Reduced related claim costs in 1H18 (compared to 1H17), were followed by an uptick in large loss incidence in 2H18, but not to the degree seen in 2H17.

Rural portfolios within Business incurred growing claims cost pressures over the course of the year.

While claims under the new NSW CTP scheme were broadly in line with expectations, there has been limited claims development to date and it has yet to be seen how the new scheme performs over the longer term. Claims experience for the old NSW scheme improved year-on-year, as did those in the ACT and South Australia. IAG remains actively involved in the industry-wide response to fraudulent claims.

EXPENSES

The division's reported expenses totalled \$1,478m in FY18, compared to \$1,647m in FY17. The decrease includes:

- The impact of the combined 12.5% quota shares which took effect from 1 January 2018; and
- A broadly neutral contribution from optimisation initiatives, as benefits were matched by related implementation costs.

The reported expense ratio was 24.3% (FY17: 25.2%), and on an ex-leaves basis the administration ratio improved slightly to 12.9%. Equivalent ratios in Consumer were similar to FY17, while Business ratios were slightly better, particularly in the second half of the year.

OPERATIONS

Since July 2017, Operations has been part of the single Australia Division. It underpins all of the activities that support and drive IAG's insurance businesses and is charged with execution of IAG's operational partnering initiatives and the technology platform simplification program.

Improved expense ratio of
24.3%

Optimisation program
tracking to plan

7. AUSTRALIA

Specific initiatives progressed during the second half of FY18 included:

- Continued delivery of the operational partnering program, including:
 - Completion of the second and commencement of the third tranches of transition to offshore partners, covering elements of claims, Consumer sales and service, finance and Business distribution, across Australia and New Zealand; and
 - Commencement of the rollout of an operational partnering excellence framework to build organisational capability;
- The embedding of leadership capability and systems of work that support and drive the right culture at IAG; and
- Significant progress with the consolidation and simplification of IAG's core technology systems, under which all claims move to a single version of the Guidewire ClaimCenter platform. Key achievements included:
 - All motor and property claims in Australia now being lodged on the platform;
 - The long tail claims business orientating to a new operating model ahead of system delivery in FY19, improving claimant return-to-work rates through greater matching of capability to claim complexity;
 - Completion of the build for personal injury claims, with the first long tail claims release for liability occurring in July 2018, followed by workers' compensation risk states in 1H19 and CTP in 2H19;
 - An ~50% reduction in claim volumes on migrated legacy systems, commencing the pathway to decommissioning those systems; and
 - The commencement of initial planning and design activities for the consolidation and simplification of IAG's policy systems.

During FY19 Operations will continue to focus on the delivery of core initiatives commenced in FY18, including:

- Consumer distribution, Business distribution, finance and risk having access to the capability of selected service partners to leverage their global expertise and optimise business processes;
- Embedding the operational partnering excellence framework in all teams with partnered work;
- Continuing to embed the Leading@IAG program to improve leadership capability and systems of work;
- Completing the consolidation of all of IAG's claims platforms onto a single version of Guidewire's ClaimCenter by the end of FY19, covering:
 - All Australian property and motor claims;
 - All Australian long tail claims; and
 - All New Zealand claims.
- Digitisation of the customer experience for motor and property claims for all brands, through the extension of online capability; and
- Continued upfront design in preparation for commencement of IAG's policy consolidation and simplification journey to a single strategic platform.

INSURANCE PROFIT

Australia reported an insurance profit of \$1,190m, compared to \$1,145m in FY17. This equates to a higher reported insurance margin of 19.6% compared to FY17 (17.5%), which includes the net effect of:

- An initial impact from the combined 12.5% quota shares which took effect from 1 January 2018, adding approximately 125bps to the FY18 margin and 250bps to that for 2H18;

Single claims platform complete by end of FY19

Underlying margin of 12.9% in FY18 - steady improvement from low of 2H17

7. AUSTRALIA

- Lower prior period reserve releases;
- Lower net natural peril claim costs; and
- A slightly lower favourable credit spread impact of \$14m.

Australia's underlying performance was sound, with an underlying margin of 12.9%. Excluding the effect of the new combined 12.5% quota shares (~125bps), this was slightly above FY17. Positive momentum was evident across the year, against the low point of 2H17. Contributory factors were:

- Reduced pressure on motor profitability from higher claim costs, as increased rates earned through;
- Increased flow-through impact of average rate increases across commercial portfolios;
- Lower large loss levels in the commercial property portfolio, notably in 1H18; and
- Improved current year profitability in NSW CTP, reflecting lower average claim size and frequency.

INSURANCE MARGIN IMPACTS	1H17	2H17	1H18	2H18	FY17	FY18
Australia	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Reserve releases	159	299	175	169	458	344
Natural perils	(297)	(337)	(239)	(200)	(634)	(439)
Natural peril allowance	307	307	296	250	614	546
Credit spreads	5	15	47	(33)	20	14
Reserve releases	4.9%	9.2%	5.3%	6.1%	7.0%	5.7%
Natural perils	(9.1%)	(10.3%)	(7.2%)	(7.3%)	(9.7%)	(7.2%)
Natural peril allowance	9.4%	9.4%	8.9%	9.1%	9.4%	9.0%
Credit spreads	0.2%	0.5%	1.4%	(1.2%)	0.3%	0.2%

FEE BASED INCOME

The principal source of fee income is IAG's role as agent under both the NSW and Victorian workers' compensation schemes, which are underwritten by the respective state governments.

In March 2017, IAG decided to withdraw from the NSW scheme by 31 December 2017 after assessment of associated risks and returns. Redundancy costs associated with the exit were fully provided for in FY17.

Total net income from fee based operations in FY18 was a reduced loss of \$5m, compared to \$28m in FY17. The improved outcome contained:

- An absence of redundancy payments associated with the withdrawal from NSW, which amounted to \$13m in FY17;
- A \$4m increase in prior period fee income for the Victorian scheme, to \$9m, largely recognised in 1H18;
- An improvement in the Victorian business with a higher return from incentive fees combined with lower operating expenses; and
- Increased fee income from NSW, as negotiated under the revised 2017 calendar year remuneration model and recognised in 1H18.

A secondary source of fee income is the division's interest in authorised representative brokers.

Lower fee based loss –
absence of NSW
withdrawal costs

7. AUSTRALIA

MARKET REGULATION AND LEGISLATIVE REFORM

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) announced on 20 July 2018 that the sixth round of hearings will focus on insurance and will be held on 10-21 September 2018 in Melbourne. The Interim Report to be released at the end of September 2018 will not deal with superannuation or insurance issues, though the Royal Commission will be taking submissions on those issues for four weeks after the hearings. A separate round of hearings will be held over 19-30 November 2018 to consider policy issues identified in the first six rounds. The Final Report is due 1 February 2019.

The Government announced that the Royal Commission's establishment "will not defer, delay or limit any proposed or announced policy, legislation or regulation that is currently being implemented." As such, the Royal Commission will not delay several ongoing public policy developments and legislative Reviews in 2018 and 2019 impacting the insurance industry.

In December 2017, the Australian Government responded to the Northern Australia Insurance Premiums Taskforce Report and the Senate Economics References Committee Inquiry in relation to the cost of home, strata and car insurance. The Government agreed with the Taskforce conclusion that mitigation activities to reduce the risk of damage from cyclones are the only way to reduce premiums on a sustainable basis, and the Government will not intervene directly in the insurance market. In addition:

- The Government called on the Insurance Council of Australia to expedite work on reforming the General Insurance Code of Practice;
- The Government is extending the unfair contract term provisions to contracts of insurance;
- The Government is tasking the Australian Securities and Investments Commission (ASIC) with developing options to improve consumer understanding of insurance products as part of the development of a financial literacy strategy, and to work with industry on its ability to provide guidance to consumers on their insurance needs; and
- The Government is tasking Treasury with developing proposals to improve consumers' understanding and access to information through better transparency and enhanced disclosure practices in the insurance sector.

In December 2017, Treasury released the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018. Following initial consultation, a revised exposure draft was released on 20 July 2018, for public consultation. This embraces the Financial System Inquiry's recommendations to introduce design and distribution obligations to ensure that financial products are targeted at the right people, and a product intervention power for ASIC when there is a risk of significant consumer detriment. Submissions are due 15 August 2018.

On 27 June 2018, Treasury released a Proposals Paper relating to unfair contract terms. This seeks stakeholder views on a proposed model which involves amending the Insurance Contracts Act 1984 to allow the unfair contracts terms laws in the Australian Securities and Investments Commission Act 2001 to apply to insurance contracts regulated by the Insurance Contracts Act. Submissions are due 24 August 2018.

The Minister for Revenue and Financial Services has asked Treasury to undertake targeted consultation on the merits of removing the exemption for claims handling practices from the definition of a 'financial service' in the Corporations Act. This consultation will take place after the Royal Commission reports in February 2019, as the Minister indicated that claims handling will be considered at the Royal Commission.

General insurance expected to appear before Royal Commission in September 2018

Royal Commission not expected to delay other legislative reviews

7. AUSTRALIA

The Government has established the Australian Financial Complaints Authority (AFCA) as a one-stop-shop external dispute resolution scheme to hear and determine all financial and superannuation disputes. AFCA will commence accepting new complaints from 1 November 2018. All financial firms required to hold membership of an external dispute resolution scheme will be required to join AFCA by no later than 21 September 2018.

The Senate Economics References Committee has conducted an Inquiry into the regulatory framework for the protection of consumers, including small businesses, in the banking and financial services sector. The Senate has granted an extension of time to report until 15 November 2018.

In October 2016, the Australian Government announced a review of the enforcement regime of ASIC. A series of Issues Papers was released by Treasury in 2017. On 16 April 2018 the Government announced it had agreed, or agreed in principle, to all 50 of the ASIC Enforcement Review Taskforce's recommendations and will prioritise the implementation of 30 of the recommendations. The remaining 20 recommendations relate to self-reporting of breaches, industry codes and ASIC's directions powers, which will be considered alongside the final report of the Royal Commission.

The Productivity Commission has been conducting a 12-month inquiry into competition in Australia's financial system. A Consultation Paper was released in July 2017 and a Draft Report on 7 February 2018. The final Inquiry Report was handed to the Australian Government on 29 June 2018, and released on 3 August 2018. The Government is expected to respond following the Royal Commission Final Report in February 2019.

On 25 May 2017, the Australian Government asked the Australian Competition and Consumer Commission (ACCC) to conduct an Inquiry into the supply of home, contents and strata insurance in Northern Australia. An Issues Paper was released in October 2017 and submissions closed on 19 January 2018. The ACCC must submit interim reports to the Treasurer by 30 November 2018 and 30 November 2019. The Inquiry is to be completed and a final report submitted to the Treasurer by 30 November 2020. An ACCC Issues Report update on the Northern Australia Insurance inquiry was released on 8 June 2018. The November 2018 ACCC Report to the Treasurer will outline concerns and problems that the ACCC has identified so far and make recommendations to the Government and industry about what the ACCC sees as opportunity for change.

The Australian Government announced on 10 April 2018 that it will establish a National Resilience Taskforce to reduce the impacts of natural disasters on the Australian community. The Taskforce's priority is to develop a five-year national disaster mitigation framework to reduce the impact of disasters. The framework will be developed in consultation with the states and territories and the private sector, including insurance and finance, and will seek to limit risks, provide prevention strategies and improve decision-making.

The report from the Joint Standing Committee on Northern Australia Report: Inquiry into Opportunities and Methods for Stimulating the Tourism Industry in Northern Australia was released on 4 July 2018. The Committee recommends that the Australian Government, in partnership with the states and territories, analyses the impact of high insurance costs on tourism investment in Northern Australia (particularly since the privatisation of the Territory Insurance Office) and implements measures to reduce insurance premiums, and that insurance be made available for homes and businesses in the Indian Ocean Territories to stimulate business investment. The Government will respond in due course.

7. AUSTRALIA

The Productivity Commission conducted an Inquiry into Data Availability & Use. A Draft Report was issued in November 2016 and, following submissions, a Final Report was released in May 2017. The Government established a cross-agency taskforce within the Department of Prime Minister and Cabinet to consider the recommendations. The Government's response was released on 1 May 2018 and comprised a commitment to invest \$65m to reform the Australian data system and introduce a range of measures to implement the Productivity Commission's recommendations, including:

- A new Consumer Data Right, which will give people greater transparency and control over their own data;
- The establishment of a National Data Commissioner to implement and oversee a simpler, more efficient data sharing and release framework; and
- New legislative and governance arrangements to enable better use of data while ensuring appropriate safeguards are in place to protect sensitive information.

Submissions to the Senate Economics Reference Committee Inquiry into non-conforming building products closed on 18 January 2017. Additional public hearings and submissions occurred in July 2017, with a Final Report due by 16 August 2018.

The Senate Inquiry into Impacts of Climate Change on housing, buildings and infrastructure (including insurance arrangements) was announced in May 2017. The Final Report was issued on 13 August 2018 and discussed how climate change is influencing developments in the markets for insurance and property finance.

On 18 June 2018 ASIC noted it was undertaking a review of climate change-related disclosures across the ASX 300 to better understand current market practices. It established a climate risk working group under the auspices of the Council of Financial Regulators, and is participating with APRA, the Reserve Bank of Australia and Treasury to ensure there is a co-ordinated response to climate risk and its impact on the financial system and markets.

The introduction of the Fire and Emergency Services Levy (FESL) was deferred by the NSW Government on 30 May 2017. In the wake of this deferral, emergency services funding via the Emergency Services Levy (ESL) continued to be collected through property insurance policies from 1 July 2017. On 22 June 2017, the NSW Legislative Council Inquiry into FESL was announced, with submissions due by 26 November 2017. Public hearings are scheduled for August 2018.

APRA has sought a written risk governance assessment from the largest financial institutions in Australia, including IAG. The assessment is required to be provided by 30 November 2018.

7. AUSTRALIA

OUTLOOK

Sound overall GWP growth is expected in FY19 from the Australian operations, predominantly drawn from rate increases.

Within Consumer, claims inflation in short tail motor remains a concern. IAG is actively addressing associated cost pressures through operational initiatives, along with an increased focus on rate activity within its core portfolios.

The impact of rate increases in personal short tail lines on reported GWP is expected to experience some offset from:

- The sale of the retail warranty business (\$17m of GWP in FY18);
- The impact of lower NSW CTP rates until the anniversary of the introduction of the new scheme on 1 December (an expected GWP reduction of nearly \$80m); and
- The decision to exit consumer credit insurance from 1 July 2018 (\$25m of GWP in FY18).

Modestly positive Business GWP growth is expected in FY19, with moderate growth from direct channels and underwriting agencies. Ongoing rate increases are expected to be offset by some volume loss, as remediation actions continue. Business continues to develop an enhanced direct SME proposition which is expected to drive longer term incremental GWP growth.

Australia's underlying profitability is expected to improve in FY19. Aside from a full year's effect of the combined 12.5% quota share agreements (~125bps of incremental margin), initial net benefits from IAG's optimisation activities are expected to be realised, particularly as related one-off costs dissipate.

The improvement in Consumer's underlying profitability in FY19 is also expected to be assisted by further benefits from short tail claim initiatives. In contrast, while NSW CTP reform has addressed long-standing concerns, related earnings are expected to reduce in FY19 owing to a full year's operation under the new scheme, which has capped underwriter profitability.

Excluding quota share effects, the underlying margin for Business is expected to show further improvement in FY19, owing to the earn through of cumulative rate increases, remediation activities within commercial property and fleet products, and an anticipated improvement in large loss experience.

In the longer term, the Australia Division is well-positioned to capitalise on growth opportunities in the external operating environment following its two-year focus on simplifying its operating model and building an agile organisation distinguished by innovation, speed and execution.

Sound GWP growth anticipated in Australia in FY19, alongside improved underlying margin

7. AUSTRALIA

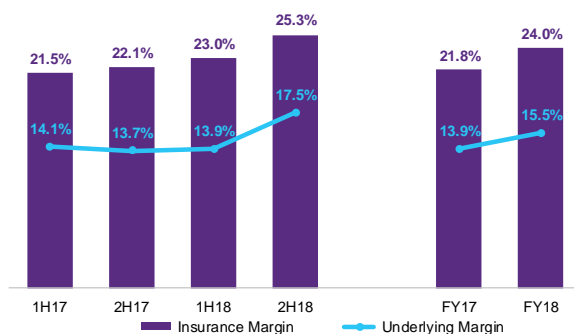
AUSTRALIA - SEGMENTAL FINANCIAL PERFORMANCE

	CONSUMER				BUSINESS			
	FY17 A\$m	1H18 A\$m	2H18 A\$m	FY18 A\$m	FY17 A\$m	1H18 A\$m	2H18 A\$m	FY18 A\$m
Gross written premium	6,119	3,052	3,162	6,214	2,962	1,401	1,529	2,930
Gross earned premium	6,001	3,092	3,035	6,127	3,016	1,520	1,484	3,004
Reinsurance expense	(1,686)	(878)	(1,208)	(2,086)	(793)	(407)	(554)	(961)
Net earned premium	4,315	2,214	1,827	4,041	2,223	1,113	930	2,043
Net claims expense	(2,640)	(1,345)	(1,071)	(2,416)	(1,294)	(650)	(565)	(1,215)
Commission expense	(241)	(122)	(106)	(228)	(341)	(169)	(132)	(301)
Underwriting expense	(618)	(315)	(249)	(564)	(447)	(221)	(164)	(385)
Underwriting profit	816	432	401	833	141	73	69	142
Investment income on technical reserves	125	77	61	138	63	43	34	77
Insurance profit	941	509	462	971	204	116	103	219
Profit/(loss) from fee based business					(28)	5	(10)	(5)
Share of profit/(loss) from associates					(1)	2	-	2
Total divisional result	941	509	462	971	175	123	93	216

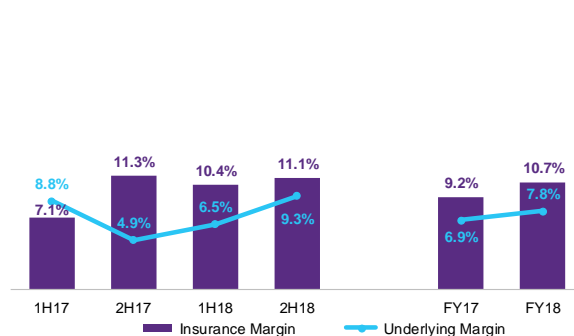
	CONSUMER				BUSINESS			
	FY17	1H18	2H18	FY18	FY17	1H18	2H18	FY18
Insurance Ratios								
Loss ratio	61.2%	60.7%	58.6%	59.8%	58.2%	58.4%	60.8%	59.5%
Immunised loss ratio	61.9%	61.2%	58.6%	60.0%	59.1%	59.0%	60.6%	59.8%
Expense ratio	19.9%	19.7%	19.4%	19.6%	35.4%	35.1%	31.8%	33.5%
Commission ratio	5.6%	5.5%	5.8%	5.6%	15.3%	15.2%	14.2%	14.7%
Administration ratio	14.3%	14.2%	13.6%	14.0%	20.1%	19.9%	17.6%	18.8%
Combined ratio	81.1%	80.4%	78.0%	79.4%	93.6%	93.5%	92.6%	93.0%
Immunised combined ratio	81.8%	80.9%	78.0%	79.6%	94.5%	94.1%	92.4%	93.3%
Reported insurance margin	21.8%	23.0%	25.3%	24.0%	9.2%	10.4%	11.1%	10.7%
Underlying insurance margin	13.9%	13.9%	17.5%	15.5%	6.9%	6.5%	9.3%	7.8%

	CONSUMER				BUSINESS			
	FY17 A\$m	1H18 A\$m	2H18 A\$m	FY18 A\$m	FY17 A\$m	1H18 A\$m	2H18 A\$m	FY18 A\$m
INSURANCE MARGIN IMPACTS								
Reserve releases	365	134	133	267	93	41	36	77
Natural perils	(399)	(144)	(124)	(268)	(235)	(95)	(76)	(171)
Natural perils allowance	406	204	172	376	208	92	78	170
Credit spreads	13	30	(21)	9	7	17	(12)	5
Reserve releases	8.5%	6.1%	7.3%	6.6%	4.2%	3.7%	3.9%	3.8%
Natural perils	(9.2%)	(6.5%)	(6.8%)	(6.6%)	(10.6%)	(8.5%)	(8.2%)	(8.4%)
Natural perils allowance	9.4%	9.2%	9.4%	9.3%	9.4%	8.3%	8.4%	8.3%
Credit spreads	0.3%	1.4%	(1.1%)	0.2%	0.3%	1.5%	(1.3%)	0.2%

AUSTRALIA CONSUMER – MARGINS



AUSTRALIA BUSINESS - MARGINS



8. NEW ZEALAND

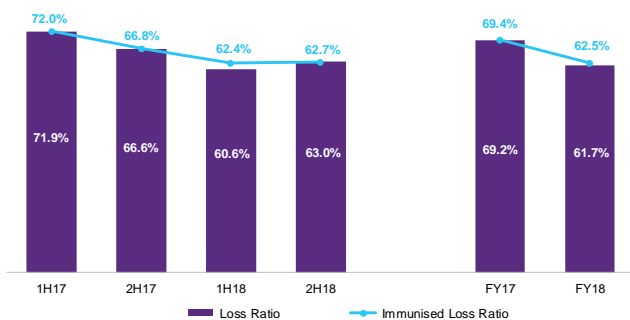
FINANCIAL PERFORMANCE

NEW ZEALAND	1H17 A\$m	2H17 A\$m	1H18 A\$m	2H18 A\$m	FY17 A\$m	FY18 A\$m
Gross written premium	1,128	1,211	1,190	1,296	2,339	2,486
Gross earned premium	1,143	1,144	1,160	1,214	2,287	2,374
Reinsurance expense	(311)	(321)	(323)	(471)	(632)	(794)
Net earned premium	832	823	837	743	1,655	1,580
Net claims expense	(598)	(548)	(507)	(468)	(1,146)	(975)
Commission expense	(95)	(94)	(95)	(80)	(189)	(175)
Underwriting expense	(116)	(124)	(117)	(104)	(240)	(221)
Underwriting profit	23	57	118	91	80	209
Investment income on technical reserves	13	32	1	8	45	9
Insurance profit	36	89	119	99	125	218

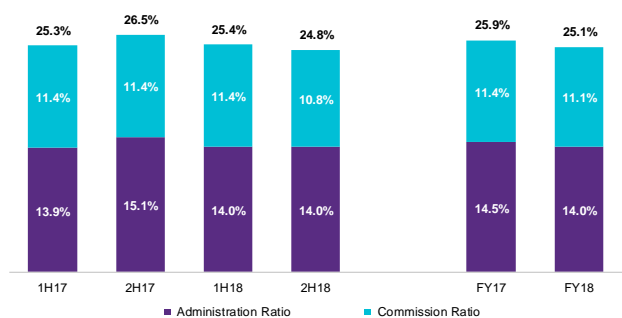
Insurance Ratios	1H17	2H17	1H18	2H18	FY17	FY18
Loss ratio	71.9%	66.6%	60.6%	63.0%	69.2%	61.7%
Immunised loss ratio	72.0%	66.8%	62.4%	62.7%	69.4%	62.5%
Expense ratio	25.3%	26.5%	25.4%	24.8%	25.9%	25.1%
Commission ratio	11.4%	11.4%	11.4%	10.8%	11.4%	11.1%
Administration ratio	13.9%	15.1%	14.0%	14.0%	14.5%	14.0%
Combined ratio	97.2%	93.1%	86.0%	87.8%	95.1%	86.8%
Immunised combined ratio	97.3%	93.3%	87.8%	87.5%	95.3%	87.6%
Reported insurance margin	4.3%	10.8%	14.2%	13.3%	7.6%	13.8%
Underlying insurance margin	15.3%	14.3%	17.4%	17.8%	14.8%	17.6%

INSURANCE RATIOS

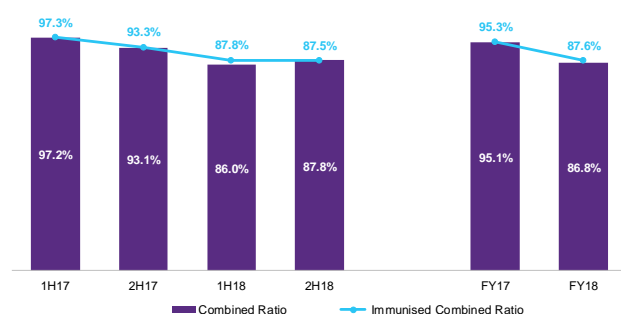
LOSS RATIO



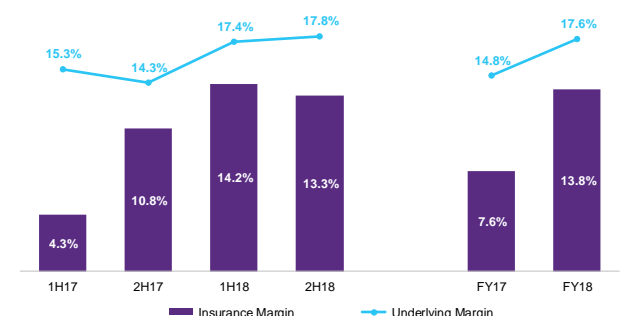
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN

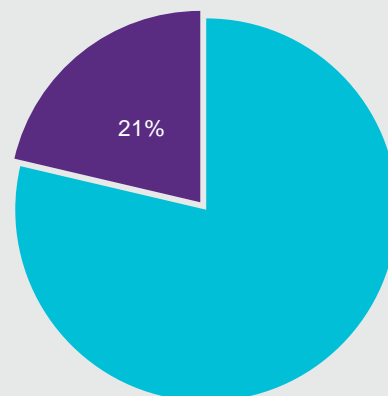


8. NEW ZEALAND

EXECUTIVE SUMMARY

- IAG is the largest general insurer in New Zealand, trading under the State, NZI, AMI and Lumley Insurance brands
- Local currency GWP growth of nearly 9%, driven by ongoing commercial rate increases and continued growth in personal lines
- Strong underlying operating performance maintained – higher underlying margin of 17.6%, including greater quota share effect
- Reported margin of 13.8% after sequence of storm events in 2H18
- Canterbury rebuild and Kaikoura claims settlement nearing completion
- Further GWP growth and maintenance of strong margin performance expected in FY19

New Zealand - % Group GWP



PREMIUMS

New Zealand's local currency FY18 GWP grew by 8.9% to NZ\$2,696m, compared to FY17 (NZ\$2,475m). This result was driven by the combination of:

- Continued GWP growth in the Consumer Division, led by the private motor vehicle portfolio on higher volumes and increased rates; and
- Strong GWP growth in the Business Division, as rate increases were attained in both commercial and personal lines, partially offset by lower new business volumes as the business continues to adhere to its strong underwriting disciplines.

In reported terms, New Zealand recorded GWP growth of 6.3%, to \$2,486m, following an adverse foreign exchange translation effect, particularly in 1H18.

The Consumer Division represented 58% of New Zealand's GWP in FY18 (FY17: 58%) and achieved local currency GWP growth of 8.0%, derived from higher rates supplemented by solid volume gains. The AMI private motor portfolio continued to lead this growth.

Overall, retention and new business rates in Consumer's combined direct brands (AMI and State) were comparable to FY17. Personal line products written through banking partners achieved sound growth with retention rates up on FY17 levels and new business volumes similar to FY17.

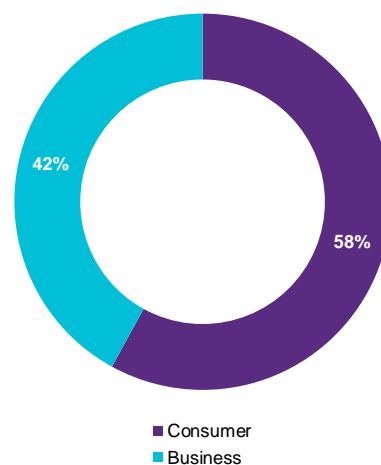
The Consumer Division's direct SME distribution channel generated strong local currency growth in FY18, of 10.4%.

The Consumer Division remains dedicated to IAG's purpose - making your world a safer place. During the year AMI entered into a three-year corporate partnership with the New Zealand Red Cross to build community resilience and to create 'New Zealand communities equipped to thrive in the face of nature's challenges.' As part of this partnership, AMI has provided financial support to 5,000 students aged between 9 and 13 to learn valuable first aid training, while AMI staff have donated time and money to support vulnerable families across the Taranaki, Wairarapa and Whangarei regions by supplying 700 'Winter Warmer' packs.

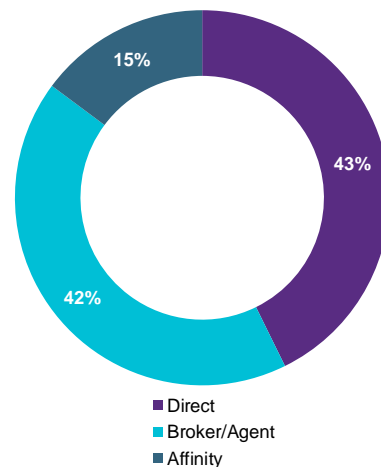
AMI has also pledged support to the Rotary Youth Driving Association (RYDA) program which teaches children in 58 secondary schools how to be safe on the roads.

8.9% increase in local currency GWP

NEW ZEALAND FY18 GWP - DIVISION



NEW ZEALAND FY18 GWP - CHANNEL



8. NEW ZEALAND

The Business Division represented 42% of New Zealand's GWP in FY18 (FY17: 42%), with local currency GWP growth of 10.2%. Commercial rates have continued to improve, particularly in the property and motor portfolios.

While the commercial market has remained competitive, particularly outside the Wellington region, there was increasing evidence of higher rates across a broader swathe of the country as the financial year wore on.

New business growth in commercial lines remained challenging as pricing and underwriting disciplines are maintained, while retention levels were slightly ahead of prior year experience.

Business Division's personal lines achieved local currency GWP growth of over 9% in FY18, largely driven by rate increases in the home owner and private motor portfolios.

The Business Division's strong market standing was demonstrated at the 2017 ANZIIF New Zealand Insurance Industry Awards held in November. NZI was named Intermediated Insurance Company of the Year and, for the second consecutive year, won the Innovation of the Year award. This was for its Seeing Machines Guardian System, designed for commercial motor vehicles and to help prevent driver fatigue and distraction-related incidents with real-time alerts.

REINSURANCE EXPENSE

New Zealand's reinsurance expense was \$794m in FY18, compared to \$632m in FY17. The 25.6% increase comprises:

- An increase in quota share entitlements, in line with higher gross earned premium and the inception of the combined 12.5% quota share agreements from 1 January 2018; and
- A similar underlying reinsurance expense.

CLAIMS

New Zealand produced a much-improved immunised loss ratio of 62.5% in FY18 (FY17 69.4%). This included the blend of:

- Lower net natural peril claim costs of \$100m (FY17: \$182m);
- Net prior period reserve strengthening of \$39m;
- Lower large claims experience;
- Pricing action to address ongoing claims inflation issues in personal lines; and
- Higher commercial rates.

The reported loss ratio of 61.7% (FY17: 69.2%) included a favourable foreign exchange impact of \$14m from reinsurance recoveries tied to the FY11 earthquakes, as held by the Singapore captive, compared to a minor impact in FY17. A corresponding negative effect is included in investment income on technical reserves, resulting in no net impact to the insurance margin.

Net natural peril claim costs in New Zealand exceeded allowance for the second year running. After relatively subdued activity in 1H18, the second half of the year experienced a sequence of significant weather events, including:

- The Northern and Central New Zealand storm in early January 2018;
- Ex-Tropical Cyclones Fehi and Gita in January and February 2018; and
- The Auckland storm in April 2018.

Higher reinsurance expense reflects quota share effects

Lower loss ratio despite significant perils activity in 2H18

8. NEW ZEALAND

Total peril-related losses in 2H18 amounted to \$83m, exceeding that half's allowance by \$47m. As a result, FY18 net natural peril claim costs exceeded allowance by \$21m, with a detrimental effect on reported margin of 1.3%.

By comparison, FY17 incurred an adverse margin impact of over 7% when net natural peril claim costs exceeded allowance by nearly \$120m. Central to this overrun was the Kaikoura earthquake in November 2016, which contributed a net claim cost after reinsurance of \$120m.

NATURAL PERILS	1H17	2H17	1H18	2H18	FY17	FY18
New Zealand	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Net natural peril claim costs	(123)	(59)	(17)	(83)	(182)	(100)
Natural peril allowance	32	32	43	36	64	79
Impact on insurance margin	(91)	(27)	26	(47)	(118)	(21)
Impact on insurance margin	(11.0%)	(3.3%)	3.1%	(6.4%)	(7.1%)	(1.3%)

Net prior period reserve strengthening of \$39m in FY18 covers:

- Potential claims under architect/engineer professional indemnity policies relating to residual risk (e.g. negligence) from post-earthquake building damage and rebuild activity, as recognised in 1H18;
- Adverse development of prior year storm events; and
- A favourable review of long tail reserve assumptions in 2H18.

Net prior period reserve strengthening of \$39m

RESERVE RELEASES	1H17	2H17	1H18	2H18	FY17	FY18
New Zealand	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Reserve releases	-	(2)	(53)	14	(2)	(39)
Impact on insurance margin	-	(0.2%)	(6.3%)	1.9%	(0.1%)	(2.5%)

Working claim experience in FY18 was better than expected. Average claim costs increased slightly on FY17, predominantly driven by higher motor vehicle repair costs and increased construction costs. Claims frequency was in line with the prior year across all portfolios.

Lower large claim experience

Large claim (greater than NZ\$100,000) experience was lower compared with FY17 and in line with expectations.

CANTERBURY REBUILD

The settlement of claims associated with the FY11 Canterbury earthquake events continues to make sound progress. At 30 June 2018:

- Over NZ\$6.7bn of claim settlements had been completed;
- Over 98% of all claims by number had been fully settled;
- Nearly 99% of commercial claims had been fully settled; and
- Over 98% of residential claims had been settled, with the balance either in construction or negotiation for cash settlement.

Over NZ\$6.7bn of FY11 earthquake claims now paid – over 98% of claims by number fully settled

During 1H18 IAG increased its gross reserved position on the three major earthquakes in FY11, with no further movement in 2H18. This falls to the account of IAG's reinsurers, with no earnings impact to IAG. Following this increase in earthquake reserves, IAG had utilised approximately 10% of the NZ\$600m adverse development cover in excess of NZ\$4.4bn on the February 2011 event.

Reinsurance cover still in place to absorb any adverse development on the FY11 earthquake events stands at:

- In excess of NZ\$1bn for September 2010;
- ~NZ\$540m for February 2011; and
- Just under NZ\$4bn for June 2011.

8. NEW ZEALAND

During FY18 IAG continued to receive further claims from the Earthquake Commission (EQC) as they tipped over the EQC cap of NZ\$100,000 plus GST. IAG's reserving position at the end of FY18 allows for further claims exceeding the EQC's cap.

Remaining claims include those subject to dispute or litigation, high customer utilisation of independent expert advice and newly-received over-cap claims from the EQC. It remains IAG's expectation that finalisation of all residual claims will take several years given the complexity of these matters.

All earthquake settlement statistics exclude claims related to the Lumley business. These are managed by IAG but are subject to indemnities from the previous owner which result in no further financial exposure for IAG.

KAIKOURA EARTHQUAKE

Significant progress has been made in the settlement of claims associated with the November 2016 Kaikoura earthquake. As at 30 June 2018, 93.5% of all claims by number had been fully settled. Residential dwelling assessments are complete and over 83% of commercial claims have been settled.

IAG continues to work with the EQC to settle claims arising from the Kaikoura event. All related personal home and contents claims are being handled regardless of whether they are under or over the EQC's cap of NZ\$20,000 for contents and NZ\$100,000 for home damage (plus GST). Under the Memorandum of Understanding entered into in December 2016, IAG is reimbursed by the EQC for its liability following claims settlement. This process has worked very effectively with 98.3% of these claims settled as at 30 June 2018.

EXPENSES

New Zealand's reported expenses totalled \$396m in FY18, compared to \$429m in FY17. The 7.7% reduction is principally derived from the impact of the combined 12.5% quota shares which took effect from 1 January 2018. Other ingredients were:

- A broadly neutral contribution from optimisation initiatives, as benefits were matched by related implementation costs; and
- The absence of the one-off \$7m benefit from winding up an old defined benefit superannuation scheme in FY17.

The FY18 administration ratio improved to 14.0% (FY17: 14.5%).

INSURANCE PROFIT

The New Zealand business produced a greater than 70% increase in insurance profit to \$218m (FY17: \$125m). This equates to a reported insurance margin of 13.8% (FY17: 7.6%), with the improvement reflecting the combination of:

- An initial impact from the combined 12.5% quota shares which took effect from 1 January 2018, adding approximately 125bps to the FY18 margin and 250bps to that for 2H18;
- Higher gross earned premium, driven by good growth in both the Consumer and Business Divisions;
- Lower net natural peril claim costs, despite significant peril activity in 2H18 and an overrun against the full year allowance;
- Continued focus on disciplined expense management; and
- Some offset from prior period reserve strengthening.

Lower expenses influenced by new quota share effects

Strong underlying performance

8. NEW ZEALAND

INSURANCE MARGIN IMPACTS	1H17	2H17	1H18	2H18	FY17	FY18
New Zealand	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Reserve releases	-	(2)	(53)	14	(2)	(39)
Natural perils	(123)	(59)	(17)	(83)	(182)	(100)
Natural peril allowance	32	32	43	36	64	79
Reserve releases	-	(0.2%)	(6.3%)	1.9%	(0.1%)	(2.5%)
Natural perils	(14.8%)	(7.2%)	(2.0%)	(11.2%)	(11.0%)	(6.3%)
Natural peril allowance	3.8%	3.9%	5.1%	4.8%	3.9%	5.0%

The New Zealand business continues to generate a strong underlying performance, with an increase in underlying margin to 17.6% (FY17: 14.8%).

Given the essentially short tail nature of the New Zealand business, no allowance is made for recurring reserve releases when calculating the underlying margin.

MARKET REGULATION AND REFORM

The Government has introduced legislation to enact a small number of discrete changes to the Earthquake Commission Act. These include:

- Cessation of EQC's contents cover of NZ\$20,000;
- Increasing the amount of the EQC residential property cover from NZ\$100,000 to NZ\$150,000;
- Change to claims lodgement time limits; and
- Transitional arrangements.

The implementation date of these changes is still to be determined through consultation. The impact of these changes on industry GWP is not expected to be material.

A second round of EQC reforms is expected following the Government's recent independent review. The review recommended that, to speed up claims resolution, the EQC make changes to resourcing, operational practice, data quality, communication with claimants, and take specific actions on technical issues such as drainage, on-sold property and limitations. Actions to foster closer working arrangements with private insurers were recommended, as well as ongoing work on consolidating outstanding claims.

The Ministry of Business Innovation and Employment (MBIE) has started consulting on a reform of insurance contract law. An issues paper has been released which seeks feedback on a range of potential reform topics, including:

- Disclosure obligations and remedies for non-disclosure;
- Insurers' conduct and supervision;
- Exceptions from unfair contract terms provisions; and
- Difficulties comparing and changing providers and policies.

An options paper detailing recommendations is due in late calendar 2018 with legislation expected to be introduced in early 2019.

The Reserve Bank of New Zealand's (RBNZ) review of the Insurance Prudential Supervision Act has been delayed by six months, having been originally scheduled for mid-2019. Priority will be given to considering:

- Changes to the entities that are required to be licenced;
- Treatment of branch operations of overseas insurers;
- The use of different regulatory instruments; and
- Disclosures.

Proposed EQC changes –
no material impact on
industry GWP anticipated

RBNZ review of Insurance
Prudential Supervision Act
– final option paper
delayed to late 2019

8. NEW ZEALAND

Later rounds of consultation will address enforcement regimes, distress management, the role of key officers, the use of statutory funds, the solvency framework and the supervisory process. A final option paper is expected in late 2019.

Detailed design of changes to the Fire and Emergency Levy (under the Fire and Emergency New Zealand Act) continues. The focus of consultation is on:

- The detailed calculation and reporting requirements involved in extending the levy to include insurance on material damage (rather than just fire damage) and third party motor vehicle insurance;
- The model for residential levy calculations; and
- Updated levy rates for the new calculation methods.

Delays to finalising regulations mean that the changes are not expected to come into force until 1 July 2020. They are expected to result in operational changes to systems and products.

OUTLOOK

The New Zealand business' strategy continues to focus on:

- Maintaining its market-leading position by delivering strong sustainable profitability with an emphasis on robust underwriting and pricing disciplines and expense management;
- Simplification and technological rationalisation to drive efficiencies, in line with the Group-wide optimisation program; and
- Providing world-leading customer solutions by leveraging IAG's innovation incubator to further enhance the customer experience, including ongoing development of its digital proposition.

The New Zealand insurance market is expected to remain competitive across both the Consumer and Business Divisions in FY19. Sound GWP growth is expected, driven by volume growth in the personal line portfolios and rate increases across both personal and commercial lines as the business continues to adhere to disciplined underwriting principles and appropriately price for risk. Commercial rate increases are expected to spread more broadly across the country.

IAG's priority remains focused on meeting the needs of customers by providing a range of insurance solutions in dynamic market conditions.

The underlying profitability of the business is expected to remain strong.

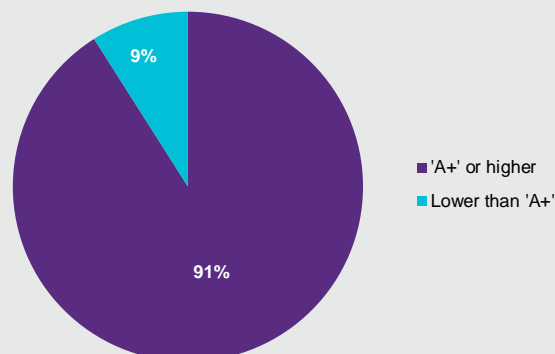
Further GWP growth in FY19, while underlying profitability expected to remain strong

9. REINSURANCE

EXECUTIVE SUMMARY

- Reinsurance represents a key part of the Group's overall approach to capital management
- Enhanced protection via increased cover and greater diversification
- Increased use of reinsurance via quota shares – further 12.5% whole-of-account from 1 January 2018
- Catastrophe program renewed 1 January 2018 with similar structure to prior years
- Gross catastrophe cover of up to \$8bn, placed to 67.5% to reflect all quota share agreements
- Group maximum event retention (MER) of \$169m at 30 June 2018, post-quota share
- Additional FY19 perils (stop loss) cover of \$101m in excess of \$608m (post-quota share), directly above perils allowance

Counter-Party Risk - Catastrophe Program



REINSURANCE STRATEGY

IAG's reinsurance program is an important part of its approach to capital management. IAG has a philosophy of limiting its main catastrophe retention to a maximum of 4% of NEP. Current retentions are below this level.

IAG determines its reinsurance requirements for Australia and New Zealand on a modified whole-of-portfolio basis (where modified whole-of-portfolio is the sum of all correlated risk). The limits purchased at 1 January 2018 reflect a 1-in-250-year return period in Australia, and are more conservative than the Australian regulator's 1-in-200-year return period requirement.

IAG's Australian-based reinsurance unit manages 100% of the total reinsurance spend of the Australian business. A key responsibility of this unit is to capture and manage counter-party and regulatory exposures.

IAG's international captive reinsurers underwrite 100% of New Zealand treaty business, as well as a substantial amount from IAG's joint venture interests in Asia. IAG's international business units continue to place some facultative reinsurance directly with the external market.

IAG's international captive reinsurers provide considerable input to the reinsurance covers of its interests in Malaysia and India.

MARKET ENVIRONMENT

The insured cost of global catastrophe events has been estimated at in excess of US\$100bn for calendar 2017. This includes the three major hurricane events in the Caribbean and a severe earthquake in Mexico. While reinsurance capital levels remain high, the level of catastrophe activity has contributed to some modest upwards pressure on reinsurance rates, as experienced by IAG at the time of its calendar 2018 catastrophe renewal. Whilst further modest increases may occur, market conditions across all classes of business should remain relatively favourable for purchasers of reinsurance.

WHOLE-OF-ACCOUNT QUOTA SHARE

With effect from 1 January 2018, IAG increased its use of more efficient reinsurance capital via quota shares. From this date, 32.5% of IAG's consolidated business is subject to quota share on a whole-of-account basis, comprising:

Reinsurance is a key part of IAG's overall approach to capital management

Modest upwards pressure on global reinsurance rates

Use of quota shares increased to 32.5% of consolidated business

9. REINSURANCE

- The ten-year, 20% arrangement with Berkshire Hathaway commencing 1 July 2015, for losses occurring after that date; and
- Three agreements for a combined 12.5% from 1 January 2018, with Munich Re, Swiss Re and Hannover Re. The average initial term of these agreements is in excess of five years.

The individual agreements deliver similar benefits and financial effects, on a pro rata basis. These include reduced earnings volatility, as insurance risk is effectively exchanged for a more stable fee income stream, a lower requirement for catastrophe reinsurance and reduced exposure to volatility in associated premium rates, and a reduction in IAG's regulatory capital needs.

The combined 12.5% agreements were announced in December 2017 and are expected to result in:

- A reduction in regulatory capital requirement of approximately \$435m, over a three-year period, approaching \$250m of which was realised by 30 June 2018; and
- Broadly neutral EPS and ROE effects, prior to consideration of associated capital management impacts.

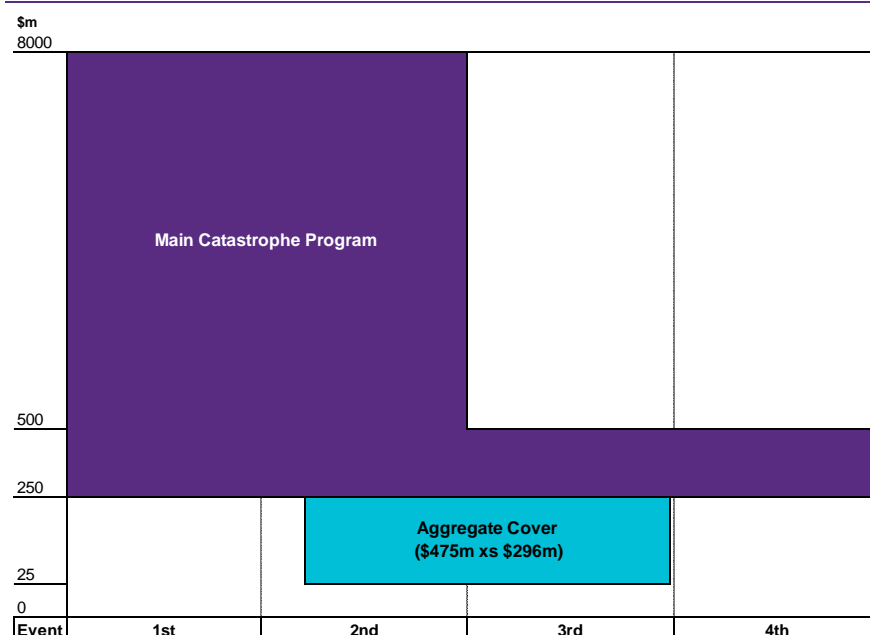
The latest agreements significantly diversify the maturity and counterparty profile of IAG's quota share reinsurance capital.

CATASTROPHE COVER

The majority of IAG's catastrophe reinsurance protection runs to a calendar year and operates on an excess of loss basis. It covers all territories in which IAG operates, with the exception of its joint venture interest in India which has its own reinsurance arrangements.

IAG's catastrophe reinsurance program for 2018 has been constructed in a similar manner to prior years. It provides up to \$8bn of gross reinsurance protection and has been placed to the extent of 67.5% (2017: 80%), after allowance for quota shares. Compared to calendar 2017, underlying aggregate exposure has increased modestly.

GROSS CATASTROPHE REINSURANCE – AS AT 30 JUNE 2018



Gross catastrophe cover of up to \$8bn, placed to 67.5% to reflect quota shares

9. REINSURANCE

At renewal on 1 January 2018 the integrated catastrophe program comprised two main key components:

- A main cover for losses up to \$8bn, including one prepaid reinstatement. IAG retains the first \$250m of each loss (\$169m post-quota share), with three prepaid reinstatements secured for the lower layer of the main program (\$169m excess of \$169m, post-quota share); and
- An aggregate sideways cover that provides protection of \$475m excess of \$325m (\$321m excess of \$219m, post-quota share), with qualifying events capped at a maximum contribution of \$225m excess of \$25m per event (\$152m excess of \$17m, post-quota share). This cover reduces the cost of a second event to \$125m (\$84m post-quota share) and a subsequent event to \$25m (\$17m post-quota share).

CALENDAR 2018 CATASTROPHE REINSURANCE PROGRAM		
Cover	Gross	Net of quota share (67.5%)
Main cover	\$7.75bn xs \$250m	\$5.23bn xs \$169m
Aggregate cover	\$475m xs \$325m	\$321m xs \$219m
Aggregate cover qualifying events	\$225m xs \$25m	\$152m xs \$17m
Retentions	Gross	Net of quota share (67.5%)
First event	\$250m	\$169m
Second event	\$125m	\$84m
Subsequent event	\$25m	\$17m

As at 30 June 2018, the deductible in respect of the calendar 2018 aggregate cover had been eroded to the extent of \$29m, or \$20m post-quota share. This leaves \$296m of deductible erosion required over the balance of calendar 2018 before accessing this cover, or \$200m on a post-quota share basis.

IAG has further strengthened its reinsurance protection for FY19. The reinsurance cover for retained natural perils which runs in line with the financial year (stop loss cover) provides \$150m of protection in excess of \$900m (pre-quota share) for the 12 months to 30 June 2019, or \$101m excess of \$608m post-quota share. This extends directly above IAG's FY19 natural perils allowance.

The combination of all catastrophe covers in place at 30 June 2018 results in post-quota share first event retentions of \$169m for Australia, NZ\$169m for New Zealand and \$20m for Malaysia.

CTP QUOTA SHARE

IAG has a quota share agreement with Munich Re in respect of 30% of its combined CTP book for a minimum four-year period from 1 July 2016, with an option for a further two years. The agreement covers all CTP written in NSW, the ACT and South Australia. The CTP quota share runs in conjunction with the whole-of-account agreements, meaning 62.5% of IAG's CTP book is subject to quota share from 1 January 2018.

Stronger FY19 protection, with stop loss cover of \$101m flush with perils allowance – MER of \$169m, post-quota share

62.5% of CTP subject to quota share

9. REINSURANCE

RUN-OFF PORTFOLIO PROTECTION

In February 2016, IAG completed an innovative package of reinsurance transactions with Berkshire Hathaway that materially mitigated IAG's exposure to its two largest run-off portfolios: New Zealand earthquake and asbestos. The transaction comprised:

- An ADC providing NZ\$600m of protection above NZ\$4.4bn for the February 2011 Canterbury earthquake event; and
- An arrangement in respect of IAG's asbestos portfolio, which mainly relates to liability and workers' compensation risks written by CGU in the 1970s and the 1980s, where IAG continues to manage all related claims.

OTHER COVERS

IAG has a comprehensive suite of per risk and proportional reinsurances for property and casualty which protect it in all territories in which it underwrites. The majority of these were favourably renewed at 30 June 2018.

Where required by statute, unlimited cover is purchased where available and for other lines cover is placed up to the original underwriting limits for each class. Cover is also secured for potential accumulations within a class or between classes of business.

COUNTER-PARTY RISK

The counter-party credit profiles for IAG's key reinsurances as at 30 June 2018 are:

- 91% of limits placed with 'A+' or higher rated entities for the calendar 2018 property catastrophe program; and
- 100% of limits placed with 'A+' or higher rated entities for the casualty program.

Run-off portfolio
protections completed in
FY16

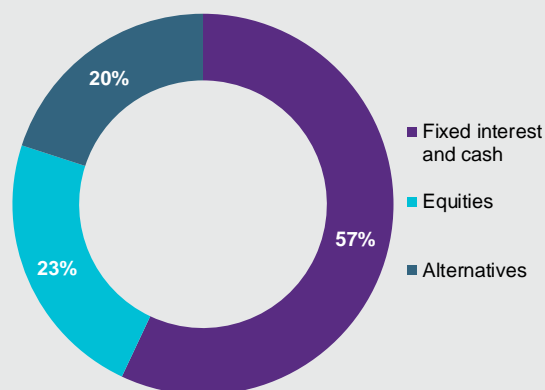
Strong counter-party risk
profile maintained

10. INVESTMENTS

EXECUTIVE SUMMARY

- Total investments of \$11.0bn as at 30 June 2018
- Overall investment allocation remains conservatively positioned
- Technical reserves of \$6.3bn invested in fixed interest and cash
- Shareholders' funds of \$4.7bn – defensive asset weighting of 57% at 30 June 2018
- Solid investment return on technical reserves
- Lower shareholders' funds income influenced by lower equity market returns
- Strong credit quality maintained: 76% 'AA' or higher

Shareholders' Funds Mix – 30 June 2018



INVESTMENT PHILOSOPHY

IAG's investment philosophy is to:

- Manage the assets backing technical reserves and shareholders' funds separately;
- 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 risk-based capital, consistent with IAG's risk appetite and flexibility requirements; and
- Invest IAG's assets so that the contribution of investment risk to earnings volatility should not dominate the contribution from insurance risk.

Technical reserves invested to align with liability interest rate risk

INVESTMENT STRATEGIES

IAG's overall investment allocation is conservatively positioned, with 82% of total investments in fixed interest and cash as at 30 June 2018. Technical reserves are 100% invested in fixed interest and cash, while shareholders' funds comprise a mix of growth asset categories and fixed interest and cash. IAG's allocation to growth assets in shareholders' funds was approximately 43% at 30 June 2018, and is consistent with IAG's investment strategy target range.

Distinct investment strategies for technical reserves and shareholders' funds

GROUP INVESTMENT ASSETS

The Group's investments totalled \$11.0bn as at 30 June 2018, excluding investments held in joint ventures and associates, with nearly 58% represented by the technical reserves portfolio. The decrease in total investments since 31 December 2017 reflects the combined effect of:

- A \$1.2bn reduction in technical reserves, in response to further quota share and prior period reserve release effects; and
- A \$0.6bn increase in shareholders' funds, including \$350m of inflow from the subordinated note issue in March 2018 and operating earnings in excess of dividend payments.

Total investments reduced to \$11.0bn, reflecting further quota share effects in technical reserves

GROUP INVESTMENT ASSETS	1H17 A\$bn	FY17 ¹ A\$bn	1H18 A\$bn	FY18 ² A\$bn
Technical reserves	8.3	8.1	7.5	6.3
Shareholders' funds	4.0	4.0	4.1	4.7
Total investment assets	12.3	12.1	11.6	11.0

¹ Adjusted to reflect \$0.4bn post year-end transfer from technical reserves to shareholders' funds largely driven by reserve releases recognised late in FY17.

² FY18 excludes investment assets relating to consolidated Asian businesses held for sale.

10. INVESTMENTS

Both categories are after removing investment assets applicable to discontinued Asian operations now held for sale. Comparative figures have not been restated.

ASSET ALLOCATION

Since 31 December 2017, the main change to asset allocation has been the move to a higher weighting in fixed interest and cash within shareholders' funds. Increased funds in 2H18 were directed towards this category, alongside some reduction in equity exposures.

The overall weighting to fixed interest and cash has increased only slightly, given the reduction in technical reserves from quota share effects.

Lower growth asset weighting in shareholders' funds, expected to reverse in 1H19

GROUP ASSET ALLOCATION

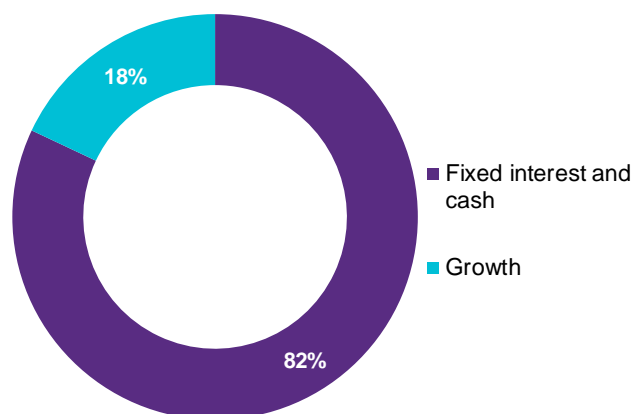
	1H17	FY17	1H18	FY18
	%	%	%	%
SHAREHOLDERS' FUNDS				
Australian equities	7.8	8.0	10.2	7.6
International equities	16.7	17.2	21.0	14.6
Alternatives	23.5	21.9	22.0	20.4
Fixed interest and cash	52.0	52.9	46.8	57.4
Total	100.0	100.0	100.0	100.0
TECHNICAL RESERVES				
Fixed interest and cash	100.0	100.0	100.0	100.0
Total	100.0	100.0	100.0	100.0
TOTAL SHAREHOLDERS' FUNDS AND TECHNICAL RESERVES				
Australian equities	2.6	2.6	3.6	3.2
International equities	5.5	5.7	7.5	6.2
Alternatives	7.7	7.3	7.8	8.6
Fixed interest and cash	84.2	84.4	81.1	82.0
Total	100.0	100.0	100.0	100.0

CREDIT QUALITY OF ASSETS

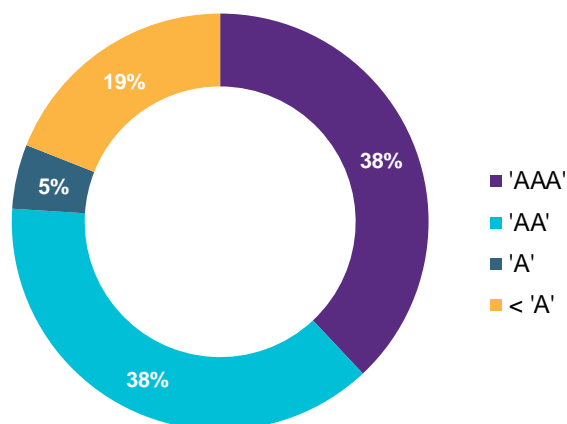
The credit quality of IAG's investment book remains strong, with 76% of the fixed interest and cash portfolio rated 'AA' or higher.

Strong credit quality maintained

GROUP ASSET ALLOCATION – 30 JUNE 2018



CREDIT QUALITY – 30 JUNE 2018



10. INVESTMENTS

SENSITIVITY ANALYSIS

As at 30 June 2018, the sensitivity of IAG's net profit before tax to market movements in investments was as set out in the table below and includes indirect sensitivities relating to alternative assets.

INVESTMENT SENSITIVITIES (NET PROFIT BEFORE TAX) AS AT 30 JUNE 2018	Change in Assumption	
	+1%	-1%
	A\$m	A\$m
Equity market values:		
Australian equities	4	(4)
International equities	7	(7)
Total equity market sensitivity	11	(11)
Interest rates:		
Assets backing technical provisions	(115)	122
Assets backing shareholders' funds	(44)	45
Total interest rate sensitivity	(159)	167

INVESTMENT PERFORMANCE

A solid investment return was achieved on the technical reserves portfolio in FY18, with related investment income of \$230m including:

- An unrealised capital loss of \$14m at period end (FY17: \$48m loss), primarily associated with an upward movement in the yield curve since 30 June 2017. The 3-year government bond yield at 30 June 2018 was 2.06%, compared to 1.91% a year earlier;
- A positive impact of \$14m from the narrowing of credit spreads, compared to a positive effect of \$20m in FY17; and
- An adverse foreign exchange impact of \$12m, including that from the hedge associated with reinsurance recoveries in respect of the New Zealand earthquakes in FY11, which are held by the offshore captive in Singapore. An equivalent adverse effect, of \$4m, was recorded in FY17.

The average yield was slightly higher than that recorded in FY17.

The technical reserves portfolio continues to be aligned with the average weighted duration of the Group's claims liability, which is around two years.

Lower investment income on shareholders' funds in FY18 included more modest equity market returns in 2H18. This six-month period saw the broader Australian index (S&P ASX200 Accumulation) deliver a positive return of 4.3% (FY18: 13.0%) and the MSCI World Total Return Index (AUD Hedged) 1.4% (FY18: 11.5%).

Solid return on technical reserves

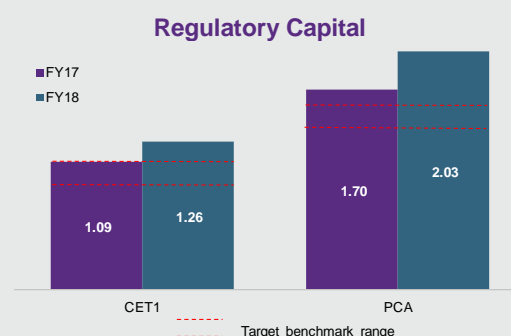
Lower shareholders' funds income includes more modest equity market performance in 2H18

INVESTMENT INCOME	1H17	2H17	1H18	2H18	FY17	FY18
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
Technical reserves	32	200	123	107	232	230
Shareholders' funds	103	143	129	36	246	165
Total investment income	135	343	252	143	478	395

11. BALANCE SHEET & CAPITAL

EXECUTIVE SUMMARY

- Strong balance sheet and regulatory capital position maintained
- CET1 multiple of 1.26 vs. benchmark of 0.9-1.1
- PCA multiple of 2.03 vs. benchmark of 1.4-1.6
- Capital mix near mid-point of targeted ranges – debt and hybrids 34.3% of total tangible capitalisation
- \$592m combined capital return and special dividend in November 2018, subject to shareholder approval
- S&P 'AA-' rating of core operating subsidiaries reaffirmed in January 2018



BALANCE SHEET

	1H17 A\$m	FY17 A\$m	1H18 A\$m	FY18 A\$m
Assets				
Cash and cash equivalents	378	424	436	448
Investments	12,314	12,136	11,580	11,007
Investments in joint ventures and associates	489	505	510	557
Trade and other receivables	3,767	4,153	3,845	4,085
Reinsurance and other recoveries on outstanding claims	4,940	5,258	5,235	5,422
Deferred insurance expenses	2,869	2,770	3,597	3,443
Goodwill and intangible assets	3,366	3,332	3,263	3,183
Assets held for sale	-	-	-	655
Other assets	1,143	1,019	990	966
Total assets	29,266	29,597	29,456	29,766
Liabilities				
Outstanding claims	11,528	11,371	10,948	10,410
Unearned premium	6,163	6,331	6,152	6,217
Interest bearing liabilities	1,778	1,624	1,608	1,960
Trade and other payables	2,376	2,434	2,845	2,592
Liabilities held for sale	-	-	-	444
Other liabilities	810	1,045	1,078	1,202
Total liabilities	22,655	22,805	22,631	22,825
Net assets	6,611	6,792	6,825	6,941
Equity				
Equity attributable to holders of ordinary shares	6,388	6,562	6,598	6,669
Non-controlling interests	223	230	227	272
Total equity	6,611	6,792	6,825	6,941

Following the agreed sale of IAG's interests in Thailand, Indonesia and Vietnam, these have been treated as discontinued operations for accounting purposes. All related assets and liabilities are aggregated on either side of the balance sheet and captioned 'held for sale' at FY18. There is an associated reduction in most other balance sheet categories.

11. BALANCE SHEET & CAPITAL

IAG's total assets at 30 June 2018 were \$29,766m compared to \$29,456m at 31 December 2017. The net increase of \$310m includes:

- A \$573m decrease in investments, including payment of the interim dividend (\$330m), a further quota share-related reduction and \$282m reclassified to assets held for sale, partially offset by a \$350m inflow from the March 2018 subordinated note issue;
- An increase of \$240m in trade and other receivables, reflecting growth in GWP and seasonal commercial renewal activity; and
- A \$187m increase in reinsurance and other recoveries on outstanding claims primarily relating to recoveries on the whole-of-account quota shares, partially offset by recoveries received on prior period events.

The other assets category represents the aggregate of deferred levies and charges, deferred tax assets, property and equipment and other assets.

IAG's total liabilities at 30 June 2018 were \$22,825m, compared to \$22,631m at 31 December 2017. The net increase of \$194m includes:

- A \$538m reduction in outstanding claims, reflecting prior period reserve releases, further payments in respect of the FY11 Canterbury earthquake events and exclusion of consolidated Asian liabilities;
- A \$352m increase in interest bearing liabilities following the issue of \$350m of subordinated convertible notes in March 2018;
- A \$253m reduction in trade and other payables, largely reflecting lower unsettled investment trades at year end; and
- A \$124m increase in other liabilities predominantly related to the recognition of deferred reinsurance commissions associated with the combined 12.5% quota shares.

The other liabilities category represents the aggregate of current tax liabilities, employee provisions, unitholders' funds held by external holders of units in IAG-controlled trusts and other provisions and liabilities.

IAG shareholders' equity (excluding non-controlling interests) increased from \$6,598m at 31 December 2017 to \$6,669m at 30 June 2018, predominantly reflecting the net effect of:

- Retained earnings in 2H18; and
- Payment of the 14 cents per share interim dividend (\$330m) in March 2018.

OUTSTANDING CLAIMS

Net Outstanding Claims Liability

IAG's net outstanding claims liability at 30 June 2018 stood at \$4,988m, compared to \$6,113m at 30 June 2017. The greater than \$1,100m reduction over the course of the year included:

- The residual effect of the Berkshire Hathaway 20% quota share and the initial impact from the combined 12.5% quota shares;
- Further significant prior period reserve releases recognised in FY18 in respect of long tail classes;
- Settlement of prior period natural peril claims, including those relating to the Canterbury earthquakes.

At 30 June 2018, the sensitivity of the net outstanding claims liability to a 1% movement in the discount rate, as applied to expected future payments, was:

- +1%, a reduction in net outstanding claims liability of \$85m; and
- -1%, an increase in net outstanding claims liability of \$89m.

Balance sheet movements include further 12.5% quota share effects

Reduction in net claims liability driven by quota share and reserve release effects

11. BALANCE SHEET & CAPITAL

Claims Development

Note 2.2 of IAG's Annual Report includes a claims development table that shows the development of the estimate of ultimate claim costs for the ten most recent accident years at each reporting date. An extract from that table is set out below.

The table shows a history of the claim reserves being conservatively stated and generally demonstrates favourable development across the period, as the ultimate claim costs were settled or became more certain. An exception is the 2011 accident year, which reflects the adverse development of the New Zealand earthquake events which occurred in that period.

The table highlights that, as at 30 June 2018, more than 98% of the total estimated liability for the 2009 and 2010 accident years had been paid. The equivalent figure for the 2011 to 2016 accident years is over 90%, and in excess of 88% for the 2017 accident year.

NET ULTIMATE CLAIMS PAYMENTS DEVELOPMENT TABLE	Accident Year Ended 30 June											
	2008 and prior A\$m	2009 A\$m	2010 A\$m	2011 A\$m	2012 A\$m	2013 A\$m	2014 A\$m	2015 A\$m	2016 A\$m	2017 A\$m	2018 A\$m	TOTAL A\$m
Development												
At end of accident year		4,708	4,663	5,010	5,216	5,167	5,602	6,293	4,965	5,267	4,495	
One year later		4,746	4,637	5,123	5,290	5,090	5,606	6,219	4,917	5,211		
Two years later		4,680	4,535	5,162	5,231	5,010	5,519	6,156	4,858			
Three years later		4,673	4,485	5,193	5,142	4,930	5,378	6,040				
Four years later		4,587	4,432	5,390	5,090	4,850	5,309					
Five years later		4,534	4,379	5,457	5,027	4,831						
Six years later		4,489	4,344	5,475	5,020							
Seven years later		4,451	4,315	5,562								
Eight years later		4,447	4,306									
Nine years later		4,441										
Ten years later												
Current estimate of net ultimate claims		4,441	4,306	5,562	5,020	4,831	5,309	6,040	4,858	5,211	4,495	
Cumulative payments made to date		4,400	4,260	5,357	4,911	4,653	5,036	5,632	4,375	4,604	2,896	
Net undiscounted outstanding claims payments	104	41	46	205	109	178	273	408	483	607	1,599	4,053
Discount to present value	(6)	(2)	(3)	(7)	(6)	(9)	(13)	(19)	(21)	(34)	(43)	(163)
Net discounted outstanding claims payments	98	39	43	198	103	169	260	389	462	573	1,556	3,890
Claims handling costs												364
Risk margin												734
Net outstanding claims liability												4,988
Gross outstanding claims liability on the balance sheet												10,410
Reinsurance and other recoveries on outstanding claims												(5,422)
Net outstanding claims liability												4,988

During FY13 the UK business was sold. The development table above includes claims related to the UK operation up to, and including, the 2012 accident year. Any outstanding claims relating to the UK that remained at the time of divestment have been treated as paid.

During FY18, IAG announced the agreed sale of its operations in Thailand, Indonesia and Vietnam. The development table above includes claims related to those operations up to, and including, the 2018 accident year. Any outstanding claims relating to Thailand, Indonesia and Vietnam at the time of their treatment as discontinued operations have been treated as paid.

Risk Margins

The claims development table also identifies the total risk margin held to allow for the uncertainty surrounding the outstanding claims liability estimation process. The risk margin is set to take into account the correlations assessed between outstanding claim liabilities arising from the various forms of business underwritten by IAG. The aggregated central estimate plus the risk margin is calculated on a diversified basis and this forms the outstanding claims liability.

IAG's policy is for the risk margin to be set so as to provide an overall probability of adequacy for the outstanding claims liability of 90%, which has been determined having regard to the inherent uncertainty in the central estimate and the prevailing market environment. IAG's probability of adequacy of the claims liability for FY18 is 90%, which is unchanged.

The risk margin applied to the net central estimate of the outstanding claims liability was 17% at 30 June 2018 (FY17: 17%).

11. BALANCE SHEET & CAPITAL

CAPITAL

Capital Adequacy

IAG is strongly capitalised, with regulatory capital of \$5.0bn at 30 June 2018. At that date, IAG's Common Equity Tier 1 (CET1) ratio was 1.26 times the Prescribed Capital Amount (PCA), compared to a targeted range of 0.9 to 1.1 times and a regulatory requirement of 0.6 times.

IAG is strongly capitalised

GROUP COVERAGE OF REGULATORY CAPITAL REQUIREMENT	1H17 A\$m	FY17 A\$m	1H18 A\$m	FY18 A\$m
Common Equity Tier 1 Capital (CET1)				
Ordinary shares	7,082	7,082	7,082	7,082
Reserves	25	17	(26)	(4)
Retained earnings	(680)	(499)	(428)	(382)
Technical provisions in excess of liabilities	480	417	452	473
Minority interests	223	230	227	272
Less: Deductions	(4,425)	(4,359)	(4,207)	(4,326)
Total Common Equity Tier 1 Capital	2,706	2,888	3,100	3,114
Additional Tier 1 Capital				
Hybrid equities	887	679	679	624
Total Tier 1 Capital	3,593	3,567	3,779	3,738
Tier 2 Capital				
Subordinated term notes	907	959	943	1,280
Total Tier 2 Capital	907	959	943	1,280
Total Regulatory Capital	4,500	4,526	4,722	5,018
Prescribed Capital Amount (PCA)				
Insurance risk charge	1,313	1,285	1,106	1,055
Insurance concentration risk charge	200	200	169	169
Diversified asset risk charge	1,227	1,493	1,620	1,489
Aggregation benefit	(610)	(671)	(642)	(605)
Operational risk charge	350	354	355	361
Total Prescribed Capital Amount	2,480	2,661	2,608	2,468
PCA multiple	1.81	1.70	1.81	2.03
CET1 multiple	1.09	1.09	1.19	1.26

The CET1 ratio has increased from the 1.19 multiple reported at 31 December 2017, owing to the net effect of:

- Retained earnings in 2H18;
- Payment of the FY18 interim dividend of 14 cents per share;
- Further favourable impact from the combined 12.5% quota shares which came into effect from 1 January 2018;
- The residual favourable impact from the Berkshire Hathaway quota share arrangement;
- An increased excess technical provisions position over liabilities; and
- Some utilisation of tax losses in New Zealand.

11. BALANCE SHEET & CAPITAL

Unutilised tax losses stemming from the Canterbury earthquakes in New Zealand in FY11 stood at just under \$400m at 30 June 2018, and are disallowed for regulatory capital calculation purposes. During FY18, related tax losses on the balance sheet reduced by nearly \$40m.

At 30 June 2018 IAG's PCA ratio was 2.03, compared to a targeted range of 1.4 to 1.6 times.

The CET1 multiple at 30 June 2018 would be at the mid-point of IAG's benchmark range, after allowing for:

- The 2H18 dividend of 20 cents per share, which will be paid at the end of September 2018;
- The proposed capital return and special dividend in November 2018, amounting to 25 cents per share and subject to shareholder approval; and
- Receipt of the proceeds of the agreed sale of IAG's operations in Thailand, Indonesia and Vietnam, the vast majority of which is expected to be received by 31 August 2018.

On the same basis, the PCA multiple would remain above the equivalent target range.

The most significant movement within the composition of IAG's regulatory capital position since 31 December 2017 is the \$337m increase in Tier 2 Capital which reflects the issue of \$350m of subordinated debt in March 2018.

Over the same time period, notable movements within IAG's PCA comprise:

- A \$51m reduction in the insurance risk charge from the combination of prior period reserve releases and further effect from the combined 12.5% quota share agreements;
- A \$131m reduction in the diversified asset risk charge, including the effect from settling uncollateralised reinsurance recoveries; and
- A \$37m reduction in aggregation benefit, largely owing to quota share effects.

Interest Bearing Liabilities

IAG's interest bearing liabilities stood at \$1,960m at 30 June 2018, compared to \$1,608m at 31 December 2017. The net increase reflects the issue in March 2018 of \$350m of subordinated notes which qualify as Tier 2 Capital.

Increase in interest-bearing liabilities following subordinated note issue

INTEREST BEARING LIABILITIES	1H17 A\$m	FY17 A\$m	1H18 A\$m	FY18 A\$m
Subordinated debt	687	684	668	1,020
Convertible Preference Shares	153	-	-	
Reset Exchangeable Securities	550	550	550	550
Capital Notes	404	404	404	404
Capitalised transaction costs/other	(16)	(14)	(14)	(14)
Total interest bearing liabilities	1,778	1,624	1,608	1,960

11. BALANCE SHEET & CAPITAL

GROUP DEBT & HYBRID CAPITAL	Principal amount		Yield (net of swaps)	Rate	First Call or Exchange date	S&P rating
	\$m	A\$m	%			
Subordinated term notes (issued Mar-14) ¹	A\$350	350	4.91%	Variable	Mar-19	'A-'
Subordinated term notes (issued Mar-18) ²	A\$350	350	4.21%	Variable	Jun-24	'BBB'
Subordinated fixed rate notes	NZ\$350	320	5.15%	Fixed	Jun-22	'BBB'
Total Debt		1,020				
Reset Exchangeable Securities (IANG) ³	A\$550	550	4.28%	Variable	Dec-19	'BBB+'
Capital Notes (IAGPD) ⁴	A\$404	404	4.77%	Variable	Jun-23	'N/R'

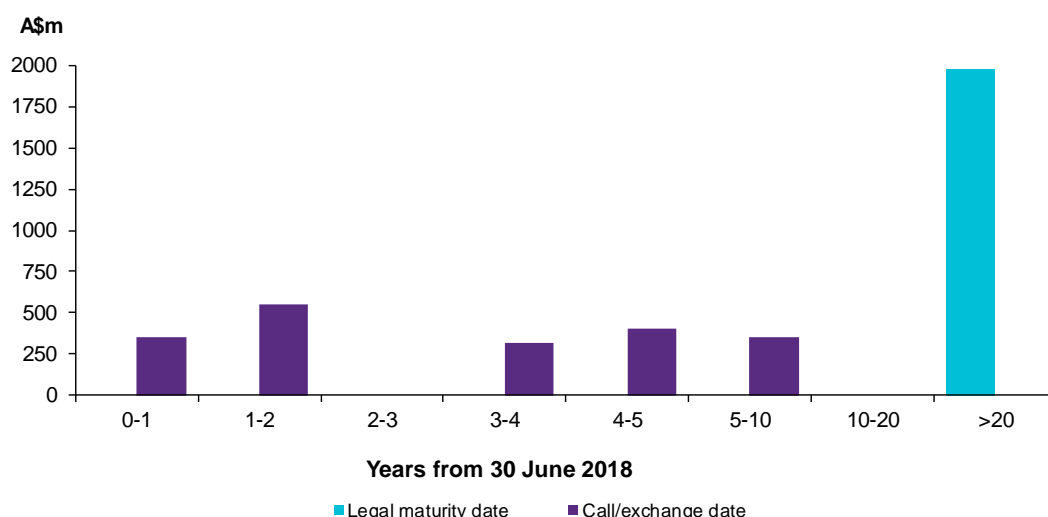
¹ Stated yield based on margin of BBSW + 2.80%.

² Stated yield based on margin of BBSW + 2.10%.

³ The Reset Exchangeable Securities pay floating rate quarterly interest. The yield shown is the current cash yield, excluding attached franking credits.

⁴ The Capital Notes pay floating rate quarterly interest. The yield shown is the current cash yield, excluding attached franking credits.

GROUP DEBT MATURITY PROFILE



Capital Mix

IAG measures its capital mix on a net tangible equity basis, i.e. after deduction of goodwill and intangibles, giving it strong alignment with regulatory and rating agency models. It remains IAG's intention to have a capital mix in the following ranges over the longer term:

- Ordinary equity (net of goodwill and intangibles) 60-70%; and
- Debt and hybrids 30-40%.

Capital mix within targeted ranges

CAPITAL MIX	1H17 A\$m	FY17 A\$m	1H18 A\$m	FY18 A\$m
Shareholder equity	6,611	6,792	6,825	6,941
Intangibles and goodwill	(3,366)	(3,332)	(3,263)	(3,183)
Tangible shareholder equity	3,245	3,460	3,562	3,758
Interest bearing liabilities	1,778	1,624	1,608	1,960
Total tangible capitalisation	5,023	5,084	5,170	5,718
Debt to total tangible capitalisation	35.4%	31.9%	31.1%	34.3%

11. BALANCE SHEET & CAPITAL

At 30 June 2018, IAG's capital mix was close to the mid-point of targeted ranges. Debt and hybrids represented 34.3% of total tangible capitalisation, with the increase since 1H18 reflecting the issue of \$350m of subordinated notes in March 2018.

The March 2018 subordinated note issue provides added flexibility in meeting future potential refinancing requirements. IAG has \$900m of debt and hybrid securities which, at IAG's election and subject to APRA's approval, may be called in calendar 2019.

Capital Management

IAG's key capital measure is its CET1 ratio. It remains IAG's intent to manage its CET1 capital broadly in line with the relevant targeted benchmark range over the longer term.

In acknowledgement of its surplus capital position to regulatory benchmarks, the absence of significant operational demands on its capital and the anticipated completion of the sale of the Thailand business by the end of August 2018, IAG has announced a \$592m capital management initiative of 25 cents per ordinary share which is expected to occur on or around 26 November 2018. This is expected to comprise:

- A capital return of 19.5 cents;
- A fully franked special dividend of 5.5 cents; and
- A share consolidation, equal and proportionate to the capital return, which would reduce IAG's ordinary shares on issue by approximately 2.4% and preserve consistency of EPS calculation.

The capital return and share consolidation components are subject to shareholder approval, which is being sought at IAG's Annual General Meeting on 26 October 2018. IAG has made payment of the special dividend conditional on that approval being obtained.

If the share consolidation is approved, the total number of IAG shares on issue is expected to reduce by approximately 57m. This is based on a consolidation ratio of 0.9760, after deducting the 19.5 cents return of capital expressed as a proportion of the \$8.1341 volume weighted average share price over the five trading days up to and including Friday 10 August 2018. Rounding up of fractional entitlements will apply.

The surplus capital position from which IAG is returning capital reflects cumulative quota share effects, as well as the expected impact of the divestment of the operations in Thailand, Indonesia and Vietnam.

Credit Ratings

On 25 January 2018, Standard & Poor's (S&P) affirmed its 'very strong' 'AA-' insurer financial strength and issuer credit ratings in respect of IAG's core operating subsidiaries, as well as its 'A' issuer credit rating of the non-operating holding company, Insurance Australia Group Limited. The outlook on all entities is stable.

Combined capital return and special dividend of \$592m (25 cents per share) – subject to shareholder approval

APPENDIX A BRAND PORTFOLIO

PORTFOLIO OF INSURANCE BRANDS AND MARKETS



100%-owned unless indicated (all ownership percentages are as at 30 June 2018).

1. IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is 70% owned by IAG and 30% by RACV.
2. IAG owns 100% of Insurance Australia Limited (IAL), the underwriter of general insurance products under the Coles Insurance brand. These products are distributed by Coles under an Authorised Representative Agreement with IAL.
3. IAG owns 49% of the general insurance arm of Malaysia-based AmBank Group, AmGeneral Holdings Berhad (AmGeneral), which trades under the AmAssurance and Kurnia brands.
4. IAG owns 26% of SBI General Insurance Company, a joint venture with State Bank of India.

APPENDIX B IAG BUSINESS SNAPSHOT

AUSTRALIA

Consumer

Consumer products are sold in Australia through branches, call centres, the internet and representatives, under:

- The NRMA Insurance brand in NSW, ACT, Queensland and Tasmania;
- The SGIO brand in Western Australia;
- The SGIC brand in South Australia;
- The RACV brand in Victoria, via a distribution agreement with RACV;
- The Coles Insurance brand nationally, via a distribution agreement with Coles; and
- The CGU brand through affinity and financial institution partnerships, as well as direct and broker / agent channels.

Consumer also includes travel insurance, life insurance and income protection products which are underwritten by third parties.

Business

Business products are sold in Australia through a network of around 2,000 intermediaries, such as brokers, agents and financial institutions, and directly through call centre and online channels. Business is a leading provider of business and farm insurance in Australia.

Business operates across Australia under the following brands:

- CGU Insurance;
- WFI;
- NRMA Insurance;
- RACV;
- SGIC; and
- SGIO.

NEW ZEALAND

IAG's New Zealand business is the leading general insurance provider in the country in both the direct and broker / agent channels. Insurance products are provided directly to customers, primarily under the State and AMI brands, and indirectly through insurance brokers and agents, under the NZI and Lumley Insurance brands. Personal products and simplified commercial products are also distributed through agents and under third party brands by corporate partners, which include large financial institutions.

New Zealand also offers travel insurance, which is underwritten by a third party.

Short tail insurance

- Motor vehicle
- Home and contents
- Lifestyle and leisure insurance, such as boat, veteran and classic car and caravan

Long tail insurance

- Compulsory Third Party (motor injury liability)

Short tail insurance

- Business packages
- Farm and crop
- Commercial property
- Construction and engineering
- Niche insurance
- Commercial motor and fleet motor
- Marine

Long tail insurance

- Workers' compensation
- Professional indemnity
- Directors' and officers'
- Public and products liability

Short tail insurance

- Motor vehicle
- Home and contents
- Commercial property, motor and fleet motor
- Construction and engineering
- Niche insurance, such as pleasure craft, boat and caravan
- Rural and horticultural
- Marine

Long tail insurance

- Personal liability
- Commercial liability

APPENDIX C KEY RELATIONSHIPS

GLOBAL

BERKSHIRE HATHAWAY

Berkshire Hathaway Inc. is one of the largest listed companies in the world, by market capitalisation. It owns a diversified portfolio of businesses and investments, of which interests in the insurance and reinsurance industries form a significant part.

BERKSHIRE HATHAWAY INC.

IAG has had a transactional relationship with Berkshire Hathaway since 2000, primarily in the area of reinsurance. That relationship has developed and deepened over the years.

In June 2015, IAG formed a strategic partnership with Berkshire Hathaway, in a logical development of the relationship between the two parties. It comprises:

- An exclusive operating relationship in Australia and New Zealand;
- A ten-year, 20% whole-of-account quota share arrangement, which commenced 1 July 2015; and
- A \$500m equity placement to Berkshire Hathaway, which represented approximately 3.7% of IAG's expanded issued capital at the point of issue in June 2015.

Benefits to IAG include the harnessing of complementary operating capabilities, reduced earnings volatility via the quota share and significant capital flexibility.

AUSTRALIA

NATIONAL ROADS AND MOTORISTS' ASSOCIATION LIMITED

National Roads and Motorists' Association Limited was established in 1920 and is a mutual organisation with over 2.6 million members. Until August 2000 it owned the NRMA Insurance business. At that time National Roads and Motorists' Association Limited and its members received IAG shares as consideration for the NRMA Insurance business to demutualise. The NRMA Insurance business now forms the majority of IAG's Australian Consumer operations.



Under the terms of the demutualisation agreements, National Roads and Motorists' Association Limited and IAG co-own the NRMA brand, with the respective parties having the following exclusive rights to its use:

- National Roads and Motorists' Association Limited – roadside assistance and other motoring services (except smash repairs), motoring products, transportation and travel.
- IAG (NRMA Insurance) – insurance and financial services and any other good or service not specifically reserved for National Roads and Motorists' Association Limited.

In addition, both parties cannot, under any brand, carry out activities engaged in by the other at the point of demutualisation.

IAG continues to provide certain services to National Roads and Motorists' Association Limited, notably those in respect of the NRMA branch network which is operated and managed by IAG. In 2016, National Roads and Motorists' Association Limited started selling NRMA Insurance's motor insurance products. The two organisations retain a strong and closely aligned relationship, with a focus on delivering a consistent NRMA brand customer experience.

APPENDIX C KEY RELATIONSHIPS

RACV

RACV is a mutual organisation founded in 1903. It provides a diverse range of services to more than two million members. These services include: insurance; finance; emergency roadside and home assistance; general mobility, road safety and vehicle design advocacy; and leisure, which includes club and resorts, touring and travel products and services.



IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV established in 1999. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is owned 70% by IAG and 30% by RACV.

If one of IMA's shareholders experiences a change of control, the other has a pre-emptive right to acquire that shareholder's interest at fair market value. The duration of the arrangements governing RACV's distribution of RACV-branded products in Victoria would be a relevant factor in determining this market value, as would the duration of the arrangements governing IMA's reinsurance of NRMA Insurance-branded products in NSW and the ACT.

COLES INSURANCE

IAG established a ten-year distribution agreement with Coles (which is owned by Wesfarmers Limited) to underwrite Coles Insurance as of 30 June 2014. This was part of a transaction which saw IAG acquire the former Wesfarmers Insurance underwriting operations at that date. Under this agreement, IAG's Australia Division underwrites car and home products for Coles Insurance in Australia.



ASIA

AMBANK GROUP

Established in August 1975, AmBank Group is the sixth largest banking group in Malaysia. The Group comprises AMMB Holdings Berhad, a public listed company on the Main Board of Bursa Malaysia. The Group offers a comprehensive range of both conventional and Islamic financial solutions through its retail banking, business banking, wholesale banking, general insurance, life insurance and family takaful businesses.



IAG has a general insurance joint venture in Malaysia with AmBank Group, AmGeneral Holdings Berhad (AmGeneral), which was established in 2006. AmBank Group owns 51% of AmGeneral and IAG 49%. AmGeneral is a leading motor insurer and among the largest general insurers in Malaysia based on GWP. Together with AmBank, a full range of insurance products and services is offered through all customer touch points and channels.

STATE BANK OF INDIA

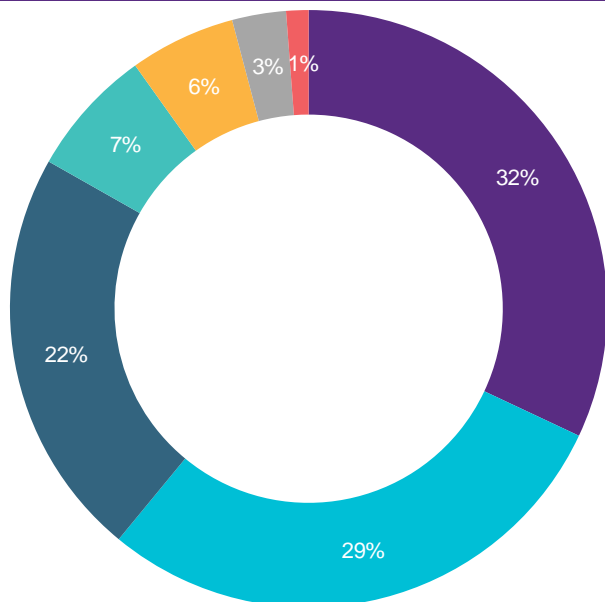
State Bank of India (SBI) is India's largest and oldest bank, with origins back to 1806. It offers a broad range of banking and financial services, and has a savings account base of over 400 million customers and in excess of 22,000 branches across all states of India.



SBI General Insurance Company (SBI General), a joint venture between SBI and IAG, was established in late 2009. SBI General commenced operations in 2010 and is building a portfolio in the corporate, retail and SME markets across India. SBI General has an exclusive corporate agency agreement with SBI Group for general insurance business. SBI owns 74% of SBI General and IAG 26%. IAG has an option to increase its shareholding to 49%.

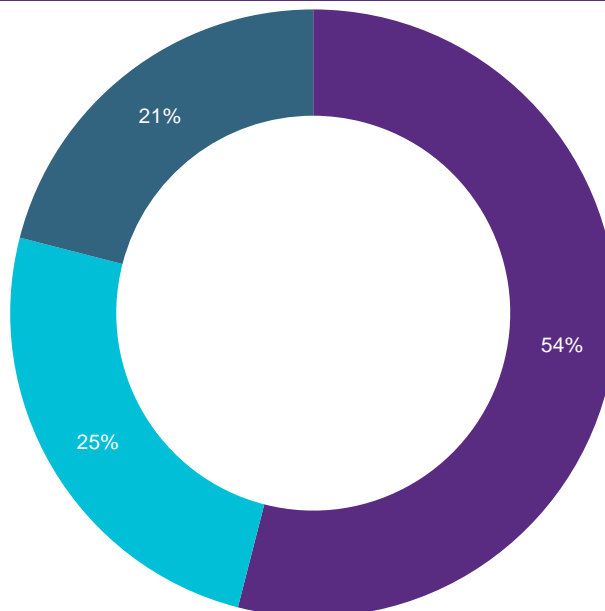
APPENDIX D GEOGRAPHICAL & PRODUCT DIVERSIFICATION

IAG GROUP GWP BY PRODUCT — FY18



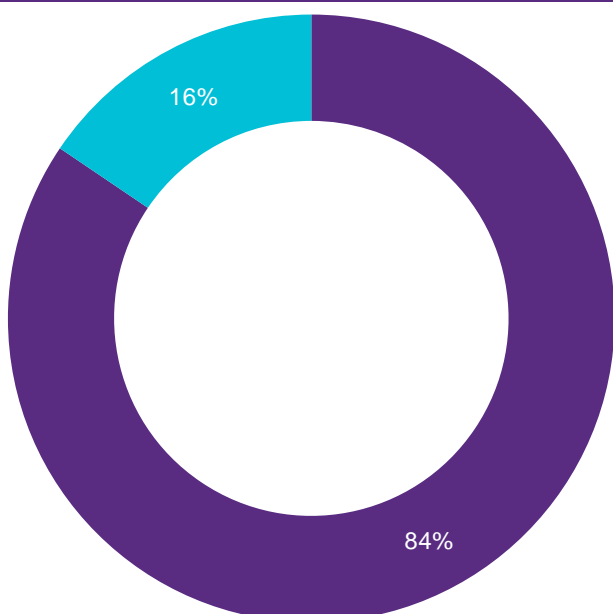
- Motor
- Home
- Short tail commercial
- CTP/motor liability
- Liability
- Workers' compensation
- Other short tail

IAG GROUP GWP BY BUSINESS — FY18



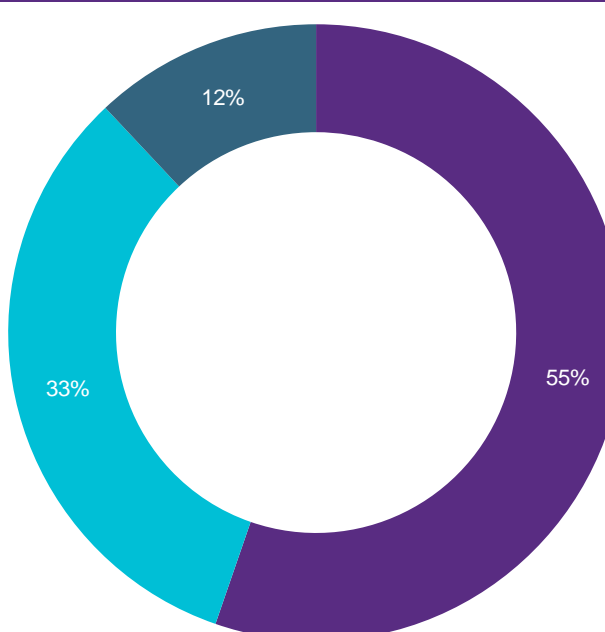
- Consumer
- Business
- New Zealand

IAG GROUP GWP BY TAIL — FY18



- Short Tail
- Long Tail

IAG GROUP GWP BY CHANNEL — FY18



- Direct
- Intermediated
- Affinity

APPENDIX E KEY ASX RELEASES

A summary of the announcements made by IAG to the ASX since 31 December 2017 is set out below. It does not include announcements of changes in directors' interests, or the issue of shares upon exercise by employees of share rights. Reference should be made to a copy of the ASX announcements if further information is required. These are available at <http://www.iag.com.au>.

3-JAN-18 IAG FINALISES 2018 CATASTROPHE REINSURANCE

IAG advised it had finalised its catastrophe reinsurance program for the 2018 calendar year, with construction similar to prior years and up to \$8bn of gross reinsurance protection. This has been placed to the extent of 67.5% after allowance for the new 12.5% quota share agreements, as well as the pre-existing 20% agreement with Berkshire Hathaway. The combination of all catastrophe covers in place at 1 January 2018 results in maximum first event retentions (post-quota share) of \$169m for Australia, NZ\$169m for New Zealand, \$17m for Thailand, and approximately \$1m for Vietnam and Indonesia.

14-FEB-18 IAG ANNOUNCES 1H18 RESULTS

IAG announced an encouraging 1H18 result, including an improved underlying margin of 12.6% (over 2H17), a higher reported margin of 17.3% assisted by favourable natural peril, reserve release and credit spread effects, and underlying GWP growth of around 4%. Reported GWP growth was 0.6%. An increased interim dividend of 14 cents was declared, and reported margin guidance was raised to a range of 15.5-17.5% on the back of revised reserve release and credit spread expectations. IAG also announced a strategic review of its options for its Asian businesses, with the review expected to be complete by the end of calendar 2018.

21-FEB-18 IAG APPOINTS GROUP EXECUTIVE TECHNOLOGY

IAG announced the appointment of Neil Morgan as Group Executive Technology, with immediate effect. Reporting directly to CEO Peter Harmer, Mr Morgan is responsible for implementing IAG's technology strategy across the company.

27-FEB-18 DAVID WATTS APPOINTED CHIEF RISK OFFICER

IAG announced the appointment of David Watts as Chief Risk Officer, effective 11 September 2018.

13-MAR-18 IAG APPOINTS TWO BOARD DIRECTORS

IAG announced the appointment of Michelle Tredenick and Sheila McGregor as independent non-executive directors. The appointments provide IAG's Board with additional strength in areas associated with its strategic priorities of customer satisfaction, business simplification and agility.

22-MAR-18 IAG ANNOUNCES SUBORDINATED DEBT ISSUE

IAG announced it would offer a new A\$ subordinated debt issue to wholesale investors, and that it was seeking to raise a minimum of \$300m which was expected to qualify as Tier 2 Capital.

23-MAR-18 IAG PRICES INSTITUTIONAL SUBORDINATED DEBT ISSUE

IAG advised it had successfully priced \$350m of securities under the wholesale A\$ subordinated debt offering announced on 22 March 2018.

11-APR-18 IAG INVESTOR DAY

IAG lodged the presentation materials and transcript of its Investor Day, which addressed IAG's strategy and key aspects of its business.

APPENDIX E KEY ASX RELEASES

19-JUN-18 IAG ANNOUNCES SALE OF OPERATIONS IN THAILAND, INDONESIA AND VIETNAM

IAG announced it had entered into a sale agreement with Tokio Marine for its operations in Thailand and Indonesia, with a sale price of approximately \$525m. Separately, IAG advised it had reached agreement to sell its business in Vietnam. All transactions are expected to conclude in FY19, subject to regulatory approvals or notifications, and an after-tax profit of at least \$200m is expected. This will be identified as an 'unusual item' in IAG's FY19 results and excluded from cash earnings for dividend calculation purposes. As a result of the sale agreements, the consolidated Asian businesses in Thailand, Indonesia and Vietnam will be treated as discontinued operations in the FY18 results, with comparative figures restated accordingly. Their exclusion from IAG's continuing business definition is expected to have the following effect on IAG's key guidance measures for FY18: negligible impact on GWP growth and an approximately 50 basis points enhancement to reported margin.

10-JUL-18 GROUP GENERAL COUNSEL LEAVES IAG

IAG announced that its Group General Counsel and Company Secretary, Chris Bertuch, had decided to leave the company effective 30 September 2018.

11-JUL-18 RECLASSIFICATION OF RESULTS TO REFLECT DISCONTINUED OPERATIONS

IAG provided details of the reclassification of its financial results for FY17 and 1H18, as a result of the sale agreements covering its consolidated operations in Thailand, Indonesia and Vietnam and their treatment as discontinued operations.

APPENDIX F GLOSSARY

The following is a glossary of the terms used in this report, including those commonly used in the insurance industry.

AFFINITY	A long term relationship where insurance services, such as underwriting, are provided to a third party under whose brand insurance products are sold.
APRA	Australian Prudential Regulation Authority.
ASX	Australian Securities Exchange Limited.
CAPITAL NOTES	Capital Notes were issued by IAG in December 2016 and are quoted as IAGPD on ASX.
CASH EARNINGS	IAG defines cash earnings as net profit after tax attributable to IAG shareholders, adjusted for the post-tax effect of any unusual items and the amortisation and impairment of acquired identifiable intangibles. This definition is used for the purposes of IAG's dividend policy. It is non-IFRS financial information that has not been audited or reviewed.
CASH ROE	IAG defines cash ROE as reported ROE adjusted for the post-tax effect of any unusual items and the amortisation and impairment of acquired identifiable intangibles.
COMBINED RATIO	Represents the total of net claims expense, commission expense and underwriting expense, expressed as a percentage of net earned premium. It is equivalent to the sum of the loss ratio and expense ratio.
COMMON EQUITY TIER 1 CAPITAL (CET1)	The highest quality component of capital, as defined by APRA under its LAGIC regime. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date.
CREDIT SPREAD	The credit spread is the difference between the average yield to maturity of the portfolio of non-government securities and the average yield to maturity of the liability profile, valued using Commonwealth Government of Australia yields.
CTP	Compulsory Third Party insurance, which is liability cover that motorists are obliged to purchase in Australia.
DEFERRED ACQUISITION COSTS (DAC)	Accounting standards require acquisition costs incurred in obtaining and recording general insurance contracts to be deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the income statement in subsequent periods. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the related general insurance contracts.
DISCOUNT RATE	In accordance with Australian Accounting Standards, outstanding claim liabilities are discounted to account for the time value of money. IAG uses a risk free discount rate.
DRP	Dividend Reinvestment Plan, that permits shareholders to receive shares as consideration for dividends. IAG can elect to issue shares or have them acquired on market for DRP participants.

APPENDIX F GLOSSARY

EXCHANGE COMMISSION	A fee, comprising fixed and variable components, paid under a quota share agreement by a reinsurance company to a ceding insurer to cover administrative costs, acquisition expenses and access to the underwriting profits of the ceded business.
EXPENSE RATIO	The ratio of expenses to net earned premium. Expenses are split into administration (underwriting) and commission, with ratios calculated on the same basis.
GROSS EARNED PREMIUM	Premium is recognised in the income statement as it is earned. The insurer estimates the pattern of the incidence of risk over the period of the contract for direct business, or over the period of indemnity for reinsurance business, and the premium revenue is recognised in the income statement in accordance with this pattern.
GROSS WRITTEN PREMIUM (GWP)	The total premiums relating to insurance policies underwritten by a direct insurer or reinsurer during a specified period and measured from the date of attachment of risk and before payment of reinsurance premiums. The attachment date is the date the insurer accepts risk from the insured.
IFRS	International Financial Reporting Standards.
IMMUNISED RATIO	An immunised ratio is used to compare underwriting results between periods, as it normalises the ratio for the effects of changes in the risk free rate used to discount liabilities.
INSURANCE MARGIN	The ratio of insurance profit to net earned premium.
INSURANCE PROFIT	Underwriting result plus investment income on assets backing technical reserves.
LEVIES	Levies are taxes on insurers to assist government funding for fire and emergency services. They are an expense of the insurer, rather than government charges directly upon those insured. The insurer is responsible for paying levies, usually in arrears. In Australia, these comprise the Emergency Services Levy (ESL) in NSW and the Fire Services Levy (FSL) in Tasmania (commercial property lines only). These levies are included in GWP and expenses for reporting purposes.
LIABILITY ADEQUACY TEST (LAT)	Accounting standards require an assessment of the sufficiency of the unearned premium liability be performed each reporting period by considering the expected future cash flows relating to future claims arising from the unearned premium, net of reinsurance and deferred acquisition costs. If the unearned premium liability is considered deficient then the entire deficiency is recognised in the income statement, firstly through the writedown of deferred acquisition costs and with any remaining amount recognised in the balance sheet as an unexpired risk liability.
LONG TAIL	Classes of insurance (such as CTP and workers' compensation) with an average period generally greater than 12 months between the time when earned premiums are collected and final settlement of claims occurs.
LOSS RATIO	The ratio of net claims expense to net earned premium.

APPENDIX F GLOSSARY

MER	Maximum Event Retention, representing the maximum cost which could be incurred in the event of a further major catastrophe event, after allowing for reinsurance cover.
NATURAL PERILS	Natural peril events include, but are not limited to, storm, wind, flood, earthquake and bushfire.
NATURAL PERILS ALLOWANCE	The natural perils expense forecast to be incurred within a specified period of time based upon previous experience and management judgement, which is reflected in the pricing of related insurance products for the same period.
NATURAL PERILS EXPENSE	Losses arising from natural perils after deducting any applicable reinsurance recoveries.
NET CLAIMS EXPENSE	Insurance claim losses incurred plus claims handling expenses, net of recoveries from reinsurance arrangements.
NET EARNED PREMIUM (NEP)	Gross earned premium less reinsurance expense.
PCA	Prescribed Capital Amount, as defined by APRA under its LAGIC regime.
PROBABILITY OF ADEQUACY (POA)	The estimated probability that the amounts set aside to settle claims will be equal to or in excess of the amounts eventually paid in respect of those claims. This estimation is based on a combination of prior experience and expectations, actuarial modelling and judgement. It is also known as the probability of sufficiency (PoS). APRA's prudential standard GPS 310 requires general insurers to maintain a minimum value of insurance liabilities that is greater than a 75% level of sufficiency.
QUOTA SHARE	A form of reinsurance in which an insurer cedes an agreed percentage of every risk it insures that falls within a class or classes of business, subject to a reinsurance treaty.
RECOVERIES	The amount of claims recovered from reinsurers, third parties or salvage.
RESET EXCHANGEABLE SECURITIES (RES)	Reset Exchangeable Securities (RES) are quoted as IANG on ASX and issued by IAG Finance (New Zealand) Limited, a wholly-owned subsidiary of IAG.
RISK FREE RATE	The risk free rate is the rate of return on a range of Commonwealth Government bonds. It is deemed to be risk free as there is a very low risk the Commonwealth Government of Australia will default on its obligations.
RISKS IN FORCE	Risk refers to the subject matter that an insurance policy or contract protects (for example, number of vehicles, houses, employees). An insurance policy may cover one risk or many risks, depending on the terms of the policy. Risks in force are a measure of the total number of risks covered by an insurance company at a point in time.
ROE	Return on equity, being net profit after tax divided by average equity attributable to owners of the company.

APPENDIX F GLOSSARY

SHAREHOLDERS' FUNDS	The investment portfolio of assets held in excess of the amount backing technical reserves, representing shareholders' equity not used in day-to-day operations.
SHORT TAIL	Classes of insurance (such as motor, home and SME commercial) with an average period generally less than 12 months between the time when premiums are earned and final settlement of claims occurs.
SME	Small-to-medium enterprise.
TECHNICAL RESERVES	The investments held to back the outstanding claims liability (including incurred but not reported (IBNR) and incurred but not enough reported (IBNER)) and unearned premium, net of recoveries and premium debtors.
TSR	Total shareholder return.
UNDERLYING MARGIN	<p>LAG defines underlying margin as the reported insurance margin adjusted for:</p> <ul style="list-style-type: none">• Net natural peril claim costs less related allowance;• Reserve releases in excess of 1% of NEP; and• Credit spread movements. <p>The underlying margin is non-IFRS financial information that has not been audited or reviewed. It is provided to give management's view of normalised performance and can also be referred to as underlying result, underlying performance, underlying insurance profit or underlying profitability.</p>
UNDERWRITING	The process of examining, accepting or rejecting insurance risk, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
UNDERWRITING EXPENSES	Those expenses incurred as a result of underwriting activities, including risk assessment and other acquisition expenses.
UNDERWRITING PROFIT / (LOSS)	Net earned premium less net claims expense, commission expenses and underwriting expenses.
UNEARNED PREMIUM	Premium applicable to the unexpired portion of an insurance contract, which has not been recognised in the income statement and is identified in the balance sheet as an unearned premium liability. The unearned premium liability is to meet the costs, including the claims handling costs, of future claims that will arise under current general insurance contracts and the deferred acquisition costs that will be recognised as an expense in the income statement in future reporting periods.
WACC	Weighted average cost of capital.

DIRECTORY

SECURITIES EXCHANGE LISTINGS

ASX Limited (ASX):

- Ordinary Shares (**IAG**): 2,367,524,344 on issue at 30 June 2018
- Reset Exchangeable Securities (**IANG**): 5,500,000 on issue at 30 June 2018
- Capital Notes (**IAGPD**): 4,041,265 on issue at 30 June 2018

NZX Limited (NZDX):

- Unsecured Subordinated Convertible Notes due 2043 (**IAGFB**): NZ\$350m outstanding at 30 June 2018

KEY DATES

Final dividend – ordinary shares

- Ex-dividend date 21 August 2018
- Record date 22 August 2018
- DRP record date 23 August 2018
- Payment date 27 September 2018

Payment date for IANG, IAGPD and IAGFB quarterly distributions 17 September 2018

Annual General Meeting 26 October 2018

Payment date for IANG, IAGPD and IAGFB quarterly distributions 17 December 2018

Announcement of half year results to 31 December 2018 6 February 2019*

Interim dividend – ordinary shares

- Ex-dividend date 12 February 2019*
- Record date 13 February 2019*
- DRP record date 14 February 2019*
- Payment date 20 March 2019*

Payment date for IANG, IAGPD and IAGFB quarterly distributions 15 March 2019

Payment date for IANG, IAGPD and IAGFB quarterly distributions 17 June 2019

Announcement of full year results to 30 June 2019 8 August 2019*

**These dates are indicative only and are subject to change. Any change will be announced on ASX.*

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