DIRECTORS' REPORT

The directors present their report together with the financial report of Insurance Australia Group Limited and the consolidated financial report of Insurance Australia Group Limited and its subsidiaries for the financial year ended 30 June 2013 and the auditor's report thereon.

The following terminology is used throughout the financial report:
- IAG, Parent or Company - Insurance Australia Group Limited; and
- Group or Consolidated - the Consolidated entity consists of Insurance Australia Group Limited and its subsidiaries.

DIRECTORS OF INSURANCE AUSTRALIA GROUP LIMITED

The names and details of the Company's directors in office at any time during or since the end of the financial year are as follows. Directors were in office for the entire period unless otherwise stated.

CHAIRMAN
BRIAN (BM) SCHWARTZ AM
FCA, FAICD, age 60 - Chairman and Independent non-executive director
INSURANCE INDUSTRY EXPERIENCE
Brian was appointed a director of IAG in January 2005 and became chairman in August 2010. He is a member and former chairman of the IAG People and Remuneration Committee and chairman of Insurance Manufacturers of Australia Pty Limited, a general insurance underwriting joint venture with RACV Limited.

OTHER BUSINESS AND MARKET EXPERIENCE
Brian is a non-executive director of Brambles Limited, the deputy chairman of Westfield Group Limited and the deputy chairman of the board of Football Federation Australia Limited.

He was the chief executive of Investec Bank (Australia) Ltd from 2005 to 2009. Previously he was with Ernst & Young Australia from 1979 to 2004, becoming its chief executive in 1998. He was a member of Ernst & Young's global board and managing partner of the Oceania area responsible for the firm's operations in Australia, New Zealand, Indonesia, the Philippines, Vietnam and Fiji.

Brian was appointed a Member of the Order of Australia in 2004 for his services to business and the community. He was previously a member of the Federal Government's Australian Multicultural Advisory Council and in 2001 he was named Leading CEO for the Advancement of Women by the Equal Opportunity for Women in the Workplace Agency.

Directorships of other listed companies held in past three years:
- Brambles Limited, since 13 March 2009;
- Westfield Group, including Westfield Management Limited (which acts as the responsible entity of Carindale Property Trust), since 6 May 2009; and
- IAG Finance (New Zealand) Limited (a part of the Group), since 26 August 2010.

MANAGING DIRECTOR
MICHAEL (MJ) WILKINS
BCom, MBA, DLI, FCA, FAICD, age 56 - Managing Director and Chief Executive Officer
INSURANCE INDUSTRY EXPERIENCE
Michael was appointed managing director and chief executive officer of IAG in May 2008.

He has more than 30 years experience in the insurance and financial services sector and is a member of the Australian Government's Financial Sector Advisory Council.

Michael was formerly the managing director of Promina Group Limited (from 1999 to 2007), and managing director of Tyndall Australia Limited (from 1994 to 1999). He is a former director and president of the Insurance Council of Australia and a former director of the Investment and Financial Services Association (now the Financial Services Council).

OTHER BUSINESS AND MARKET EXPERIENCE
Michael is a director of Maple-Brown Abbott Limited and a former non-executive director of Alinta Limited.

Directorships of other listed companies held in past three years:
- IAG Finance (New Zealand) Limited (a part of the Group), since 28 May 2008.
OTHER DIRECTORS

YASMIN (YA) ALLEN
BCom, FAICD, age 49 - Independent non-executive director

INSURANCE INDUSTRY EXPERIENCE

Yasmin was appointed as a director of IAG in November 2004. She is chairman of the IAG People and Remuneration Committee and a member (and former chairman) of the IAG Audit, Risk Management & Compliance Committee. Yasmin served six years on the board of Export Finance and Insurance Corporation.

OTHER BUSINESS AND MARKET EXPERIENCE

Yasmin has extensive experience in investment banking as an equities analyst and in senior management. She is currently a director of Cochlear Limited and chairman of its Audit Committee, chairman of Macquarie Specialised Asset Management, a national director of the Australian Institute of Company Directors, a director of the National Portrait Gallery and a member of the Salvation Army advisory board. Previous non-executive director roles include with Export Finance and Insurance Corporation and Film Australia.

Yasmin was formerly a vice president at Deutsche Bank AG, a director at ANZ Investment Bank in Australia and an associate director at James Capel UK Ltd (HSBC Group).

Directorships of other listed companies held in past three years:

- Cochlear Limited, since 2 August 2010.

PETER (PH) BUSH
BA, FAMI, age 61 - Independent non-executive director

INSURANCE INDUSTRY EXPERIENCE

Peter was appointed as a director of IAG in December 2010. He is a member of the IAG People and Remuneration Committee.

OTHER BUSINESS AND MARKET EXPERIENCE

Peter has extensive experience in marketing, brands and consumer behaviour gained through a career spanning more than 30 years in the fast moving consumer goods and retail industries. He was McDonald’s Australia Limited’s managing director & CEO and president for the Pacific, Middle East and Africa (2005-2010) and chief operating officer (2002-2005).

In several of his roles Peter was responsible for Asian operations and he has direct experience in developing business in Indonesia, Japan and China. Previously he held senior roles with Arnott’s Biscuits Limited, Pioneer International Limited (Ampol/Caltex), Samuel Taylor (Reckitt & Coleman plc), and Johnson & Johnson Australia, and was chief executive officer of AGB McNair and Schwarzkopf Australia & New Zealand.

Peter is chairman of Pacific Brands Limited and previously served on the boards of McDonald’s Australia Limited, Lion Nathan Limited, Miranda Wines Pty Limited (now McGuigan Wines), Frucor Beverages Group Limited (now Danone) and Nine Entertainment Holdings Pty Ltd.

Directorships of other listed companies held in past three years:

- Pacific Brands Limited, since 3 August 2010.

ALISON (AC) DEANS
BA, MBA, GAICD, age 45 - Independent non-executive director

INSURANCE INDUSTRY EXPERIENCE

Alison was appointed as a director of IAG in February 2013. She is a member of the IAG Audit, Risk Management & Compliance Committee.

OTHER BUSINESS AND MARKET EXPERIENCE

Alison is the CEO of Netus, a technology-based investment company focused on building consumer web businesses in Australia and acquired by Fairfax in December 2012. She has over 20 years’ experience in general management and strategy consulting roles focused on e-business and media/entertainment in Australia.

Alison has held chief executive roles at ebay Australia and New Zealand, ecorp and Hoyts Cinemas.

Alison is a recipient of the Centenary Medal for services to the business community.

Directorships of other listed companies held in past 3 years:

- None.
HUGH (HA) FLETCHER
BSc/BCom, MCom (Hons), MBA, age 65 - Independent non-executive director

INSURANCE INDUSTRY EXPERIENCE
Hugh was appointed as a director of IAG in September 2007 and as a director of IAG New Zealand Limited in July 2003. He is a member of the IAG Audit, Risk Management & Compliance Committee.

Hugh was formerly chairman (and independent director since December 1998) of New Zealand Insurance Limited and CGNU Australia.

OTHER BUSINESS AND MARKET EXPERIENCE
Hugh is a non-executive director of Rubicon Limited and Vector Limited and a trustee of The University of Auckland Foundation.

Hugh was formerly chief executive officer of Fletcher Challenge Limited, – a New Zealand headquartered corporation with assets in the global building, energy, forestry and paper industries. He retired from an executive position in December 1997 after 28 years as an executive, 11 of which he served as chief executive.

Hugh is a former deputy chairman of the Reserve Bank of New Zealand, former member of the Asia Pacific Advisory Committee of the New York Stock Exchange, former non-executive director of Fletcher Building Limited, and has been involved as an executive and non-executive director in many countries in Asia, including China, India, Singapore, Indonesia, Malaysia and Thailand.

Directorships of other listed companies held in past three years:
- Rubicon Limited, since 23 March 2001;
- Vector Limited, since 25 May 2007;
- IAG Finance (New Zealand) Limited (a part of the Group), since 31 August 2008; and

RAYMOND (SKR) LIM
BEcon, BA, LLM, age 54 - Independent non-executive director

INSURANCE INDUSTRY EXPERIENCE
Raymond was appointed as a director of IAG in February 2013. He is a member of the IAG People and Remuneration Committee.

OTHER BUSINESS AND MARKET EXPERIENCE
Raymond is chairman of APS Asset Management and senior advisor to the Swire Group. He also serves on several boards including the Government of Singapore Investment Corporation, Hong Leong Finance and Raffles Medical Group.

Raymond is a member of the Singapore Parliament (since 2001), and held various ministerial appointments in the Singapore Government including Foreign Affairs, Trade & Industry, Entrepreneurship, Finance and Transport from 2001 to 2011.

Prior to entering parliament in 2001, Raymond held various senior positions in the financial industry including as a managing director of Temasek Holdings, chief executive officer of DBS Vickers Securities and chief economist of ABN AMRO Asia Securities.

He is a Rhodes Scholar and has degrees in economics and law from the universities of Adelaide, Oxford and Cambridge.

Directorships of other listed companies held in past three years:

PHILIP (PJ) TWINMAN
BSc, MBA, FAICD, age 69 - Independent non-executive director

INSURANCE INDUSTRY EXPERIENCE
Philip was appointed as a director of IAG in July 2008. He is chairman of the IAG Audit, Risk Management & Compliance Committee.

Philip was formerly group executive director of Aviva plc, one of the world’s largest insurance groups, based in London. He has also been chairman of Morley Fund Management and chief financial officer of General Accident plc, Aviva plc and AMP Group.

While at Aviva plc and its predecessor groups between 1996 and 2004, Philip had executive responsibility for the Group’s insurance operations in Asia, Australia, Europe and North America. He was also responsible for starting and nurturing new insurance businesses in China, India, Indonesia and Hong Kong. Overall, Philip has had over 20 years of both board and executive level general insurance experience.

Philip is on the board of Swiss Re (Australia). He was formerly an independent non-executive director of Perpetual Limited from 2004 to 2012, Medibank Private Limited from 2007 to 2012 and Insurance Manufacturers of Australia Pty Limited, a general insurance underwriting joint venture with RACV Limited from April 2007 to July 2008.

OTHER BUSINESS AND MARKET EXPERIENCE
Philip is also on the board of Tokio Marine Management (Australasia) Pty Ltd.

Directorships of other listed companies held in past three years:
DR NORA (NL) SCHEINKESTEL  
LLB (Hons), Ph.D, FAICD, age 53 - Independent non-executive director  
INSURANCE INDUSTRY EXPERIENCE  
Nora was appointed as a director of IAG in July 2013. The Board proposes to appoint Nora to the IAG Audit, Risk Management & Compliance Committee.

OTHER BUSINESS AND MARKET EXPERIENCE  
Nora is an experienced company director having served on listed, private and public company boards in sectors including financial services, utilities, telecommunications and mining.

Nora has extensive experience in corporate transactions including equity and debt raising, corporate restructuring and mergers and acquisitions, as well as an executive background in the development and financing of major projects in Australasia and South East Asia. She currently consults in areas such as corporate governance, strategy and finance.

Nora is an associate professor at the Melbourne Business School at Melbourne University, a member of the Takeovers Panel and a fellow of the Australian Institute of Company Directors. In 2003, she was awarded a centenary medal for services to Australian society in business leadership.

Directorships of other listed companies held in past three years:
- Telstra Corporation Limited, since 12 August 2010;
- Orica Limited, since 1 August 2006;
- Pacific Brands Limited (2009-2013); and

DIRECTORS WHO RETIRED DURING THE FINANCIAL YEAR
- Phillip Colebatch was appointed in January 2007 and retired on 31 August 2012.
- Anna Hynes was appointed in September 2007 and retired on 1 February 2013.

SECRETARY OF INSURANCE AUSTRALIA GROUP LIMITED  
CHRIS (CJ) BERTUCH
BEd, LLB, LLM  
Chris Bertuch was appointed company secretary on 11 May 2011. Prior to joining IAG, he held the position of Group General Counsel & Company Secretary at CSR Limited. Chris joined CSR as a corporate lawyer in 1993 and prior to that was a partner in the law firm Gadens Lawyers in Sydney. He brings to IAG more than 25 years experience in corporate, commercial and trade practices law and dispute resolution. Chris has also completed the Advanced Management Program at Harvard Business School.

MEETINGS OF DIRECTORS
The number of meetings each director was eligible to attend and actually attended during the financial year is summarised as follows:

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>BOARD OF DIRECTORS</th>
<th>PEOPLE AND REMUNERATION COMMITTEE</th>
<th>AUDIT, RISK MANAGEMENT &amp; COMPLIANCE COMMITTEE</th>
<th>BOARD SUB COMMITTEE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Eligible to attend as a member</td>
<td>Eligible to attend as a member</td>
<td>Eligible to attend as a member</td>
<td>Eligible to attend as a member</td>
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<tr>
<td>Brian Schwartz</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Yasmin Allen</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Peter Bush</td>
<td>9</td>
<td>8</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Phillip Colebatch, retired 31 August 2012</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Alison Deans, appointed 1 February 2013</td>
<td>5</td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hugh Fletcher</td>
<td>9</td>
<td>8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Anna Hynes, retired 1 February 2013</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Raymond Lim, appointed 1 February 2013</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Philip Twyman</td>
<td>9</td>
<td>9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Michael Wilkins</td>
<td>9</td>
<td>9</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Formerly IAG Nomination, Remuneration & Sustainability Committee.
PRINCIPAL ACTIVITIES
The principal continuing activities of the Group are the underwriting of general insurance and related corporate services and investing activities. The Group reports its results under the following business division headings:

- Australia Direct insurance – comprises insurance products distributed through a network of branches, franchises and country service centres throughout Australia as well as call centres and online facilities using predominantly the NRMA Insurance, SGIO and SGIC brands as well as via a distribution relationship and underwriting joint venture with RACV Limited;
- Australia Intermediated insurance - comprises insurance products primarily sold under the CGU and Swann Insurance brands through insurance brokers, authorised representatives and distribution partners;
- New Zealand insurance - comprises the general insurance business underwritten through subsidiaries in New Zealand. Insurance products are predominantly sold directly to customers under the State and AMI brands, and through intermediaries such as brokers and agents using the NZI brand. Personal and commercial products are also distributed by corporate partners, such as large financial institutions, using third party brands;
- Asia insurance - comprises primarily the direct and intermediated insurance business underwritten through subsidiaries in Thailand and the share of the operating result from the investment in associates in Malaysia, Vietnam, India and China. The businesses offer personal and commercial insurance products through local brands; and
- Corporate and Other - comprises other activities, including corporate services, funding costs on the Group’s interest bearing liabilities, inwards reinsurance from associates, investment management and investment of the equity holders’ funds. The results of the run off of the Alba Group are also included.

OPERATING AND FINANCIAL REVIEW
OPERATING RESULT FOR THE FINANCIAL YEAR
Throughout this report the United Kingdom (UK) business has been treated as a discontinued operation for disclosure purposes. Comparative figures have been re-presented accordingly.

IAG has performed strongly across the 2013 financial year. The Group’s profit after tax for the financial year was $882 million (2012-$265 million). After adjusting for non-controlling interests in the Group result, net profit attributable to the equity holders of the Company was $776 million (2012-$207 million), which was an increase of over 270%.

For the financial year to 30 June 2013, the Group has announced:

- gross written premium (GWP) growth of 11.8%, to $9.5 billion;
- a higher reported insurance margin of 17.2%;
- an improved underlying margin of 12.5%; and
- significantly higher investment income on equity holders’ funds of $371 million (2012-$101 million).

The increase in GWP reflects strong growth in Australia, New Zealand and Asia, sourced from rate increases, some improvement in volumes and a full year’s contribution from the AMI acquisition in New Zealand. Excluding AMI, GWP grew by 8.7%.

The reported insurance margin of 17.2% (2012-11.5%) includes a near $300 million improvement in underwriting result across the Group and was assisted by the following:

- net natural peril claim costs of $464 million, which were more than $150 million below the related allowance and nearly $200 million lower than the equivalent cost in the financial year ended 30 June 2012;
- prior period reserve releases of $212 million, equivalent to 2.5% of net earned premium (NEP) and in excess of the 1-2% expectation held at the beginning of the year; and
- a favourable $110 million impact from the narrowing of credit spreads during the year, in contrast to the negative $70 million effect incurred in the financial year ended 30 June 2012.

The Group has delivered an improved underlying insurance margin of 12.5% (2012-12.0%). IAG defines its underlying margin as the reported insurance margin adjusted for:

- net natural peril claim costs less the related allowance for the period;
- reserve releases in excess of 1% of NEP; and
- credit spread movements.

<table>
<thead>
<tr>
<th>INSURANCE MARGIN</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported insurance margin*</td>
<td>$1,428</td>
<td>17.2</td>
</tr>
<tr>
<td>Net natural peril claim costs less allowance</td>
<td>(156)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Reserve releases in excess of 1% of NEP</td>
<td>(129)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Credit spread movements</td>
<td>(110)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Underlying insurance margin</td>
<td>$1,033</td>
<td>12.5</td>
</tr>
</tbody>
</table>

* Reported insurance margin is the insurance profit/(loss) as a percentage of net earned premium as disclosed in the Statement of Comprehensive Income.

Investment income on equity holders’ funds was a profit of $371 million, compared to a profit of $101 million in the prior financial year. This significantly improved outcome reflects much stronger equity markets, with the broader Australian index (S&P ASX200 Accumulation) delivering a positive return of 22.8% over the year to 30 June 2013, compared to a negative return of 6.7% over the year to 30 June 2012.
A. AUSTRALIA DIRECT

I. Premiums
Australia Direct’s GWP increased by 6.6% to $4,584 million (2012-$4,299 million), representing 48% (51%-2012) of the Group’s GWP. GWP growth was achieved across most product classes and in all states. Rate increases were implemented across the year to recover higher reinsurance and natural peril costs, and to reflect lower investment yields impacting the long tail book. While rate accounted for most of the year’s GWP growth, this continued to be supplemented by volume gains, notably in motor and particularly in states outside NSW.

II. Reinsurance expense
The reinsurance expense of $281 million in the financial year ended 30 June 2013 was approximately 7% higher than the financial year ended 30 June 2012 ($262 million). This reflects the combined effect of:
- higher catastrophe cover costs;
- overall business growth; and
- the absence of amortised reinstatement costs incurred during the first half of the financial year ended 30 June 2012.

III. Claims
Australia Direct has reported a significantly lower loss ratio of 66.2% than that during the financial year ended 2012 (79.7%). This largely reflects:
- a notably lower net natural peril claim cost experience, following particularly benign activity in the first half of the financial year; and
- a favourable movement in the discount rate adjustment. This reflects a steepening of the yield curve compared to 30 June 2012.

IV. Expenses
Australia Direct’s total expenses in the year ended 30 June 2013 amounted to $797 million (2012-$752 million). This equates to an improved expense ratio of 19.2% (2012-19.7%), reflecting strong growth in NEP of 9.3% and tight expense control across the business. Of the 6% increase in expenditure compared to the financial year ended 30 June 2012, roughly half was attributable to higher levies, in large part driven by increased home rates. The balance reflected underlying business growth.

V. Insurance profit
Australia Direct has reported an insurance profit for the financial year ended 30 June 2013 of $822 million, compared to $544 million in the financial year ended 30 June 2012. This equates to a higher insurance margin of 19.7% (2012-14.3%).

The higher reported margin reflects the combination of:
- strong NEP growth of 9.3%;
- a $167 million reduction in net natural peril claim costs against the prior financial year;
- slightly lower reserve releases; and
- a favourable credit spread impact of $71 million, compared to an adverse impact of $42 million in the prior year.

B. AUSTRALIA INTERMEDIATED (CGU)

I. Premiums
CGU’s reported GWP of $3,028 million was an increase of 9.7% compared to the financial year ended 30 June 2012, while representing 32% (2012-32%) of the Group’s GWP. This continues the strong top line growth evident across most areas of the business in recent years. Growth in the current financial year was primarily from a combination of:
- strong rate increases (up to double digit in some cases, but below the prior financial year levels) across most property classes, to recover the substantial increase in reinsurance and natural peril costs experienced in recent years;
- volume growth, most notably across some commercial line portfolios (particularly residential strata), workers’ compensation and some niche portfolios;
- improved retention rates in those portfolios subject to extensive remediation action in recent periods, such as Countrypak and brokered home insurance. Retention on these remediated portfolios has steadily improved over the course of the financial year ended 30 June 2013, to more normal levels; and
- rollout of flood cover on home, contents and landlords policies, which was completed in February 2013, with retention rates for these portfolios in line with expectations and beginning to return to long term average rates.

II. Reinsurance expense
Reinsurance costs of $245 million in the financial year ended 30 June 2013 were identical to those in the prior financial year. This reflected a combination of:
- higher catastrophe cover costs;
- business mix changes, including growth in corporate property offset by reduced home and landlord volumes, following the introduction of flood cover and lower customer retention levels; and
- the absence of amortised reinstatement costs incurred during the first half of the financial year ended 30 June 2012.

III. Claims
CGU’s reported loss ratio of 49.8% for the financial year ended 30 June 2013 was significantly lower than the 68.0% recorded in the prior financial year. This reflected the combination of:
- slightly higher net natural peril claim costs;
- significantly higher reserve releases;
- further improvement in underlying claims performance;
- strong NEP growth of 10.6%; and
- a favourable movement in the discount rate adjustment which reflected a steepening of the yield curve compared to 30 June 2012.
IV. Expenses
Reported expenses, comprising commission and underwriting costs, totalled $928 million in the financial year ended 30 June 2013, compared to $881 million in the financial year ended 30 June 2012. Despite the increase, the expense ratio improved to 35.1% (2012-36.9%), reflecting cost savings realised and strong growth in NEP (+10.6%).

Movements within total expenses included:
- an 11.1% increase in commission expense, to $410 million, reflecting increased business volumes;
- the realisation of cost initiatives, including those stemming from the OneCGU new operating model; and
- higher operating costs associated with sales volume growth and inflation.

V. Insurance profit
CGU reported an insurance profit of $470 million, a substantial increase on the prior financial year (2012-$258 million). This equates to an insurance margin of 17.8% (2012-10.8%). The significantly stronger reported margin is explained by the net effect of:
- considerably higher reserve releases;
- a slightly higher net natural peril claim cost impact of $203 million (2012-$175 million); and
- a favourable credit spread movement of $67 million, relative to the financial year ended 30 June 2012.

VI. Fee based business
In the financial year ended 30 June 2013, in its role as agent in respect of the NSW and Victorian workers’ compensation schemes CGU generated net income from fee based operations of $19 million, compared to $13 million in the prior year.

C. NEW ZEALAND
I. Premiums
New Zealand’s GWP for the financial year ended 30 June 2013 of $1,575 million increased by over 30% compared to the prior financial year (2012-$1,210 million), with all distribution channels reporting growth. New Zealand represented 17% (2012-14%) of the Group's GWP. The increase reflects:
- a full year’s contribution from AMI (2012-3 months);
- rate increases to recover increased reinsurance costs, notably in the domestic home portfolio across all channels; and
- a favourable foreign exchange movement effect.

II. Reinsurance expense
The reinsurance expense of $237 million was nearly 60% higher than the financial year ended 30 June 2012 ($149 million). The increase reflects the combination of:
- increased catastrophe cover costs as a result of the Canterbury earthquakes and regulatory requirements;
- a full 12 months of expense from the standalone AMI program (2012-3 months); and
- the absence of reinstatement costs amortised in the prior financial year.

III. Claims
The current financial year net claims expense of $774 million (2012-$601 million) translates to a slightly improved loss ratio of 60.1% (2012-60.6%). The outcome contained:
- higher net natural peril costs of $56 million (2012-$49 million);
- net reserve strengthening of $35 million, reflecting the $40 million strengthening identified in the first half of the financial year in respect of the Canterbury earthquake events;
- inclusion of a full year of claims activity from AMI; and
- a positive $40 million foreign exchange effect associated with reinsurance recoveries in respect of the earthquakes in the financial year ended 30 June 2011, held by the offshore captive in Singapore. A corresponding adverse effect is included in investment income on technical reserves, resulting in no impact to the insurance margin.

IV. Expenses
Total reported expenses of $371 million in the financial year ended 30 June 2013 resulted in an improved expense ratio of 28.8% (2012-30.0%). Movements within total expenses included:
- a commission expense increase of 19.3% compared to the prior financial year, to $142 million, broadly reflecting gross earned premium growth in the intermediated channel; and
- underwriting expenses of $229 million which were approximately 29% higher than the prior financial year, explained by the net effect of:
  - the full year inclusion of AMI;
  - NZ$13 million of expenditure associated with the preparation for changes in domestic home policies;
  - increased regulatory cost pressures; and
  - a net benefit of $9 million from the introduction of deferred acquisition cost (DAC) accounting in respect of AMI, skewed to the front half of the financial year.

V. Insurance profit
The New Zealand business produced an insurance profit of $115 million in the financial year ended 30 June 2013, an increase on the prior financial year profit of $103 million. This equated to a reported insurance margin of 8.9% (2012-10.4%). The reduction in reported margin is explained by a net reserve strengthening of $35 million, largely in respect of the June 2011 earthquake event, more than offsetting operational improvement and a full year’s contribution from AMI.
D. ASIA

I. Divisional result
IAG has a presence in five of its six targeted markets in Asia: Thailand, Malaysia, India, China and Vietnam. In the financial year ended 30 June 2013 Thailand was consolidated within the Group, whilst the other Asian entities were accounted for on an equity basis within the consolidated Group.

In the financial year ended 30 June 2013, the Asia division experienced:
- strong GWP growth compared to the prior financial year, reflecting a full year of the investments in China and Vietnam, the inclusion of Kurnia in Malaysia, which was consolidated by AmGeneral Holdings Berhad (AmG) from October 2012, rapid expansion in India and a strong post-flood recovery in Thailand; and
- an improved divisional profit of $20 million, driven by the strong underlying performance of established businesses (Thailand and Malaysia).

II. Thailand
- IAG holds a controlling interest in Safety Insurance, predominantly a motor insurer (approximately 80% of GWP). The business operates under a single licence and uses two brands; Safety (personal lines) and NZI (commercial lines).
- The Thai business reported GWP growth of nearly 35% in the financial year ended 30 June 2013. The key drivers leading the rebound were:
  - Safety’s superior customer service experience during the flood crisis in the previous financial year, which resulted in increased customer numbers;
  - a return to full output by local car production plants;
  - the government’s tax incentive scheme for first-time vehicle owners to boost domestic consumption; and
  - heightened risk awareness by consumers leading to increased demand for high quality, well-capitalised insurers.
- The Thai business has continued to perform well at an underlying level, reporting a slightly lower insurance margin.

III. Malaysia
- IAG owns a 49% interest in AmG, the largest motor insurer in Malaysia following the acquisition of Kurnia in September 2012.
- AmG has continued to perform strongly, with the overall result boosted by the inclusion of Kurnia from October 2012 onwards.
- For the financial year ended 30 June 2013, AmG reported GWP of $460 million (IAG’s 49% share being approximately $225 million) which represented an increase of around 130% compared to the financial year ended 30 June 2012 ($200 million), with growth primarily derived from the initial nine-month contribution from Kurnia.
- AmG’s current financial year insurance margin declined to 13.3% (2012-18.1%), owing to the higher expense ratio associated with Kurnia integration costs.
- IAG’s share of AmG’s earnings contribution increased by over 115%, to approximately $13 million (2012-$6 million), with a large proportion of the improvement reflecting the first time inclusion of Kurnia.

IV. India
- IAG owns a 26% interest in SBI General Insurance Company (SBI General), a joint venture with State Bank of India (SBI).
- In the financial year ended 30 June 2013, SBI General generated GWP equivalent to $164 million (IAG’s 26% share being approximately $43 million), an increase of over 140% against the financial year ended 30 June 2012 ($68 million). A significant portion of this growth was derived from home insurance business and the personal accident product launched in May 2012, both of which are written through the bancassurance channel.
- IAG’s share of SBI General’s losses in the current financial year was $5 million. This was similar to the prior financial year but better than expectations.

V. China
- IAG owns a 20% interest in Bohai Property Insurance Company Ltd (Bohai Insurance), a predominantly motor insurer headquartered in Tianjin. It has a strong emphasis on the surrounding pan-Bohai region.
- IAG has been recognising its 20% share of Bohai Insurance’s results since 1 May 2012. In the financial year ended 30 June 2013, Bohai Insurance reported GWP equivalent to $243 million (IAG’s 20% share being approximately $49 million), with a strong focus on more profitable lines of business and selective geographical areas.
- IAG’s share of Bohai Insurance’s net loss after tax was $1 million in the current financial year, which was better than expectations. The main driver was the improved loss ratio of 63.2%, from the tightening of risk selection and cost savings from the right-sizing of operations.

VI. Vietnam
- IAG commenced recognition of its 30% share of AAA Assurance Corporation’s results from 1 July 2012.
- In the current financial year, AAA Assurance reported GWP equivalent to $24 million (IAG’s 30% share being approximately $7 million).
- IAG’s share of AAA Assurance’s loss after tax was $3 million.
- Since year end, IAG has increased its holding in AAA Insurance to 60.9%.
VII. Regional support and development costs
- As IAG broadens its operational footprint in Asia, the division incurs regional support and development costs. These costs cover a wide range of activities, including the divisional level management, on-the-ground capability transfer teams and the cost of developing opportunities in new and existing markets.
- The regional support and development costs are self-funded within the division and, for reporting purposes, are allocated between the consolidated business (Thailand) and shares of associates.
- Total regional support and development costs for the financial year ended 30 June 2013 increased to $25 million, allocated $6 million to Thailand and $19 million to associates, (2012-$21 million, allocated $10 million Thailand and $11 million to associates) owing to greater capability support rendered in respect of the investments in India, China and Vietnam, along with the pursuit of opportunities in Indonesia.

E. CORPORATE AND OTHER
Revenue has increased from $107 million in the prior year to $360 million in the financial year ended 30 June 2013, due to significantly higher investment income on equity holders’ funds net of finance and other costs, this has resulted in a profit before tax for continuing operations of $144 million for the current year.

Further details on the operating segments are set out in note 8.

REVIEW OF FINANCIAL CONDITION
A. FINANCIAL POSITION
The total assets of the Group as at 30 June 2013 were $24,859 million compared to $25,132 million at 30 June 2012. The marginal decrease in assets of $273 million is represented by the net effect of:
- the disposal of assets associated with the discontinued UK operation;
- a decrease in reinsurance and other recoveries of $1,070 million mainly driven by the settlement of the New Zealand earthquake and Thai flood claims; largely offset by
- an increase of $663 million in investments, reflecting improved equity markets and the Group’s strong operating performance, and partially funded by the decrease in operating cash of $575 million;
- an increase in premium receivable of $210 million attributable to gross written premium growth across Australia and New Zealand; and
- an increase in trade and other receivables and investment in joint ventures and associates of $270 million mainly due to the application of funds to increase the Group’s investment in AmG in Malaysia following its purchase of Kurnia in September 2012.

The total liabilities of the Group as at 30 June 2013 were $19,871 million compared to $20,608 million at 30 June 2012. The decrease over the current financial year includes the following notable movements:
- the disposal of liabilities associated with the discontinued UK operation;
- a decrease in outstanding claims of $1,235 million as a result of the settlement of the New Zealand earthquake and Thai flood claims; partially offset by
- increased unearned premium liability of $203 million mainly attributable to gross written premium growth across Australia and New Zealand; and
- an increase in reinsurance premium payable of $187 million due to increased reinsurance costs during the current financial year and the inclusion of the AMI reinsurance program.

IAG shareholders’ equity (excluding non-controlling interests) increased, from $4,343 million at 30 June 2012 to $4,786 million at 30 June 2013. This movement was mainly attributable to the net effect of:
- a strong operating earnings performance from continuing operations and improved equity markets in the current financial year, resulting in a net comprehensive income attributable to equity holders of $921 million (after the $206 million total comprehensive expense attributable to the UK discontinued operation), offset by
- the 2012 final dividend and 2013 interim dividend payments totalling $478 million.

B. CASH FROM OPERATIONS
The net cash inflows from operating activities for the financial year ended 30 June 2013 were $1,790 million compared to $1,514 million for the prior financial year. The increase is mainly attributable to:
- increased gross written premium receipts of $851 million; offset by
- decreased other operating receipts of $357 million mainly attributable to the reduced level of reinsurance collateral receipts;
- decreased reinsurance and other recoveries of $195 million;
- an increase of $173 million in income taxes paid; and
- an increase in claims costs paid of $121 million.
C. INVESTMENTS

- The Group’s investments totalled $13.6 billion as at 30 June 2013, excluding investments held in joint ventures and associates, with nearly 70% represented by the technical reserves portfolio. Total investments at 30 June 2012 were $13.0 billion.
- The $0.6 billion increase in investment assets since 30 June 2012 relates to equity holders’ funds, and reflects the strong operating performance of the Group along with positive investment returns during the year.
- Technical reserves at 30 June 2013 were at a similar level to the preceding year end, with positive investment returns sufficient to offset the exclusion of investments in respect of the discontinued UK operation.
- As at 30 June 2013, the Group’s overall investment allocation remained conservatively positioned, with 86% of total investments in fixed interest and cash (rated ‘AA’ or higher).
- Technical reserves were entirely invested in fixed interest and cash.
- The Group’s allocation to growth assets was 46% of equity holders’ funds at 30 June 2013 (2012-40%). Within the Group’s allocation to growth assets, alternative investments accounted for 22% of equity holders’ funds as at 30 June 2013 (2012-19%). These alternative investments typically display a lower volatility than equities, deliver a higher return than fixed income and increase overall investment diversification.

D. INTEREST BEARING LIABILITIES

The Group’s interest bearing liabilities stood at $1,620 million at 30 June 2013, compared to $1,659 million at 30 June 2012. The net reduction largely reflects the repayment of the Group’s NZ$100 million subordinated note issue in November 2012, following exercise of the Group’s issuer call option. This was partially offset by foreign exchange translation effects on other non Australian dollar denominated issues.

During the financial year ended 30 June 2013, the Group also redeemed and re-issued its £157 million subordinated exchangeable term note instrument. Amended terms included an extension of the date at which the notes may be exchanged into IAG ordinary shares, from 14 December 2012 to 13 June 2014, and an increased coupon rate of LIBOR +3.20% (previously LIBOR +1.875%).

E. CAPITAL MIX

The Group 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 is 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%.

At 30 June 2013, the Group’s capital mix was towards the middle of the targeted range, with debt and hybrids representing 34.5% of total tangible capitalisation.

F. CAPITAL MANAGEMENT

The Group remains strongly capitalised under Life and General Insurance Capital (LAGIC), and has set the following related targeted benchmarks:
- a total capital position equivalent to 1.4 to 1.6 times the Prescribed Capital Amount (PCA), compared to a regulatory requirement of 1.0 times; and
- a Common Equity Tier 1 (CET1) target range of 0.9 to 1.1 times the PCA, compared to a regulatory requirement of 0.6 times.

At 30 June 2013, the Group had regulatory capital of $4,262 million, a PCA multiple of 1.67, and its CET1 multiple was 1.09.

Further details on capital management are set out in note 36.

STRATEGY

A. STRATEGIC PRIORITIES

Following the divestment of the UK business, the Group’s strategic priorities have been refined:

I. Accelerate profitable growth in Australia
IAG remains focused on leveraging its strong brands, customer bases and strategic capabilities in Australia. Combined GWP growth from the two Australian-based businesses was nearly 8% in the financial year ended 30 June 2013.

Australia Direct recorded GWP growth of 6.6% and a strong underlying margin in the financial year ended 30 June 2013. This outcome was achieved through the business’ ongoing focus on customer insights and its pricing capability.

CGU reported GWP growth of 9.7% and achieved a significantly improved underlying margin in the financial year ended 30 June 2013, of double digit proportions, as benefits from enhanced underwriting disciplines and the implementation of a new operating model were realised.

II. Sustain leading position in New Zealand
In New Zealand, following the acquisition of AMI in the financial year ended 30 June 2012, the Group’s focus is on securing and maintaining its market-leading position. In the financial year ended 30 June 2013, the business reported a strong underlying performance, with GWP growth of over 30% largely reflecting a first full year of AMI.

III. Realise the potential of Asian platform
The Group remains on track to reach its goal of Asia representing 10% of GWP by 2016, on a proportional basis. A significant step in the financial year ended 30 June 2013 was the acquisition of Kurnia, via IAG’s highly profitable Malaysian joint venture, AmG, completed in late September 2012. Adjusted for a full year’s contribution from Kurnia, Asia represented approximately 7% of the Group’s GWP in the financial year ended 30 June 2013, on a proportional basis.
The Asian division produced a much-improved earnings contribution of $20 million in the financial year ended 30 June 2013, and the Group has committed increased capability to the region to ensure the potential of the broader Asian platform is realised over the medium to longer term.

IV. Customer focused delivery and execution
Customer focus has always been a key strategic pillar for the Group, and significant work has continued in the financial year ended 30 June 2013 on improving the customer experience. The Group has also taken a leadership role in protecting customers and making communities safer with its participation in the Australian Business Roundtable for Disaster Resilience and Safer Communities. A related White Paper, "Building our nation’s resilience to natural disasters", was launched in June 2013.

V. Leverage cultural strengths
The Group’s long term aspiration is for career and development to be the key differentiator between IAG and its peers. The Group is working actively to leverage its cultural strengths, organisational skills and expertise.

B. BUSINESS RISK AND RISK MANAGEMENT
Managing risk is central to the sustainability of IAG's business and delivery of value to shareholders. IAG’s risk management framework is a core part of the governance structure and includes internal policies, key management processes and culture. The risk management strategy (RMS) is reviewed annually or as required to ensure it is materially correct by the ARMCC before being recommended for adoption by the Board. IAG’s risk and governance and internal audit functions provide regular reports to the ARMCC on the operation of IAG’s risk management framework, the status of key risks, details of significant audit findings, risk and compliance incidents, and risk framework changes. Roles and responsibilities of the Board and its standing committees, the ARMCC and the PARC, are set out in the Corporate Governance section of the Annual Report.

The Group is exposed to multiple risks relating to the conduct of its general insurance business. The following risks noted below are not meant to represent an exhaustive list, but the risks faced by the Group that have been identified by the RMS process:

- strategic risk: the risk of not achieving corporate or strategic goals;
- insurance risk: the risk that the Group is exposed to financial loss, which may impact the Group’s ability to meets its liabilities;
- reinsurance risk: the risk of insufficient reinsurance coverage and/or inadequate reinsurance recovery management;
- financial risks:
  - liquidity risk: the risk of there being insufficient cash resources to meet payment obligations without affecting the daily operations or the financial condition of the Group;
  - market risk: the risk of adverse financial impact due to changes in the value or future cash flows of financial instruments;
  - credit risk: the risk of loss from a counterparty failing to meet their financial obligations; and
  - capital management risk: the risk of failure to maintain adequate regulatory capital to meet the prudentially required capital levels or the Group's internal capital target.
- operational risk: the risk of loss from inadequate or failed internal processes, people, systems and/or external events.

A disciplined approach to risk management has been adopted and IAG believes this approach provides the greatest long term likelihood of being able to meet the objectives of all stakeholders, including policyholders, lenders and equity holders.

Detail of the Group’s overall risk management framework, which is outlined in the RMS, is set out in the Corporate Governance section, and notes 3 and 4 of the Annual Report.

OUTLOOK
Insurance and investment operations are, by their nature, volatile due to the exposure to natural perils and industry cycles and thus profit predictions are difficult.

The Group expects to report sound GWP growth of 5-7% in the financial year ending 30 June 2014. The lower rate of anticipated growth compared to 2013 reflects:

- reduced need for rate increases, particularly in property classes, to recover higher reinsurance and natural peril costs;
- the absence of an increment from the AMI business in New Zealand, which has now been owned for over a year;
- the cessation of GWP associated with the Victorian Fire Services Levy (FSL) from 1 July 2013 ($104 million of GWP); and
- Australia Direct’s decision to withdraw from the Queensland CTP market with effect from 1 January 2014 ($56 million of GWP).

The Group anticipates reporting an insurance margin within the range of 12.5-14.5%. Underlying assumptions behind this guidance are:

- net losses from natural perils in line with allowance of $640 million;
- prior period reserve releases equivalent to 1-2% of NEP (2013-2.5%); and
- no material movement in foreign exchange rates or investment markets.

The outlook comprises the following divisional expectations:

- further GWP growth from Australia Direct, and a higher underlying margin;
- continued GWP growth from CGU and an improving underlying margin;
- ongoing GWP growth in New Zealand, with continuing strong underlying profitability; and
- further progress in Asia, building on the positive momentum evident in the financial year ended 30 June 2013.
DIVIDENDS
Details of dividends paid or determined to be paid by the Company and the dividend policy deployed by the Group are set out in note 10.

Cash earnings are used for the purposes of targeted ROE and dividend payout policy, 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.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH EARNINGS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit after tax</td>
<td>776</td>
<td>207</td>
</tr>
<tr>
<td>Intangible amortisation and impairment</td>
<td>55</td>
<td>333</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>831</td>
<td>540</td>
</tr>
<tr>
<td>Unusual items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate expenses</td>
<td>54</td>
<td>56</td>
</tr>
<tr>
<td>Tax effect on corporate expenses</td>
<td>(16)</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>287</td>
<td></td>
</tr>
<tr>
<td>Cash earnings</td>
<td>1,156</td>
<td>583</td>
</tr>
<tr>
<td>Interim dividend</td>
<td>229</td>
<td>104</td>
</tr>
<tr>
<td>Final dividend</td>
<td>519</td>
<td>249</td>
</tr>
<tr>
<td>Dividend payable</td>
<td>748</td>
<td>353</td>
</tr>
<tr>
<td><strong>Cash payout ratio</strong></td>
<td>64.7%</td>
<td>60.5%</td>
</tr>
</tbody>
</table>

IAG’s policy is to pay dividends equivalent to approximately 50–70% of reported cash earnings in any given financial year.

The Board has determined to pay a fully franked final dividend of 25.0 cents per ordinary share (2012-12.0 cps). The final dividend is payable on 9 October 2013 to shareholders registered as at 5pm on 11 September 2013.

The dividend reinvestment plan (DRP) will operate for the final dividend. 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 www.iag.com.au/shareholder/reinvestment/index.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS
During the financial year the Group completed the sale of the United Kingdom (UK) operation. A loss of $287 million was recognised in respect of the UK business during the financial year ending 30 June 2013, which has been classified as a discontinued operation. The disposal comprised:
- the Independent Commercial Broking business which was sold on 17 December 2012; and
- the Equity Red Star business which was sold on 19 April 2013.

EVENTS SUBSEQUENT TO REPORTING DATE
Detail of matters subsequent to the end of the financial year is set out in note 40. This includes:
- the Board determined to pay a final dividend; and
- on 24 July 2013, the Group increased its stake in AAA Assurance Corporation from 30% to 60.9% for a consideration of less than $20 million. This company will be consolidated by the Group from this date.

OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDITORS
The following person is currently an officer of the Group and was a partner of KPMG, the Company’s auditor, at a time when KPMG was the auditor of the Company:
- Nicholas Hawkins who has been Chief Financial Officer of the Group since 29 August 2008 (left KPMG in October 2001).

NON AUDIT SERVICES
During the financial year, KPMG has performed certain other services for the IAG Group in addition to its statutory duties.

The directors have considered the non audit services provided during the financial year by KPMG and, in accordance with written advice provided by resolution of the Audit, Risk Management & Compliance Committee (ARMCC), are satisfied that the provision of those non audit services by the Group’s auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:
- all non audit assignments were approved in accordance with the process set out in the IAG framework for engaging auditors for non audit services; and
- the non audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants of the Institute of Chartered Accountants in Australia and CPA Australia, as they did not involve reviewing or auditing the auditor’s own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The level of fees for total non audit services amounts to approximately $1.7 million (refer to note 38 to the financial statements for further details on costs incurred on individual non audit assignments).
LEAD AUDITOR’S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor’s independence declaration is set out on page 44 and forms part of the directors’ report for the year ended 30 June 2013.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company’s constitution contains an indemnity in favour of every person who is or has been:
- a director of the Company or a subsidiary of the Company; or
- a secretary of the Company or of a subsidiary of the Company; or
- a person making or participating in making decisions that affect the whole or a substantial part of the business of the Company or of a subsidiary of the Company; or
- a person having the capacity to affect significantly the financial standing of the Company or of a subsidiary of the Company.

The indemnity applies to liabilities incurred by the person in the relevant capacity (except a liability for legal costs). That indemnity also applies to legal costs incurred in defending or resisting certain legal proceedings. The indemnity does not apply where the Company is forbidden by statute or, if given, would be made void by statute.

In addition, the Company has granted deeds of indemnity to certain current and former directors and secretaries and members of senior management of the Company and its subsidiaries and associated companies. Under these deeds, the Company:
- indemnifies, to the maximum extent permitted by law, the former or current directors or secretaries or members of senior management against liabilities incurred by the person in the relevant capacity. The indemnity does not apply where the liability is owed to the Company or any of its subsidiaries or associated companies, or (in general terms) where the liability arises out of a lack of good faith, wilful misconduct, gross negligence, reckless misbehaviour or fraud; and
- is also required to maintain and pay the premiums on a contract of insurance covering the current or former directors or members of senior management against liabilities incurred in respect of the relevant office except as precluded by law. The insurance must be maintained until the seventh anniversary after the date when the relevant person ceases to hold office. Disclosure of the insurance premiums and the nature of liabilities covered by such insurance are prohibited by the relevant contract of insurance.

ENVIRONMENTAL REGULATION

The Group's operations are subject to environmental regulations under either Commonwealth or State legislation. These regulations do not have a significant impact on the Group's operations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

The Australian government's Clean Energy Future includes the introduction of a carbon price mechanism. IAG will not be directly captured by this carbon price mechanism however, there may be indirect impacts to the business through purchase of electricity and other goods procured from companies that will be directly captured.
REMUNERATION REPORT  
LETTER FROM THE PEOPLE AND REMUNERATION COMMITTEE CHAIR

Dear Shareholder

IAG is pleased to present its remuneration report for the year ended 30 June 2013.

The Board is committed to ensuring the remuneration report is not only compliant with the Corporations Act 2001, but also presents executive remuneration in a consistent, concise and simple manner. To this end, while the overall format is consistent with prior years, we have made a further effort to improve the flow of information contained within the report.

IAG reported a strong performance for the year ended 30 June 2013. A clear focus on the Group’s strategic priorities has delivered further improvement in the Group’s underlying business performance. Gross written premium (GWP) increased by 11.8% and insurance margin by 570 basis points. In line with this performance, short term incentive outcomes have increased compared to last year. The link between company strategy and performance and short term incentive outcomes is driven through our Group Balanced Scorecard. In order to address shareholders’ requests and provide greater visibility of performance measures we have included more detail of our Balanced Scorecard measures in section D of this report.

This year, the executives were rewarded under the long term incentive plan, with portions of the awards granted in 2008, 2009 and 2010 vesting based on IAG’s total relative shareholder return result. The 50% portion of the awards granted in 2007, 2008 and 2009, subject to a return on equity hurdle, did not meet the required performance levels and did not vest. After three years of sustained focus on improving performance, the awards granted in 2010 are expected to achieve full vesting.

As in previous years, we have voluntarily disclosed the actual remuneration received by executives in addition to meeting statutory reporting obligations.

There have been no significant changes to the executive remuneration structure during the year, however, the terms and conditions of the long term incentive plan have been revised for grants from 1 July 2013 onwards. The change removes re-testing of the total shareholder return performance hurdle, which will be subject to a four year performance period moving forward. This change aligns with market practice and responds to shareholder concerns expressed last year.

Fixed remuneration increases for executives remain modest, with an average 2% increase for the year ended 30 June 2013 paid from September 2012. The average increase for the executive team will once again be 2% for the year ahead, effective October 2013.

As part of our ongoing governance of reward and in-line with APRA regulations, IAG undertook an assessment process to determine if any clawback of unvested or unexercised equity grants was required. The Board was satisfied that no adjustment was necessary.

The Board is confident that IAG’s remuneration policies are in line with governance requirements and continue to support the Group’s financial and strategic goals. Shareholder support for the remuneration report in recent years has been strong and we believe that once again the remuneration report demonstrates that executive remuneration is aligned to the company’s performance and shareholder interests.

On behalf of the Board, I invite you to review the full report and thank you for your continued interest.

Yours sincerely

Yasmin Allen  
People and Remuneration Committee Chair
A. Remuneration explained (I. not audited; II. audited)

B. 2013 Snapshot (not audited)

C. Executive remuneration governance and risk management

D. Executive remuneration structure

E. Executive remuneration in detail

F. Executive employment agreements

G. Non-executive director remuneration

H. Other benefits

A. Remuneration Explained

I. Key terms and definitions (not audited)

The key terms and definitions used throughout this report are explained below:

<table>
<thead>
<tr>
<th>TERM</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual remuneration</td>
<td>Dollar value of remuneration actually received by the executive team in the financial year. It is the sum of fixed remuneration plus cash portion of STI plus value of deferred award rights (DAR) vested during the year plus value of LTI in the form of executive performance rights (EPR) vested during the year.</td>
</tr>
<tr>
<td>At risk remuneration</td>
<td>The components of remuneration that are at risk because they depend on a combination of the financial performance of the Group and the executive's performance against individual financial and non-financial measures. At risk remuneration typically includes short term incentive (cash and deferred remuneration) and long term incentive.</td>
</tr>
<tr>
<td>Base salary</td>
<td>Cash component of fixed remuneration.</td>
</tr>
<tr>
<td>Cash return on equity (ROE)</td>
<td>Based on cash earnings on average total shareholders' equity during the financial year. Cash earnings is defined as net profit after tax attributable to IAG shareholders plus amortisation and impairment of acquired identifiable intangible assets and adjusted for unusual items. Used as one of the LTI measures.</td>
</tr>
<tr>
<td>Cash STI</td>
<td>The two-thirds portion of STI for the year ended 30 June 2013 that is paid in the form of cash in October 2013, following the end of year assessment and approval by the Board.</td>
</tr>
<tr>
<td>Corporate office executives</td>
<td>The Chief Financial Officer and Chief Strategy Officer.</td>
</tr>
<tr>
<td>Deferred STI/Deferred award rights (DAR)</td>
<td>The one-third portion of STI for the year ended 30 June 2013 that is deferred over a period of two years. Awarded in the form of DAR. At the date of vesting, the holder of DAR is eligible to receive one IAG ordinary share per DAR, by paying the exercise price of $1 per tranche of DAR exercised.</td>
</tr>
<tr>
<td>Divisional executives</td>
<td>The executives with responsibility for managing a division.</td>
</tr>
<tr>
<td>Executives</td>
<td>The Group CEO and the executive team.</td>
</tr>
<tr>
<td>Executive team</td>
<td>The executives who report directly to the Group CEO.</td>
</tr>
<tr>
<td>Fixed remuneration</td>
<td>Base salary plus superannuation. Individuals can determine the mix of base salary and superannuation they receive in line with legislative requirements.</td>
</tr>
<tr>
<td>Group CEO</td>
<td>The Group’s Managing Director and Chief Executive Officer.</td>
</tr>
<tr>
<td>Key management personnel (KMP)</td>
<td>The Group CEO and the executive team responsible for managing the Group, and the Board of directors (including the Group CEO).</td>
</tr>
<tr>
<td>Long term incentive (LTI)/Executive performance rights (EPR)</td>
<td>A grant of rights over IAG ordinary shares in the form of EPR that are exercisable for shares between three and five years after the grant date if performance hurdles are achieved.</td>
</tr>
<tr>
<td>People and Remuneration Committee (PARC)</td>
<td>The Board committee which oversees IAG’s remuneration practices (formerly Nomination, Remuneration &amp; Sustainability Committee).</td>
</tr>
<tr>
<td>Short term incentive (STI)</td>
<td>The part of annual at risk remuneration that is designed to motivate and reward for performance, typically in that financial year. STI results are determined by performance against a balanced scorecard, based on goals which reflect financial and non-financial measures. For the Group CEO and the executive team, one third of STI is deferred for a period of two years.</td>
</tr>
<tr>
<td>Total shareholder return (TSR)</td>
<td>Used to measure company performance over a period of time. It combines share price appreciation and dividends paid to show total return to shareholders. IAG uses relative TSR as one of the LTI measures. This reflects IAG’s returns to shareholders relative to those of other companies in the peer group.</td>
</tr>
<tr>
<td>WACC</td>
<td>Weighted average cost of capital.</td>
</tr>
</tbody>
</table>
II. Key management personnel covered in this report (audited)
This report sets out the remuneration details for the KMP of IAG who are listed below:

<table>
<thead>
<tr>
<th>NAME</th>
<th>POSITION</th>
<th>TERM AS KMP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michael Wilkins</td>
<td>Managing Director and Chief Executive Officer</td>
<td>Full year</td>
</tr>
<tr>
<td>Justin Breheny</td>
<td>Chief Executive Officer, Asia</td>
<td>Full year</td>
</tr>
<tr>
<td>Andy Cornish</td>
<td>Chief Executive Officer, Australia Direct</td>
<td>Full year</td>
</tr>
<tr>
<td>Peter Harmer</td>
<td>Chief Executive Officer, CGU</td>
<td>Full year</td>
</tr>
<tr>
<td>Nicholas Hawkins</td>
<td>Chief Financial Officer</td>
<td>Full year</td>
</tr>
<tr>
<td>Jacki Johnson</td>
<td>Chief Executive Officer, New Zealand</td>
<td>Full year</td>
</tr>
<tr>
<td>Leona Murphy</td>
<td>Chief Strategy Officer</td>
<td>Full year</td>
</tr>
<tr>
<td><strong>Executives who ceased as key management personnel</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ian Foy (a)</td>
<td>Former Chief Executive Officer, UK</td>
<td>Part year</td>
</tr>
<tr>
<td><strong>Non-executive directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brian Schwartz</td>
<td>Chairman, non-executive director</td>
<td>Full year</td>
</tr>
<tr>
<td>Yasmin Allen</td>
<td>Non-executive director</td>
<td>Full year</td>
</tr>
<tr>
<td>Peter Bush</td>
<td>Non-executive director</td>
<td>Full year</td>
</tr>
<tr>
<td>Alison Deans (b)</td>
<td>Non-executive director</td>
<td>Part year</td>
</tr>
<tr>
<td>Hugh Fletcher</td>
<td>Non-executive director</td>
<td>Full year</td>
</tr>
<tr>
<td>Raymond Lim (c)</td>
<td>Non-executive director</td>
<td>Part year</td>
</tr>
<tr>
<td>Philip Twyman</td>
<td>Non-executive director</td>
<td>Full year</td>
</tr>
<tr>
<td>Dr Nora Scheinkestel (d)</td>
<td>Non-executive director</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Non-executive directors who ceased as key management personnel</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phillip Colebatch (e)</td>
<td>Former non-executive director</td>
<td>Part year</td>
</tr>
<tr>
<td>Anna Hynes (f)</td>
<td>Former non-executive director</td>
<td>Part year</td>
</tr>
</tbody>
</table>

(a) Ian Foy ceased being a KMP on 19 April 2013 on completion of the sale of the UK business.
(b) Alison Deans was appointed to the Board on 1 February 2013.
(c) Raymond Lim was appointed to the Board on 1 February 2013.
(d) Dr Nora Scheinkestel commenced as a director on 1 July 2013 and therefore was not a designated key management personnel at any time during the reporting period.
(e) Phillip Colebatch retired and ceased being a KMP on 31 August 2012.
(f) Anna Hynes retired and ceased being a KMP on 1 February 2013.
B. 2013 SNAPSHOT (NOT AUDITED)

I. Actual remuneration earned by executives

The actual remuneration paid to executives during the current and previous financial years is set out below. Disclosure of actual remuneration is provided voluntarily for increased transparency. It includes fixed remuneration, other benefits and leave accruals, termination payments and cash STI paid, as well as any deferred STI or LTI that vested in the relevant financial year. For remuneration details provided in accordance with the Accounting Standards refer to Section E.

TABLE 1 - ACTUAL REMUNERATION RECEIVED IN 2013 AND 2012

<table>
<thead>
<tr>
<th>NAME</th>
<th>FINANCIAL YEAR</th>
<th>FIXED PAY(a)</th>
<th>OTHER BENEFITS AND LEAVE ACCRUALS(b)</th>
<th>TERMINATION PAYMENTS</th>
<th>CASH STI</th>
<th>DEFERRED STI VESTED</th>
<th>LTI VESTED</th>
<th>TOTAL ACTUAL REMUNERATION EARNED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
<td>(7)</td>
<td></td>
</tr>
<tr>
<td>EXECUTIVES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michael Wilkins</td>
<td>2013</td>
<td>2,039</td>
<td>229</td>
<td>-</td>
<td>1,679</td>
<td>558</td>
<td>1,593</td>
<td>6,098</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>1,992</td>
<td>230</td>
<td>-</td>
<td>1,567</td>
<td>388</td>
<td>746</td>
<td>4,923</td>
</tr>
<tr>
<td>Justin Breheny</td>
<td>2013</td>
<td>898</td>
<td>294</td>
<td>-</td>
<td>577</td>
<td>230</td>
<td>607</td>
<td>2,606</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>877</td>
<td>310</td>
<td>-</td>
<td>587</td>
<td>185</td>
<td>296</td>
<td>2,255</td>
</tr>
<tr>
<td>Andy Cornish</td>
<td>2013</td>
<td>1,016</td>
<td>73</td>
<td>-</td>
<td>632</td>
<td>280</td>
<td>557</td>
<td>2,558</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>990</td>
<td>75</td>
<td>-</td>
<td>600</td>
<td>154</td>
<td>249</td>
<td>2,068</td>
</tr>
<tr>
<td>Peter Harmer</td>
<td>2013</td>
<td>972</td>
<td>(1)</td>
<td>-</td>
<td>659</td>
<td>84</td>
<td>-</td>
<td>1,714</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>932</td>
<td>62</td>
<td>-</td>
<td>504</td>
<td>-</td>
<td>-</td>
<td>1,498</td>
</tr>
<tr>
<td>Nicholas Hawkins</td>
<td>2013</td>
<td>976</td>
<td>27</td>
<td>-</td>
<td>662</td>
<td>229</td>
<td>624</td>
<td>2,518</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>956</td>
<td>93</td>
<td>-</td>
<td>568</td>
<td>160</td>
<td>305</td>
<td>2,082</td>
</tr>
<tr>
<td>Jacki Johnson</td>
<td>2013</td>
<td>907</td>
<td>70</td>
<td>-</td>
<td>542</td>
<td>194</td>
<td>608</td>
<td>2,321</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>863</td>
<td>124</td>
<td>-</td>
<td>505</td>
<td>172</td>
<td>296</td>
<td>1,960</td>
</tr>
<tr>
<td>Leona Murphy</td>
<td>2013</td>
<td>879</td>
<td>7</td>
<td>-</td>
<td>575</td>
<td>198</td>
<td>496</td>
<td>2,155</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>862</td>
<td>58</td>
<td>-</td>
<td>512</td>
<td>139</td>
<td>251</td>
<td>1,822</td>
</tr>
<tr>
<td>EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ian Foy</td>
<td>2013</td>
<td>737</td>
<td>716</td>
<td>524</td>
<td>296</td>
<td>146</td>
<td>374</td>
<td>2,793</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>698</td>
<td>371</td>
<td>-</td>
<td>287</td>
<td>105</td>
<td>200</td>
<td>1,661</td>
</tr>
</tbody>
</table>

(a) Fixed remuneration (base salary and superannuation) included an average pay increase of 2% effective September 2012.

(b) Changes in other benefits and leave accruals from the prior year were mainly due to:

- movement in annual and long service leave accruals; and
- for those executives located overseas, other benefits for the year ended 30 June 2013:
  - Justin Breheny, accommodation costs and other benefits of $266,337, accommodation, health insurance, tax compliance, airfares for home visits;
  - Jacki Johnson, accommodation allowances and other benefits of $45,794 (NZ$57,203); and
  - Ian Foy, retention payments of $581,772 (£380,833), $91,516 being the cash value on vesting of half of the 44,300 DAR awarded under a 2011 retention arrangement, annual leave accrual paid out on termination of $21,706 (£14,209) which is equivalent to 9.5 days, and other recurring allowances and benefits of $20,990 (£13,740).

Table note

(1) Represents base salary plus superannuation.

(2) Includes benefits such as a 30% tax rebate on car allowances and movements in annual leave and long service leave accruals during the relevant financial year.

(3) Termination payment of $524,168 (£343,125).

(4) Represents 2/3 of the STI for the relevant financial year, with the exception of Ian Foy who was paid his entire STI in cash. Details are provided in the table on page 35 in Section D.

(5) Deferred STI that vested in the relevant financial year. Details are provided in the table on page 35 in Section D. The 5-day weighted average share price used to value the deferred STI at vesting date is $3.40 for awards vested on 1 July 2012 and $4.13 for awards vested on 1 September 2012 (2012-$3.37 for all awards).

(6) LTI that vested in the relevant financial year. Details are provided in the table on page 37 in Section D. The 5-day weighted average share price at vesting date is $4.38 (2012-$3.01).

(7) Total remuneration received in the relevant financial year (i.e. sum of columns 1 to 6).

a. Termination payment for Ian Foy

Ian Foy, the former Chief Executive Officer of IAG’s UK business, ceased being a KMP on 19 April 2013 upon completion of the sale of the UK business. Between 20 April and 19 July 2013, Ian remained employed by Equity Insurance Management Limited (the former subsidiary of IAG that was sold). On 19 July 2013 Ian’s employment with Equity Insurance Management Limited was terminated.
As part of the arrangements for the sale of the UK business, IAG agreed to fund all of the entitlements due to Ian upon cessation of his employment with Equity Insurance Management Limited. In accordance with his contract, Ian received/will receive the following benefits in connection with his termination:

- nine months payment in lieu of notice being $524,168 (£343,125);
- unpaid statutory entitlements for annual leave accrual of $21,706 (£14,209); and
- a pro-rated STI (paid fully in cash with no amount received as DAR) of $296,233 (£193,910) based on his performance during the portion of the year he served as a KMP. This payment will be made in October 2013 in line with the ordinary payment schedule for executives.

These amounts are included in the statutory remuneration table on page 39 of this report.

The Board determined that Ian Foy would retain:

- 84,850 unvested DAR held as at termination date which will vest based on the terms and conditions of the DAR Plan on 1 September 2013 and 1 September 2014; and
- 829,096 unvested EPR held as at termination date which may vest subject to the relevant performance hurdles testing based on the terms and conditions of the EPR Plan between 30 September 2013 and 30 September 2016.

While the full accounting value of these unvested entitlements has been included in the statutory remuneration table on page 39 of this report in accordance with Accounting Standards, Ian Foy will only derive value from these entitlements to the extent that the applicable performance hurdles are met. In the case of the EPR Plan, this requires satisfaction of the performance hurdles described on page 36 of this report.

II. Remuneration mix

Table 2 below illustrates the potential fixed and at risk remuneration that the Group CEO and the executive team can earn under the current remuneration framework, and the actual pay mix received in 2012 and 2013:

<table>
<thead>
<tr>
<th>Remuneration component</th>
<th>What it contains</th>
<th>GROUP CEO REMUNERATION</th>
<th>EXECUTIVE TEAM REMUNERATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Potential(6)</td>
<td>Actual</td>
</tr>
<tr>
<td>Fixed remuneration(5)</td>
<td>Base salary and superannuation</td>
<td>25.0 %</td>
<td>25.0 %</td>
</tr>
<tr>
<td>At risk remuneration</td>
<td>STI - cash</td>
<td>25.0 %</td>
<td>20.6 %</td>
</tr>
<tr>
<td></td>
<td>STI - deferred</td>
<td>12.5 %</td>
<td>6.8 %</td>
</tr>
<tr>
<td></td>
<td>LTI</td>
<td>37.5 %</td>
<td>19.5 %</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100.0 %</td>
<td>71.9 %</td>
</tr>
</tbody>
</table>

(a) Potential fixed and at risk remuneration is based on current remuneration at 30 June 2013.

(b) Fixed remuneration excludes other values such as long service leave accruals, relocation and accommodation, retention payments and other recurring allowances and benefits.

REMUNERATION REPORT - AUDITED

C. EXECUTIVE REMUNERATION GOVERNANCE AND RISK MANAGEMENT

This report meets the remuneration reporting requirements of the Corporations Act 2001 and Accounting Standard AASB 124 Related Party Disclosures. The term remuneration used in this report has the same meaning as compensation as prescribed in AASB 124.

I. Governance

The Board is responsible for ensuring that the Group’s remuneration framework is aligned to the short and long term interests of IAG and its shareholders. The PARC makes recommendations to the Board regarding Group remuneration policy including remuneration for the executives. The Board independently considers these recommendations before making executive remuneration decisions.

a. ROLE OF THE PARC

The PARC endeavours to ensure that remuneration policies balance IAG’s performance objectives with performance, retention, attraction and shareholder expectations. While maintaining stability in the remuneration structure is important, the PARC actively considers modifications that can better align stakeholder interests and drive performance, and makes recommendations to the Board where appropriate.

The Group CEO, Chief Strategy Officer and Group General Manager, People & Culture attend PARC meetings to assist the committee in its deliberations. Divisional executives and their respective heads of human resources attend PARC meetings by invitation to provide updates on the human resources strategy and initiatives in their divisions. This process provides an open channel of communication between the divisions and the PARC.

The chair of the PARC regularly presents updates to the Board on remuneration related issues and seeks approval of initiatives and outcomes.

A copy of the PARC’s charter is available on the IAG website www.iag.com.au.
The committee is comprised of independent non-executive directors. At the date of this report, its members were:
- Yasmin Allen (Chair)
- Brian Schwartz
- Peter Bush
- Raymond Lim

b. REMUNERATION GUIDING PRINCIPLES
IAG’s remuneration practices have been designed to achieve the following objectives:
- align remuneration with the interests of IAG’s shareholders by actively focusing on short to long term goals;
- motivate employees to achieve superior and sustainable performance and discourage underperformance;
- remain market competitive to attract and retain high quality people;
- be clearly communicated and valued; and
- encourage constructive behaviours and prudent risk taking that support long term financial soundness.

c. USE OF REMUNERATION CONSULTANTS
The PARC directly engages remuneration consultants to provide market remuneration data that ultimately assists the Board in making remuneration decisions. The market remuneration data provided during the year ended 2013 did not include a remuneration recommendation as prescribed under the Corporations Act 2001.

II. Risk management
RESTRICTIONS ON DEALING IN IAG SECURITIES
In addition to legal requirements that prevent any person from dealing in IAG securities when in possession of undisclosed price sensitive information, the Board has a restriction policy that prohibits all directors, executive team members and other designated senior managers from:
- short term or speculative trading in IAG securities;
- transactions that limit economic risk associated with unvested entitlements to IAG securities (including DAR and EPR); and
- any trading in IAG securities without prior approval of the PARC.

A copy of IAG’s Security Trading Policy is available on the IAG website.

III. Mandatory shareholding requirements
All executives are required to hold a proportion of their remuneration as IAG ordinary shares. The Group CEO is required to accumulate and hold IAG ordinary shares with a value of two times his base salary, and other executives one times base salary. Executives have four financial years from their date of appointment as an executive to meet their required holdings. Holdings are assessed annually at the end of each financial year.

PROGRESS AGAINST MANDATORY SHAREHOLDING REQUIREMENTS FOR THE YEAR ENDED 30 JUNE 2013
The number of IAG ordinary shares held by the Group CEO and the executive team at 30 June 2013, and their progress against the mandatory shareholding requirements, are set out below.

### TABLE 3 - EXECUTIVES’ SHAREHOLDINGS

<table>
<thead>
<tr>
<th>NAME</th>
<th>IAG SHAREHOLDING(a)</th>
<th>ACHIEVEMENT OF MANDATORY SHAREHOLDING REQUIREMENT(b)</th>
<th>EFFECTIVE DATE OF MANDATORY SHAREHOLDING REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Wilkins</td>
<td>1,549,194</td>
<td>Met requirement</td>
<td>30/06/2013</td>
</tr>
<tr>
<td>Justin Breheny</td>
<td>582,798</td>
<td>Met requirement</td>
<td>30/06/2013</td>
</tr>
<tr>
<td>Andy Cornish</td>
<td>391,234</td>
<td>Met requirement</td>
<td>30/06/2013</td>
</tr>
<tr>
<td>Peter Harmer</td>
<td>20,250</td>
<td>n/a</td>
<td>30/06/2015</td>
</tr>
<tr>
<td>Nicholas Hawkins</td>
<td>396,644</td>
<td>Met requirement</td>
<td>30/06/2013</td>
</tr>
<tr>
<td>Jacki Johnson</td>
<td>549,880</td>
<td>Met requirement</td>
<td>30/06/2013</td>
</tr>
<tr>
<td>Leona Murphy</td>
<td>371,087</td>
<td>Met requirement</td>
<td>30/06/2013</td>
</tr>
</tbody>
</table>

(a) Includes executives’ directly held shares and DAR vested and unexercised as at 30 June 2013. Includes entities controlled, jointly controlled or significantly influenced by the executive. Excludes shares held by the executives’ domestic partner and dependants.

(b) The above table is a voluntary disclosure. The achievement of mandatory shareholding requirements is calculated using the base salary of executives (two times base salary for the Group CEO) and the IAG share price of $5.44 as at 30 June 2013. Base salary is the amount received by the executives four years prior to the measurement day (for example, base salary at 30 June 2009 for the measurement day of 30 June 2013). The mandatory shareholding requirement is then re-assessed each year as a rolling four year requirement.

As at 30 June 2013, Peter Harmer’s first measurement date of mandatory shareholding requirement has not yet been reached; therefore, the status of achievement is noted as n/a.
D. EXECUTIVE REMUNERATION STRUCTURE

IAG’s executive remuneration structure is designed to align an individual’s total remuneration with company and individual performance. It recognises that executives have a significant influence on achieving and exceeding the Group’s financial results and therefore encourages sustained exceptional performance.

The target positioning for fixed remuneration is the median of the market. The appropriate market benchmark is determined considering organisation size, industry and geographic location. In cases of superior performance, the Board will consider top quartile total remuneration outcomes for an executive.

I. Remuneration mix
Total remuneration for the Group CEO and the executive team comprises a mix of fixed and at risk remuneration (STI and LTI). The mix is designed to pay executives competitively based on their performance, while providing strong governance to protect the financial soundness of the business and shareholders’ interests.

II. Remuneration components
The remuneration components for the executives are explained below:

<table>
<thead>
<tr>
<th>REMUNERATION COMPONENT</th>
<th>STRATEGIC PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FIXED REMUNERATION</strong></td>
<td><strong>Cash</strong></td>
</tr>
<tr>
<td><strong>AT RISK REMUNERATION</strong></td>
<td><strong>Cash STI</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Deferred STI</strong></td>
</tr>
<tr>
<td></td>
<td><strong>LTI</strong></td>
</tr>
</tbody>
</table>

a. FIXED REMUNERATION
IAG defines fixed remuneration as base salary plus superannuation. Base salary includes amounts paid in cash plus the portion of the company’s superannuation contribution that is paid as cash instead of being paid into superannuation funds and salary sacrifice items such as cars and parking. Executives can determine the mix of base salary to be paid in cash, salary sacrifice items and superannuation in line with legislative requirements.

Fixed remuneration is reviewed regularly using independent remuneration benchmarking data. For Australian based executives, positioning is determined by reference to a number of peer groups, including the largest 50 companies in the S&P/ASX 100 Index and companies that are of similar size to IAG. Relevant local market peer groups are used for overseas based executives.

Fixed remuneration for the year ended 30 June 2013
The average fixed remuneration increase for the executive team for the year ended 30 June 2013 was 2%. In August 2013, the Board approved an average 2% increase in annual fixed remuneration for the executive team effective October 2013.

b. AT RISK REMUNERATION
The Board strongly believes that the fundamental driver for executive remuneration should be long term financial performance that generates value for IAG shareholders. The Board further recognises that executive remuneration is guided by regulation and market forces, and it benchmarks IAG’s executive remuneration to ensure IAG uses at risk remuneration components to achieve its remuneration and performance objectives.
To ensure that executives remain focused on long term outcomes, without encouraging excessive risk taking, the following conditions apply:

- no more than 50% of the STI is based on financial outcomes;
- one third of the STI is deferred over a period of two years;
- vesting of the LTI does not occur before three years and from 1 July 2013 there will be no re-testing opportunity for the TSR performance hurdle for all future grants of LTI; and
- the Board retains the discretion to adjust any unpaid or unvested performance related remuneration (such as cash STI, deferred STI and LTI) downwards if it decides it is appropriate to do so.

These conditions ensure that at risk remuneration is aligned with the overall performance of the Group.

i. Cash and deferred STI

Key details of the STI plan are shown below

<table>
<thead>
<tr>
<th>Description</th>
<th>STI refers to the at risk remuneration designed to motivate and reward for performance in a set financial year.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential maximum STI amount</td>
<td>The Group CEO can earn up to 150% of his annual fixed remuneration and the executive team can earn up to 120% of their annual fixed remuneration.</td>
</tr>
<tr>
<td>Performance measures</td>
<td>Performance is measured against a balanced scorecard that uses goals set against financial and non-financial measures (the balanced scorecard is discussed in more detail in table 4). Financial measures make up 50% of the balanced scorecard objectives, with the remainder based on non-financial measures. The following table details the weighting of financial and non-financial performance measures for the STI for the Group CEO and the executive team.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ROLE</th>
<th>FINANCIAL MEASURES</th>
<th>NON-FINANCIAL MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group financial targets</td>
<td>Division or business financial targets</td>
</tr>
<tr>
<td>Group CEO</td>
<td>50 %</td>
<td>n/a</td>
</tr>
<tr>
<td>Divisional executives</td>
<td>10 %</td>
<td>40 %</td>
</tr>
<tr>
<td>Corporate office executives</td>
<td>40 %</td>
<td>10 %</td>
</tr>
</tbody>
</table>

Testing of performance measures

The Group CEO’s STI is recommended by the PARC based on his balanced scorecard performance, and approved by the Board. The amount of STI paid to the executive team is recommended by the Group CEO to the PARC based on the executive team member’s balanced scorecard performance, and recommended by the PARC for approval by the Board.

Rationale for choosing performance measures

Financial performance accounts for 50% of the STI outcome to ensure compliance with IAG’s governance standards. 50% of the STI awarded is determined based on the achievement of non-financial objectives to secure the long term operation of IAG and its divisions.

Instrument

Two-thirds of STI is paid as cash, with the remaining one-third of STI deferred in the form of DAR over a period of two years.

Key terms of the deferred STI

Deferred STI is issued in the form of rights over IAG ordinary shares which are held by a trustee. These rights are referred to as DAR. They are issued to executives during the financial year at no cost, to the value of their deferred STI amount. Executives who participate in this plan become eligible to receive one IAG ordinary share per DAR by paying an exercise price of $1 per tranche of DAR exercised, subject to their continuing employment with the Group for a period determined by the Board. No dividend is paid or payable for any unvested or vested and unexercised DAR. Dividends are retained by the trustee and reinvested in the trust.

Forfeiture conditions

The Board retains the discretion to adjust the unvested portion of any awards. DAR will be forfeited if the executive resigns before the vesting date. When an executive ceases employment in special circumstances, such as redundancy, any unvested rights may be retained on cessation of employment, subject to Board discretion.
IAG uses a balanced scorecard approach, as noted above, across the organisation to set performance objectives which drive the execution of IAG’s strategy. Senior executives and businesses have a strategy map, which defines its key strategic priorities and the balanced scorecard sets out the objectives that have to be achieved to meet these priorities. The balanced scorecard uses goals set against financial and non-financial measures. Financial measures make up 50% of the balanced scorecard, with the remainder made up of non-financial measures. Progress against objectives is measured, and allocated a score between 1 and 5, where 5 indicates the objective has been exceeded. This outcome informs the percentage of STI awarded.

The table below provides a summary of key balanced scorecard objectives and outcomes for IAG for the year ended 30 June 2013. The objectives are agreed with the Board at the beginning of each financial year and are designed to be stretching to deliver sustainable value for shareholders. The key measures summarised below inform the STI awarded to the Group CEO. A similar process applies for the executive team.

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>OBJECTIVE</th>
<th>OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>ROE</td>
<td>The Group targets a cash ROE of at least 1.5 times WACC through the cycle. This return is based on net profit after tax attributable to IAG shareholders, adjusted for amortisation and impairment of intangible assets and unusual items. Based on the Group’s historic cost of capital and current business mix, this target equates to a cash ROE of approximately 15%. In the year ended 30 June 2013, the Group reported a cash ROE of 25.3%, compared to 13.3% in the prior year.</td>
</tr>
<tr>
<td>Profitable growth</td>
<td>To grow profitably, IAG needs to expand its products, markets and customer base in order to create value for shareholders. During the year ended 30 June 2013, GWP increased by 11.8%.</td>
<td></td>
</tr>
<tr>
<td>Capital &amp; risk management</td>
<td>Balance sheet management to optimise the capital structure within the context of the Group’s risk appetite is a key business objective and vital to the stability of the Group. The Group has maintained a strong capital position with the APRA prescribed capital amount multiple at 30 June 2013 of 1.67 (compared to a Group benchmark of 1.4-1.6), and a Common Equity Tier 1 multiple of 1.09 (compared to a Group benchmark of 0.9-1.1).</td>
<td></td>
</tr>
<tr>
<td>Non-financial</td>
<td>Customer &amp; partner satisfaction</td>
<td>Customer and partner service is tracked across IAG’s businesses by measuring advocacy and / or satisfaction. IAG undertakes a range of activities to improve those ratings based on feedback. In the year ended 30 June 2013, while business volumes grew, advocacy scores remained relatively stable or experienced a reduction.</td>
</tr>
<tr>
<td>Strategy development &amp; execution</td>
<td>In the year ended 30 June 2013, IAG remained committed to its strategic priorities, focused on driving value from, and maintaining, market leading positions in Australia and New Zealand, while recognising the opportunity for future value creation in the Asian region. The robustness of the strategy is reviewed annually to ensure that IAG’s plans will deliver superior value for shareholders and customers. Following the divestment of the UK business, the Group’s strategic priorities have been refined.</td>
<td></td>
</tr>
<tr>
<td>Community risk &amp; sustainability</td>
<td>IAG is focused on increasing the resilience and sustainability of our communities. Good progress on this was achieved during the year through the establishment of the Australian Business Roundtable for Disaster Resilience &amp; Safer Communities and the launch of its high profile White Paper which made recommendations for a more sustainable and comprehensive approach to managing natural disasters through resilience measures and preventative actions.</td>
<td></td>
</tr>
<tr>
<td>Culture &amp; employee development</td>
<td>IAG is committed to building a culture where employees truly live the values of performance, integrity, respect and a considered sense of urgency. During the year, a consistent survey methodology was used across the Group for the first time to ‘measure’ culture. The outcome was positive, with the Group results outperforming the financial services sector. IAG has taken further steps to build an inclusive workplace where different perspectives are valued and biases are challenged. IAG is also making flexible working arrangements a priority because they can make a real difference to IAG’s people, whatever their life stage. From a gender diversity perspective, 29% of all senior management roles were held by women and IAG continues to target 33% by 2015.</td>
<td></td>
</tr>
</tbody>
</table>
iii. STI outcomes for the year ended 30 June 2013

Cash and deferred STI payments made to the Group CEO and the executive team for the year ended 30 June 2013 were based on achievement against the balanced scorecard measures and are shown in table 5.

IAG delivered a significantly improved performance for the year ended 30 June 2013, delivering on both GWP growth and an increase in reported insurance margin. In line with improved performance, the STI awarded to the Group CEO and the executive team are, on average, higher than those for last year demonstrating that an individual executive’s STI outcome is linked to the financial performance of the Group as well as to the execution of his or her division’s strategic goals during the year.

**TABLE 5 - ACTUAL STI OUTCOMES FOR THE YEAR ENDED 30 JUNE 2013**

<table>
<thead>
<tr>
<th>MAXIMUM STI OPPORTUNITY</th>
<th>ACTUAL STI OUTCOME</th>
<th>CASH STI OUTCOME</th>
<th>DEFERRED STI OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>(% of fixed pay)</td>
<td>(% of maximum)</td>
<td>(% of fixed pay)</td>
<td>(% of fixed pay)</td>
</tr>
<tr>
<td>Michael Wilkins</td>
<td>150 %</td>
<td>82 %</td>
<td>123 %</td>
</tr>
<tr>
<td>Justin Breheny</td>
<td>120 %</td>
<td>80 %</td>
<td>96 %</td>
</tr>
<tr>
<td>Andy Cornish</td>
<td>120 %</td>
<td>77 %</td>
<td>93 %</td>
</tr>
<tr>
<td>Peter Harmer</td>
<td>120 %</td>
<td>84 %</td>
<td>101 %</td>
</tr>
<tr>
<td>Nicholas Hawkins</td>
<td>120 %</td>
<td>84 %</td>
<td>101 %</td>
</tr>
<tr>
<td>Jacki Johnson</td>
<td>120 %</td>
<td>75 %</td>
<td>90 %</td>
</tr>
<tr>
<td>Leona Murphy</td>
<td>120 %</td>
<td>81 %</td>
<td>98 %</td>
</tr>
</tbody>
</table>

Table note
(1) The proportion of STI forfeited is derived by subtracting the actual % of maximum received from the maximum STI opportunity and was 19% on average for the year ended 30 June 2013.

Changes in each executive’s holding of DAR during the financial year is set out below. The DAR granted during the year reflects the deferred portion of the STI outcome for the year ended 30 June 2012. Note 30 to the financial statements sets out further details of the DAR plan.

**TABLE 6 - MOVEMENT IN POTENTIAL VALUE OF DAR FOR THE YEAR ENDED 30 JUNE 2013**

<table>
<thead>
<tr>
<th>EXECUTIVES</th>
<th>DAR ON ISSUE 1 JULY</th>
<th>DAR GRANTED DURING THE YEAR</th>
<th>DAR EXERCISED DURING THE YEAR</th>
<th>DAR LAPSED DURING THE YEAR</th>
<th>DAR ON ISSUE 30 JUNE</th>
<th>DAR VESTED DURING THE YEAR</th>
<th>DAR VESTED AND EXERCISABLE 30 JUNE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Wilkins</td>
<td>250,140</td>
<td>966</td>
<td>709</td>
<td></td>
<td>328,740</td>
<td>146,500</td>
<td></td>
</tr>
<tr>
<td>Justin Breheny</td>
<td>225,350</td>
<td>84,400</td>
<td>(72,300)</td>
<td></td>
<td>237,450</td>
<td>60,740</td>
<td>109,880</td>
</tr>
<tr>
<td>Andy Cornish</td>
<td>132,400</td>
<td>86,300</td>
<td>(72,750)</td>
<td></td>
<td>145,950</td>
<td>72,750</td>
<td></td>
</tr>
<tr>
<td>Peter Harmer</td>
<td>40,500</td>
<td>72,400</td>
<td>(20,250)</td>
<td></td>
<td>92,650</td>
<td>20,250</td>
<td></td>
</tr>
<tr>
<td>Nicholas Hawkins</td>
<td>104,310</td>
<td>81,700</td>
<td>(60,080)</td>
<td></td>
<td>125,930</td>
<td>60,080</td>
<td></td>
</tr>
<tr>
<td>Jacki Johnson</td>
<td>86,560</td>
<td>72,700</td>
<td>(51,680)</td>
<td></td>
<td>107,580</td>
<td>51,680</td>
<td></td>
</tr>
<tr>
<td>Leona Murphy</td>
<td>90,070</td>
<td>73,600</td>
<td>(51,830)</td>
<td></td>
<td>111,840</td>
<td>51,830</td>
<td></td>
</tr>
<tr>
<td>Ian Foy</td>
<td>68,480</td>
<td>41,200</td>
<td>(38,460)</td>
<td></td>
<td>71,220</td>
<td>38,460</td>
<td></td>
</tr>
</tbody>
</table>

(a) All DAR that were granted on 26 October 2012, have a first exercisable date of 1 September 2013 and an expiry date of 26 October 2019. The value of DAR granted during the year is the fair value of the DAR at grant date calculated using the Black Scholes model, which was $4.29. The value of DAR granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 30 June 2013 to 30 June 2015).

(b) DAR that vested on 1 September 2012 or before and were exercised in the financial year. The value of DAR is based on the weighted average share price which was $4.84 for the year ended 30 June 2013.

(c) In the previous financial year ended 30 June 2012, 44,300 DAR were granted to Ian Foy in relation to the UK retention program, of which 22,150 were exercised during the current year. These rights are in addition to those on issue as at 1 July 2012. Apart from the vesting dates, all the terms and conditions and vesting scale of DAR granted in relation to the UK retention programs are the same as those for DAR granted as deferred STI.
### Description
LTI grants are determined annually by the Board and are aligned to the Group’s strategic financial targets. The grants are provided in the form of Executive Performance Rights (EPR) and are based on an assessment of market benchmarks and performance.

### Potential maximum LTI
- The maximum value of EPR granted to the Group CEO and executive team under the LTI plan is 150% and 125% of their annual fixed remuneration, respectively.
- The number of EPR granted is based on the IAG ordinary share price at the financial year end date before the grant date.
- The EPR granted during the year will not vest and have no value unless the performance hurdles are achieved. No dividend is paid or payable for any unvested or vested and unexercised EPR.

### Performance hurdles
- The LTI has two performance hurdles: ROE and TSR. 50% of each allocation is subject to the ROE hurdle and 50% is subject to the TSR hurdle:
  - ROE is measured relative to IAG’s WACC. The ROE hurdle is cash ROE to align with the reporting of IAG’s financial performance to the external market; and
  - TSR is measured against the top 50 industrials within the S&P/ASX 100 Index. An averaging calculation is used for TSR over a 90 day period for start and test day values in order to reduce the impact of share price volatility. For allocations made prior to 30 June 2009, TSR was measured against all entities within the S&P/ASX100 Index.

### Reason for choosing performance hurdles
- The hurdles require superior financial performance over at least a three year period.
- ROE provides evidence of company growth in profitability and is linked to shareholder return.
- TSR provides a direct link between executive reward and shareholder return.

### Testing of performance hurdles
- **ROE**
  - The ROE portion of LTI is tested over a three year period measured from 1 July to 30 June. The vesting schedule is shown below:
    - no vesting below 1.2 x WACC;
    - minimum vesting at 1.2 x WACC (20% of ROE portion); and
    - maximum vesting at 1.6 x WACC (100% of ROE portion)
  - with straight line vesting in between.

- **TSR**
  - The TSR portion of LTI is tested three years after the base date (being 30 September 2012 for the September 2009 grant) and then any portion of the award that has not vested is tested again at four years and five years. There will be no re-testing for the TSR portion of awards granted after 1 July 2013, which will be subject to a four year performance period. The vesting schedule is shown below:
    - no vesting below 50th percentile
    - minimum vesting at 50th percentile (50% of TSR portion); and
    - maximum vesting at or above 75th percentile (100% of TSR portion)
  - with straight line vesting in between.

### Instrument
Rights over IAG ordinary shares in the form of EPR. These are exercisable for shares if performance hurdles are achieved. Rights granted after 1 July 2013 may be settled with an ordinary IAG share or with cash, as determined by the Board.

### Forfeiture conditions
Under the terms of the LTI, if an executive ceases employment with IAG voluntarily before the performance hurdles are tested, then the unvested EPR will generally lapse. In cases where the executive acts fraudulently or dishonestly or is, in the Board’s opinion, in breach of his or her obligations to the company, the unvested EPR will lapse.
i. LTI awarded during the year ended 30 June 2013
Details of LTI awards made to the executive team in the year ended 30 June 2013 are shown in Table 7 below:

### TABLE 7 - LTI GRANTS AWARDED DURING THE YEAR

<table>
<thead>
<tr>
<th>LTI PLAN</th>
<th>EPR PLAN 2012/2013 - SERIES 5*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant date</td>
<td></td>
</tr>
<tr>
<td>EPR PLAN 2012/2013 - SERIES 5</td>
<td></td>
</tr>
<tr>
<td>Base date</td>
<td></td>
</tr>
<tr>
<td>First test day</td>
<td></td>
</tr>
<tr>
<td>Last test day</td>
<td></td>
</tr>
<tr>
<td>Performance hurdle achievement</td>
<td>n/a</td>
</tr>
<tr>
<td>Last exercise date (continuing employees only)</td>
<td>n/a</td>
</tr>
<tr>
<td>Vesting date</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* Terms and conditions for EPR Plan 2011/2012 and 2012/2013 are the same, therefore they are both known as series 5.

ii. Historical LTI awards
Details of the terms of historical LTI grants made to executives are shown in the table below:

### TABLE 8 - LTI GRANTS AWARDED IN PREVIOUS FINANCIAL YEARS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant date</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance hurdle achievement</td>
<td>82% vested and remaining 18% lapsed on 30/09/2012</td>
<td>98% vested</td>
<td>56% vested</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Last exercise date (continuing employees only)</td>
<td>25/09/2012</td>
<td>24/11/2009</td>
<td>06/10/2010</td>
<td>06/10/2010</td>
<td>21/10/2011</td>
</tr>
</tbody>
</table>

(a) The Cash ROE portion of EPR Plan 2010/2011 has been tested and is expected to vest in full. Vesting details will be included in the remuneration report for the year ending 30 June 2014.

(b) Terms and conditions for EPR Plan 2011/2012 and 2012/2013 are the same, therefore they are both referred to as series 5.

iii. Lapsed LTI awards
EPR Plan 2007/2008, 2008/2009 and 2009/2010 – series 1, 2 and 3 – ROE information has been excluded from table 8 above because their test dates have passed, performance hurdles were not met and 0% of rights vested. For EPR Plan 2007/2008 (series 1), all rights with ROE performance hurdles lapsed on 30 September 2012.

iv. LTI vested during the year ended 30 June 2013
Details of LTI vested during the year are set out below.

For EPR Plan 2007/2008 – series 1, the TSR performance hurdle final test was completed:
- TSR met a higher performance hurdle on 30 September 2012 and an additional 18% of those rights vested and the remaining 18% of the total rights lapsed on 30 September 2012; and
- ROE performance hurdle was not met on 30 June 2010 and 100% of the rights granted lapsed on 30 September 2012.

For EPR Plan 2008/2009 – series 2, the performance results were:
- TSR met a higher performance hurdle on 30 September 2012 and an additional 32% of those rights vested; and
- the ROE performance hurdle was not met on 30 June 2011 and these rights have been forfeited and will lapse on 30 September 2013.

For EPR Plan 2009/2010 – series 3, the performance results were:
- TSR met the performance hurdle on 30 September 2012 and 56% of those rights vested; and
- the ROE performance hurdle was not met on 30 June 2012 and these rights have been forfeited and will lapse on 30 September 2014.

Note 30 to the financial statements sets out further details of the EPR Plan.
### TABLE 9 - MOVEMENT IN POTENTIAL VALUE OF EPR FOR THE YEAR ENDED 30 JUNE 2013

<table>
<thead>
<tr>
<th>EXECUTIVES</th>
<th>Number (000)</th>
<th>EPR ON ISSUE 1 JULY</th>
<th>EPR GRANTED DURING THE YEAR(a)</th>
<th>EPR EXERCISED DURING THE YEAR(b)</th>
<th>EPR LAPSED DURING THE YEAR(c)</th>
<th>EPR ON ISSUE 30 JUNE</th>
<th>EPR VESTED DURING THE YEAR</th>
<th>EPR VESTED AND EXERCISABLE 30 JUNE</th>
<th>EPR FORFEITED AND WILL LAPSE IN FUTURE YEARS(d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Wilkins</td>
<td>3,197,600</td>
<td>$3,146</td>
<td>(363,868)</td>
<td>(147,500)</td>
<td>3,568,632</td>
<td>363,868</td>
<td>-</td>
<td>395,300</td>
<td></td>
</tr>
<tr>
<td>Justin Breheny</td>
<td>1,326,500</td>
<td>$1,155</td>
<td>-</td>
<td>(58,115)</td>
<td>1,592,285</td>
<td>138,757</td>
<td>268,452</td>
<td>146,950</td>
<td></td>
</tr>
<tr>
<td>Andy Cornish</td>
<td>1,195,200</td>
<td>$1,306</td>
<td>616</td>
<td>-</td>
<td>1,434,324</td>
<td>127,276</td>
<td>-</td>
<td>754</td>
<td></td>
</tr>
<tr>
<td>Peter Harmer</td>
<td>631,200</td>
<td>$1,255</td>
<td>-</td>
<td>-</td>
<td>983,300</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Nicholas Hawkins</td>
<td>1,256,435</td>
<td>$1,255</td>
<td>689</td>
<td>248</td>
<td>1,409,431</td>
<td>142,464</td>
<td>-</td>
<td>151,400</td>
<td></td>
</tr>
<tr>
<td>Jacki Johnson</td>
<td>1,315,400</td>
<td>$1,131</td>
<td>475</td>
<td>257</td>
<td>1,475,620</td>
<td>138,847</td>
<td>170,687</td>
<td>146,950</td>
<td></td>
</tr>
<tr>
<td>Leona Murphy</td>
<td>1,146,200</td>
<td>$1,130</td>
<td>951</td>
<td>90</td>
<td>1,245,871</td>
<td>113,354</td>
<td>-</td>
<td>603</td>
<td></td>
</tr>
<tr>
<td>EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL</td>
<td>862,590</td>
<td>$900</td>
<td>413</td>
<td>30</td>
<td>1,022,746</td>
<td>85,359</td>
<td>-</td>
<td>93,150</td>
<td></td>
</tr>
</tbody>
</table>

(a) All EPR were granted on 26 October 2012 and have an expiry date of 26 October 2019. EPR granted during the year and subject to the TSR performance hurdle have a grant date value of $3.05, calculated using the Monte Carlo simulation. All rights granted during the year and subject to the TSR performance hurdle are first exercisable on 30 September 2015. EPR granted during the year and subject to the ROE performance hurdle have a grant date value of $4.09, calculated using the Black Scholes valuation model. All rights granted during the year and subject to the ROE performance hurdle are first exercisable on 30 June 2015. The total value of EPR granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. years ended 30 June 2013 to 30 June 2017).

(b) EPR that vested on 30 September 2012 or before and were exercised in the financial year. The value of EPR exercised is based on the weighted average share price which was $4.84 for the year ended 30 June 2013.

(c) The value of EPR lapsed during the year ended 30 June 2013 is based on the 5-day weighted average share price which was $4.38 to 1 July 2012.

(d) During the year ended 30 June 2013, the value of EPR forfeited is based on the weighted average share price which was $4.84 for the year ended 30 June 2013.

The following table shows the returns IAG delivered to its shareholders for the last six financial years for a range of measures including TSR and ROE performance used to calculate LTI hurdles.

### TABLE 10 - HISTORICAL ANALYSIS OF SHAREHOLDER RETURN ON LTI

<table>
<thead>
<tr>
<th>YEAR ENDED 30 JUNE</th>
<th>YEAR ENDED 30 JUNE</th>
<th>YEAR ENDED 30 JUNE</th>
<th>YEAR ENDED 30 JUNE</th>
<th>YEAR ENDED 30 JUNE</th>
<th>YEAR ENDED 30 JUNE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>Closing share price ($)</td>
<td>3.47</td>
<td>3.51</td>
<td>3.41</td>
<td>3.40</td>
<td>3.48</td>
</tr>
<tr>
<td>Dividend paid (cents)</td>
<td>22.50</td>
<td>10.00</td>
<td>13.00</td>
<td>16.00</td>
<td>17.00</td>
</tr>
<tr>
<td>Basic earnings per share (cents)</td>
<td>(14.11)</td>
<td>9.32</td>
<td>4.39</td>
<td>12.08</td>
<td>10.01</td>
</tr>
<tr>
<td>Cash ROE (%)</td>
<td>2.7</td>
<td>4.9</td>
<td>8.3</td>
<td>11.1</td>
<td>13.3</td>
</tr>
<tr>
<td>ROE to WACC outcome for EPR Plan(a)</td>
<td>n/a</td>
<td>n/a</td>
<td>0.83</td>
<td>0.82</td>
<td>1.12</td>
</tr>
<tr>
<td>TSR (%)</td>
<td>(36.1)</td>
<td>1.3</td>
<td>(0.5)</td>
<td>3.0</td>
<td>5.3</td>
</tr>
</tbody>
</table>

(a) The first ROE performance hurdle test date of the EPR Plan was 30 June 2010; therefore information was not relevant for years ended 30 June 2009 and prior.

(b) This represents the TSR performance measured for the 12 months from 1 July to 30 June. This is only an indication of IAG’s performance for the relevant financial year.
E. EXECUTIVE REMUNERATION IN DETAIL

I. Total remuneration for Group executives

The table below provides the statutory remuneration details for the Group CEO and the executive team required by the accounting standards.

### TABLE 11 - STATUTORY REMUNERATION DETAILS

<table>
<thead>
<tr>
<th>SHORT TERM EMPLOYMENT BENEFITS</th>
<th>OTHER LONG TERM EMPLOYMENT BENEFITS</th>
<th>SHARE BASED PAYMENT</th>
<th>AT RISK REMUNERATION PORTION PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>Post employment benefits</td>
<td>Sub total</td>
<td></td>
</tr>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td></td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td></td>
</tr>
</tbody>
</table>

| EXECUTIVES | | | |
|------------|| | |
| Michael Wilkins | | | |
| 2013 2,023 | 1,679 | 197 | 16 | 32 | - | 3,947 | 613 | 2,470 | 7,030 | 68 |
| 2012 1,954 | 1,567 | 192 | 38 | 38 | - | 3,789 | 481 | 2,193 | 6,463 | 66 |
| Justin Breheny | | | |
| 2013 873 | 577 | 273 | 25 | 21 | - | 1,769 | 241 | 875 | 2,885 | 59 |
| 2012 827 | 587 | 279 | 50 | 31 | - | 1,774 | 191 | 808 | 2,773 | 57 |
| Andy Cornish | | | |
| 2013 991 | 632 | 60 | 25 | 12 | - | 1,720 | 289 | 1,007 | 3,016 | 64 |
| 2012 975 | 600 | 57 | 16 | 17 | - | 1,665 | 232 | 898 | 2,795 | 62 |
| Peter Harmer | | | |
| 2013 947 | 659 | (8) | 25 | 7 | - | 1,630 | 163 | 726 | 2,519 | 61 |
| 2012 882 | 504 | 57 | 50 | 5 | - | 1,498 | 40 | 391 | 1,929 | 48 |
| Nicholas Hawkins | | | |
| 2013 951 | 662 | 12 | 25 | 15 | - | 1,665 | 240 | 934 | 2,839 | 65 |
| 2012 931 | 568 | 29 | 25 | 64 | - | 1,617 | 182 | 848 | 2,647 | 60 |
| Jacki Johnson | | | |
| 2013 907 | 542 | 41 | - | 29 | - | 1,519 | 201 | 862 | 2,582 | 62 |
| 2012 863 | 505 | 59 | - | 65 | - | 1,492 | 164 | 802 | 2,458 | 60 |
| Leona Murphy | | | |
| 2013 854 | 575 | (7) | 25 | 14 | - | 1,461 | 212 | 834 | 2,507 | 65 |
| 2012 837 | 512 | 41 | 25 | 17 | - | 1,432 | 155 | 731 | 2,318 | 60 |

| EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL | | | |
|---------------------------------------------|| | |
| Ian Foy | | | |
| 2013 626 | 296 | 708 | 111 | - | 524 | 2,265 | 278 | 1,867 | 4,410 | 55 |
| 2012 593 | 287 | 371 | 105 | - | - | 1,356 | 127 | 641 | 2,124 | 50 |

Table note

1. Base salary includes amounts paid in cash plus the portion of the company’s superannuation contribution that is paid as cash instead of being paid into superannuation and salary sacrifice items such as cars and parking, as determined in accordance with AASB 119 Employee Benefits. The prior year’s base salary was restated to exclude annual leave accruals and the 30% tax rebate on car expenses resulting from the salary sacrifice arrangements on cars for certain KMP. The total amount restated was $416,000. The annual leave accruals and 30% tax rebate on car expenses are recaptured and captured in column (3) under Leave accruals and other benefits.

2. STI represents the amount to be settled in cash in relation to the financial year from 1 July to 30 June.

3. This column includes leave accruals, 30% tax rebate on car expenses for certain KMP who have salary sacrifice arrangements for car expenses and other short term employment benefits as agreed and provided under specific conditions. The prior year’s comparative figure was restated to include annual leave accruals and 30% tax rebate on car expenses for certain KMP. Other benefits provided under specific conditions in 2013 and 2012 are shown below:

- Justin Breheny; accommodation costs and other benefits of $266,337 for accommodation, health insurance, tax compliance, and airfares for home visits;
- Andy Cornish; a one-off payment of $55,024 as compensation for changes to Living Away From Home Allowance legislation;
- Jacki Johnson; $45,794 (NZ$57,203) for accommodation allowances and other benefits; and
- Ian Foy; retention payments of $581,772 (£380,833), $83,295 being the value of 44,300 DAR granted in 2011 retention arrangement, accrued annual leave paid on termination of $21,706 (£14,209) and other recurring benefits of $20,990 (£13,740).
2012:
- Justin Breheny; relocation costs and accommodation of $252,000 due to his relocation to Singapore;
- Ian Foy; retention payments of $335,000 (£218,000) and other recurring allowances and benefits of $36,000; and
- Jacki Johnson; accommodation allowances and other benefits of $45,000.

(4) Superannuation represents the employer’s contributions. Refer to note 31 to the financial statements for superannuation plan details.

(5) Long service leave accruals as determined in accordance with AASB 119.

(6) Termination benefits represent the amount paid following the completion of the sale of the UK business. Ian Foy ceased being a KMP on 19 April 2013, being the date of change of control of the UK business. His termination date was 19 July 2013. His remuneration relates to the period from 1 July 2012 to 19 July 2013.

(7) The sum of columns (1) to (6).

(8) The deferred STI is granted as DAR and is valued using the Black Scholes valuation model. An allocated portion of unvested DAR for the deferred STI for the years ended before 30 June 2012 is included in the total remuneration disclosure above. The deferred STI for the year ended 30 June 2013 will be granted in the next financial year and therefore no value was included in the current financial year's total remuneration.

(9) This value represents the allocated portion of unvested EPR as included in the table above. To determine the EPR values the Monte Carlo simulation (for TSR performance hurdle) and Black Scholes (for ROE performance hurdle) valuation models have been applied. The valuation takes into account the exercise price of the EPR, life of the EPR, price of IAG ordinary shares as at 30 June, expected volatility of the IAG share price, expected dividends, risk free interest rate, performance of shares in the peer group of companies, early exercise and non transferability, and turnover which is assumed to be zero for an individual's remuneration calculation.

(10) The sum of columns (1) to (9).

(11) At risk remuneration received during the financial year as a percentage of total reward.

**F. EXECUTIVE EMPLOYMENT AGREEMENTS**

All employment agreements for the Group CEO and the executive team are for unlimited terms but may be terminated by written notice from either party or by IAG making a payment in lieu of notice. The employment agreements outline the components of remuneration paid to executives and require annual review of executives’ remuneration, although the agreements do not require IAG to increase base salary, pay STI or offer an LTI in any given year.

**TABLE 12 - EXECUTIVE EMPLOYMENT AGREEMENTS**

<table>
<thead>
<tr>
<th>NAME</th>
<th>NOTICE PERIOD FROM THE COMPANY</th>
<th>NOTICE PERIOD FROM THE EMPLOYEE</th>
<th>TERMINATION PROVISIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Wilkins</td>
<td>12 months</td>
<td>6 months</td>
<td>12 months fixed remuneration and short term incentive that would have accrued for 12 months had termination not occurred. An additional 6 months of fixed remuneration is payable if IAG invokes a restraint clause.</td>
</tr>
<tr>
<td>Justin Breheny</td>
<td>12 months</td>
<td>3 months</td>
<td>12 months base salary</td>
</tr>
<tr>
<td>Andy Cornish</td>
<td>12 months</td>
<td>3 months</td>
<td>12 months fixed remuneration</td>
</tr>
<tr>
<td>Peter Harmer</td>
<td>12 months</td>
<td>6 months</td>
<td>12 months base salary</td>
</tr>
<tr>
<td>Nicholas Hawkins</td>
<td>12 months</td>
<td>3 months</td>
<td>12 months base salary</td>
</tr>
<tr>
<td>Jacki Johnson</td>
<td>12 months</td>
<td>3 months</td>
<td>12 months base salary</td>
</tr>
<tr>
<td>Leona Murphy</td>
<td>12 months</td>
<td>3 months</td>
<td>12 months base salary</td>
</tr>
</tbody>
</table>

Subject to the relevant legislation in the various jurisdictions, termination provisions may include the payment of annual leave and/or long service leave for the executives.

Executives are employed by Insurance Australia Group Services Pty Limited, except for:
- Jacki Johnson who is employed by IAG New Zealand Limited.

I. Retrenchment

In the event of retrenchment, the executives listed above (except for Jacki Johnson) are entitled to the greater of:
- the written notice or payment in lieu of notice as provided in their service agreement; or
- the retrenchment benefits due under the relevant company retrenchment policy.

For executives based in Australia, the minimum benefit under the retrenchment policy is 11 weeks of base salary and the maximum benefit that can be received is 87 weeks of base salary. The maximum benefit is payable to employees with service of 25 years or more.

For Jacki Johnson, the retrenchment payment is in accordance with the termination provisions specified in the table above.
II. Termination of employment without notice and without payment in lieu of notice
The employment of an executive may be terminated without notice and without payment in lieu of notice in some circumstances. Generally, this could occur where the executive:
- is charged with a criminal offence that is capable of bringing the organisation into disrepute;
- is declared bankrupt;
- breaches a provision of their service agreement;
- is guilty of serious and wilful misconduct; or
- unreasonably fails to comply with any material and lawful direction given by the relevant company.

III. Termination of employment with notice or payment in lieu of notice
The employment of an executive may be terminated at any time by the relevant company with notice or payment in lieu of notice. The amount of notice the relevant company must provide or the payment in lieu of notice is specified above.

G. NON-EXECUTIVE DIRECTOR REMUNERATION
I. Remuneration policy
The principles that underpin IAG’s approach to remuneration for non-executive directors are that remuneration should:
- be sufficiently competitive to attract and retain a high calibre of non-executive director; and
- create alignment between the interests of non-executive directors and shareholders through the mandatory shareholding policy.

a. CHANGES TO NON-EXECUTIVE REMUNERATION DURING THE YEAR ENDED 30 JUNE 2013
On 16 August 2012, the Board approved a 2% increase in the Board fees effective from 1 July 2012. There was no change to committee fees.

II. Remuneration structure
Non-executive director remuneration has three components:
- board fees (paid as cash);
- superannuation; and
- subsidiary board and committee fees.

The aggregate limit of remuneration remained unchanged at $2,750,000 per annum. This limit was approved by shareholders at the 2007 annual general meeting. The aggregate annual remuneration includes employer superannuation contributions paid by IAG on behalf of non-executive directors.

<table>
<thead>
<tr>
<th>BOARD/COMMITTEE</th>
<th>ROLE</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board</td>
<td>Chairman</td>
<td>$494,100</td>
<td>$484,500</td>
</tr>
<tr>
<td></td>
<td>Non-executive</td>
<td>$164,700</td>
<td>$161,500</td>
</tr>
<tr>
<td></td>
<td>director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit, Risk Management &amp; Compliance</td>
<td>Chairman</td>
<td>$55,100</td>
<td>$55,100</td>
</tr>
<tr>
<td>Committee</td>
<td>Member</td>
<td>$27,550</td>
<td>$27,550</td>
</tr>
<tr>
<td>People and Remuneration Committee</td>
<td>Chairman</td>
<td>$35,700</td>
<td>$35,700</td>
</tr>
<tr>
<td></td>
<td>Member</td>
<td>$17,850</td>
<td>$17,850</td>
</tr>
</tbody>
</table>

III. Superannuation
IAG paid non-executive directors a 9% superannuation contribution in addition to the directors’ fees outlined above. This is moving to 9.25% from 1 July 2013 in accordance with Superannuation Guarantee Contribution legislation. Directors can elect to have the superannuation contribution paid partially as cash and partially into a superannuation fund as nominated, or fully paid into a superannuation fund.

A summary of non-executive directors’ service on subsidiary boards and the fees payable is set out in the following table:

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>SUBSIDIARY</th>
<th>CAPACITY</th>
<th>ANNUAL FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian Schwartz</td>
<td>Insurance Manufacturers of Australia Pty Ltd</td>
<td>Chairman</td>
<td>$219,500</td>
</tr>
<tr>
<td>Hugh Fletcher*</td>
<td>IAG New Zealand Limited</td>
<td>Chairman</td>
<td>$84,058</td>
</tr>
</tbody>
</table>

* This amount was paid to Hugh Fletcher in New Zealand dollars and has been converted to Australian dollars using the average exchange rate for the year.

IV. Performance
A formal external review of the performance, composition and size of the Board is conducted every three years. In the years this review is not conducted, performance is evaluated by the chairman. The evaluation is conducted by discussion between the chairman and the individual director. In reviewing directors’ performance the chairman and Board consider:
- the director’s contribution to Board teamwork;
- the director’s contribution to debates on significant issues and proposals;
- advice and assistance given to management;
- in the case of the chairman’s performance, the fulfilment of the additional role as chairman; and
- input regarding regulatory, industry and social developments surrounding the business.
The PARC is responsible for coordinating the Board’s review of the chairman’s performance.

V. Total remuneration details
The table below provides details of total remuneration for non-executive directors on the Board for the year ended 30 June 2013:

TABLE 15 - ACTUAL REMUNERATION EARNED BY NON-EXECUTIVE DIRECTORS

<table>
<thead>
<tr>
<th></th>
<th>SHORT TERM EMPLOYMENT BENEFITS</th>
<th>POST EMPLOYMENT BENEFITS</th>
<th>OTHER LONG TERM EMPLOYMENT BENEFITS</th>
<th>TERMINATION BENEFITS</th>
<th>SHARE BASED PAYMENT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IAG Board fees received as cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$000</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other boards and committee fees</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Superannuation benefits $000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Retirement benefits $000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$000</td>
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<td>$000</td>
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</tbody>
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<table>
<thead>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian Schwartz</td>
<td>540</td>
<td>523</td>
<td>19</td>
<td>24</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>779</td>
<td>755</td>
</tr>
<tr>
<td>Yasmin Allen</td>
<td>169</td>
<td>166</td>
<td>16</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>248</td>
<td>245</td>
</tr>
<tr>
<td>Peter Bush</td>
<td>165</td>
<td>162</td>
<td>17</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>206</td>
<td>207</td>
</tr>
<tr>
<td>Alison Deans</td>
<td>69</td>
<td>69</td>
<td>7</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>87</td>
<td>-</td>
</tr>
<tr>
<td>Hugh Fletcher</td>
<td>165</td>
<td>162</td>
<td>17</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>294</td>
<td>288</td>
</tr>
<tr>
<td>Raymond Lim</td>
<td>69</td>
<td>162</td>
<td>17</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>83</td>
<td>-</td>
</tr>
<tr>
<td>Philip Twyman</td>
<td>168</td>
<td>165</td>
<td>16</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>239</td>
<td>236</td>
</tr>
<tr>
<td>Phillip Colebatch</td>
<td>27</td>
<td>162</td>
<td>3</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>32</td>
<td>196</td>
</tr>
<tr>
<td>Anna Hynes</td>
<td>96</td>
<td>162</td>
<td>10</td>
<td>18</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>116</td>
<td>214</td>
</tr>
</tbody>
</table>

* This balance included the portion of the company’s superannuation contribution that the directors elected to receive as cash instead of paying into their nominated superannuation fund.

VI. Mandatory shareholding requirements
On 17 August 2009, IAG adopted a mandatory shareholding policy that requires non-executive directors to hold IAG ordinary shares with a value equal to their annual Board fee. The non-executive directors have three years from the date of their appointment to the Board to meet their required holdings. This is a requirement which is assessed annually at the close of each financial year.

For those directors appointed prior to 30 June 2010, the effective date to meet the mandatory shareholding requirement is 30 June 2013. The four directors who are required to have met the minimum mandatory shareholding requirement have done so. Please refer to the relevant interest table on page 43.

H. OTHER BENEFITS
Remuneration does not include premiums paid by IAG for an insurance contract covering current and former directors’ and executives’ liabilities and legal expenses incurred in respect of the relevant office, as the insurance policies do not specify premiums paid to individual directors and executives and the terms of contract specifically prohibit the disclosure of the premium paid. Insurance products provided by the Group are available to all directors and executives on the same terms and conditions available to other employees.
RELEVANT INTEREST OF EACH DIRECTOR AND THEIR RELATED PARTIES IN LISTED SECURITIES OF THE IAG GROUP IN ACCORDANCE WITH THE CORPORATIONS ACT 2001

A. HOLDINGS OF ORDINARY SHARES

<table>
<thead>
<tr>
<th>Director</th>
<th>Shares held directly</th>
<th>Shares held indirectly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brian Schwartz</td>
<td>2,157</td>
<td>99,518</td>
</tr>
<tr>
<td>Yasmin Allen</td>
<td>1,666</td>
<td>37,345</td>
</tr>
<tr>
<td>Peter Bush</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alison Deans</td>
<td>-</td>
<td>15,000</td>
</tr>
<tr>
<td>Hugh Fletcher</td>
<td>35,190</td>
<td>39,018</td>
</tr>
<tr>
<td>Raymond Lim</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dr Nora Scheinkestel</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Philip Twyman</td>
<td>-</td>
<td>57,780</td>
</tr>
<tr>
<td>Michael Wilkins</td>
<td>772,468</td>
<td>799,166</td>
</tr>
</tbody>
</table>

(a) This represents the relevant interest of each director in ordinary shares issued by the Company, as notified by the directors to the ASX in accordance with section 205G of the Corporations Act 2001 until the date the financial report is signed. Trading in IAG shares is covered by the restrictions which limit the ability of an IAG director to trade in the shares of the Group where they are in a position to be aware, or are aware, of price sensitive information.

(b) These shares are held by the director’s related parties, inclusive of entities controlled, jointly controlled or significantly influenced by the directors, as notified by the directors to the ASX in accordance with section 205G of the Corporations Act 2001.

B. HOLDING OF CONVERTIBLE PREFERENCE SHARES

Philip Twyman purchased 2,058 (2012-nil) convertible preference shares during the year. No other director and their related parties had any interest directly or nominally in convertible preference shares at the reporting date (2012-nil).

C. HOLDING OF RESET EXCHANGEABLE SECURITIES

No director and their related parties had any interest in reset exchangeable securities of IAG Finance (New Zealand) Limited at reporting date.

ROUNDING OF AMOUNTS

Unless otherwise stated, amounts in the financial report and directors’ report have been rounded to the nearest million dollars. The Company is of a kind referred to in the class order 98/100 dated 10 July 1998 issued by the Australian Securities & Investments Commission. All rounding has been conducted in accordance with that class order.

Signed at Sydney this 22nd day of August 2013 in accordance with a resolution of the directors.

Michael Wilkins
Director