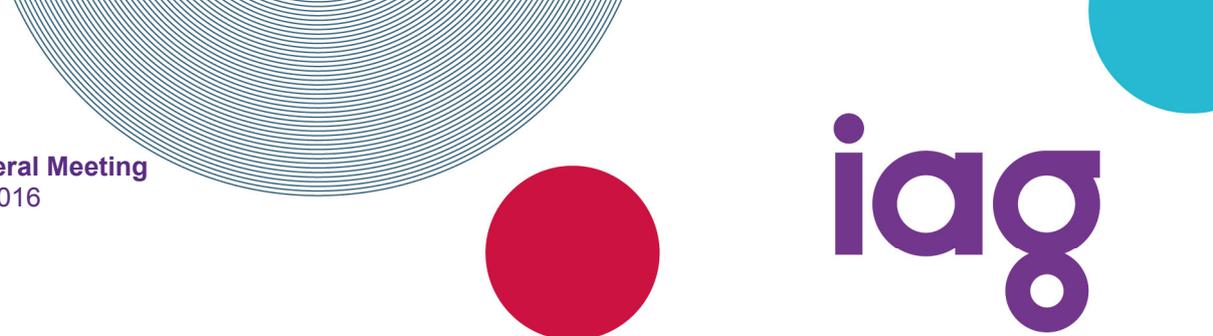


Annual General Meeting
21 October 2016



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CEO's Presentation to 2016 AGM.

Mr Peter Harmer
Managing Director & Chief Executive Officer
Insurance Australia Group Limited



Thank you, Elizabeth and good morning, ladies and gentlemen
It's my pleasure also to welcome you here today

2016 financial summary

Sound performance in challenging operating environment



- I'll start today with a brief overview of our results for the 2016 financial year before moving to discuss what we're doing to ensure the future success of our business in a rapidly changing world, and how our strategy is evolving to help us achieve this success
- Our premiums for the year were relatively flat, and our insurance result was slightly higher than last year, helped by lower natural perils costs
- Our overall reported margin met the updated guidance we provided in February
- Net profit was affected by relatively weak equity markets and a significant increase in the effective tax rate, because of lower earthquake reinsurance recoveries this year over last
- I especially want to call out the efforts of our people in achieving such strong results in a low-growth, low interest rate environment
- The results show the success of our strategy in building leading positions, particularly in Australia, New Zealand, Malaysia and Thailand
- Asia continues to be an important source of long term growth for IAG
- Following our decision not to invest further in China last year, we have tightened our focus in Asia
- We are particularly keen to build on the sound businesses and good markets that we have in Malaysia and Thailand
- These are very attractive to us, and we are interested in pursuing growth through industry consolidation or increased ownership where this makes sense

Berkshire Hathaway relationship

Reduced earnings volatility and capital requirement



Long term relationship

- Began with catastrophe reinsurance program 16 years ago
- Expanded to equity in IAG; 20% quota share reinsurance arrangement; and Adverse Development Covers, including for Canterbury earthquake

Further benefits to come

- Lower earnings volatility
- Further favourable regulatory capital effect

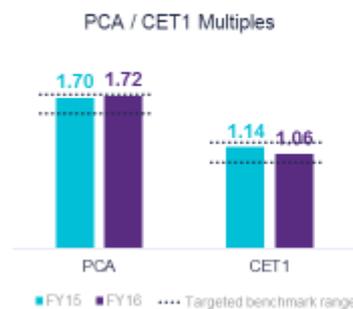
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- This business has a long and very proud history of working with partners, so strong relationships are at the heart of our culture
- Our long association with Berkshire Hathaway is a great example of this
- It started with our catastrophe reinsurance program 16 years ago, and recently expanded to equity in our company, a quota share reinsurance arrangement, and Adverse Development Covers for our New Zealand earthquake and asbestos claims
- The quota share reinsurance is the most significant transaction, and as expected it is performing well by reducing earnings volatility and lowering our capital requirements

Capital and dividend

Strong capital position, active capital management



Dividend payout policy

- Increased to 60-80% of cash earnings
- Full year cash payout ratio of 72.9%

Off-market share buy-back

- Effective means of returning surplus capital to shareholders
- Strongly supported – 64 million shares, or 2.6% of ordinary issued capital bought back
- Buy-back price of \$4.91 after application of 11% buy-back discount

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- Speaking of capital, our capital position remains strong
- We actively manage our capital to improve shareholder returns in the short and long term
- In February we increased our dividend payout policy, and declared a special dividend of 10 cents per share
- In October, we completed an off-market share buy-back to return around \$314 million in surplus capital to shareholders

Putting customers at the centre

Ensuring our products and services make your world a safer place



Consumer Advisory Board

- Regular consultation with leading consumer representatives
- Review key customer issues to improve customer service and consumer protection

Ethics Committee

- Maintaining our focus on the important role of culture in how we operate and perform

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- We want our products and services to fulfil our purpose to **make your world a safer place**
- Insurance as an industry has essentially evolved over 300 years with little disruptive change
- That means there are likely to be products and practices that do not meet the true customer test of today
- This year, we established two bodies to help us understand how changing customer needs and expectations might drive changes to some of our products and processes
- The Consumer Advisory Board helps us consult regularly with Australia's leading consumer representatives to discuss key customer issues in the insurance industry, with the goal of improving customer service and consumer protection
- The second development is our Ethics Committee that will help us maintain our focus on the important role culture plays in how a business operates and performs
- The Ethics Committee is chaired by Dr Simon Longstaff of the St James Ethics Centre, and I am sure he will be well-known to many of you

Diversity and inclusion

A program of work to challenge bias

<p>✓ Women in senior management target</p> <ul style="list-style-type: none">• Senior management roles to comprise 38% women by 2020 (40% in Australia and New Zealand, 30% in Asia)• Achieved 32.5% by June 2016	<p>✓ Helping women return to work</p> <ul style="list-style-type: none">• Making flexible working arrangements the norm• kids@iag• Keeping employees connected to the organisation	<p>✓ Reconciliation Action Plan</p> <ul style="list-style-type: none">• Partnering with CareerTrackers, Jawun, NPY Women's Council and the Australian Indigenous Mentoring Experience• Empowering Aboriginal and Torres Strait Islander peoples, businesses and communities
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- IAG has a well-articulated approach to diversity and inclusion, supported by a program of work to challenge bias, particularly in the areas of gender, age and cultural diversity
- We have a group target to ensure our senior management comprises 38% women by 2020 and we had reached just over 32% by June this year
- Behind the numbers, we are gaining a better understanding of what helps women return to work after they have children – like making flexible working arrangements the norm and not the exception

- We have a Kids@IAG program to help parents cope with school holiday arrangements
- And we are looking at ways to keep employees connected to the organisation when they are on extended leave
- We launched our second Reconciliation Action Plan, or RAP, this year continuing our work to empower Aboriginal and Torres Strait Islander peoples, businesses and communities

Making your world a safer place

Advocating community resilience and risk mitigation



Australian Business Roundtable reports filling a critical gap:

- First economic analysis of social impact of natural disasters
- Benefits of ensuring infrastructure assets are more resilient to extreme weather events
- Total annual cost of natural disasters in Australia expected to increase from \$9 billion to \$33 billion by 2050
- Making a positive contribution to a very important debate

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- I'm also proud of some of our significant "non-financial" achievements
- In keeping with our purpose of making your world safer, we continue to advocate the importance of community resilience and risk mitigation
- The Australian Business Roundtable we founded has quantified the benefits of mitigation and the economic impact of natural disasters since 2013
- This work has attracted the attention of all levels of government
- And recently, after visiting flooded South Australian communities, the Prime Minister called for Australia to spend much more on natural disaster mitigation, as the Productivity Commission recommended in 2015
- I'm encouraged by the positive contribution we are making to what is a very important debate

Bringing our purpose to life

Shared value performance



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- Our Shared Value framework lets us use our deep understanding of risk to support customers and communities to be Safer, Stronger and More Confident
- And our IAG Foundation provides our people with opportunities to help in the community, particularly through The Smith Family and Lifeline

Strategy context



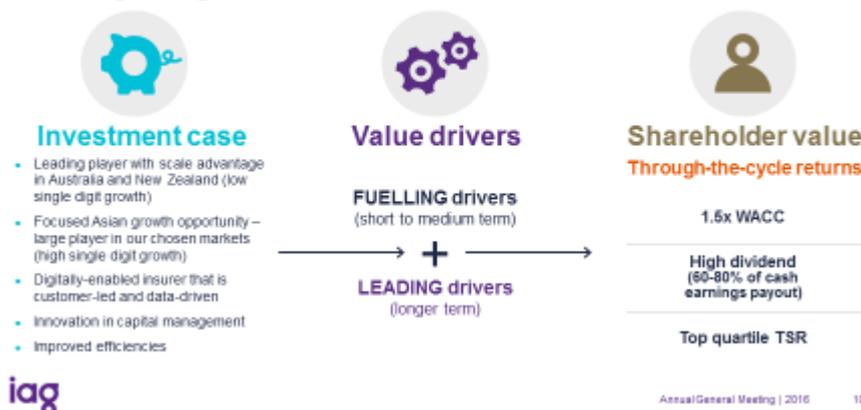
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- In December, we will be holding a strategy day for the market, and I will give you a brief outline of the content today
- There is an enormous amount of work currently being undertaken across the business to determine the strategic path for IAG, and a core element of that is the need to understand the opportunity – not just the challenge, not just the risk but the opportunity – that awaits us
- And that opportunity is the same for us as it is for our customers – to embrace and harness innovation, rather than let change happen to us as passive observers

Shareholder value proposition

Delivering strong shareholder returns



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- We have developed a number of initiatives that will improve customers' experience and reduce our operating expenses
- These initiatives create increased investment capacity which in turn fuels our effort to lead the market in achieving profitable growth, and building shareholder value

2017 guidance

Continuation of sound operating performance

2017 financial year guidance	
GWP growth	Relatively flat
Reported insurance margin	12.5-14.5%

Underlying assumptions	
Net losses from natural perils of \$680m	
Reserve releases of at least 1%	
No material movement in foreign exchange rates or investment markets	

- Relatively flat GWP growth expectations:**

 - Sound growth in short tail personal lines
 - Entry into South Australian CTP market
 - Continued tough conditions in commercial markets
 - \$130m reduction from Swann motor dealer divestment

Reported insurance margin guidance of 12.5-14.5%:

 - Underlying profitability broadly consistent with 2016 financial year
 - Lower reserve release expectation
 - Small net negative from operational partnering and systems simplification initiatives



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- I'll finish with our outlook for the 2017 financial year
- We expect to see a continuation of the sound operating performance we delivered this year
- We reconfirm our guidance for a margin in the range of 12.5 - 14.5%
- We're looking forward to 2017 as the year we will lay some exciting foundations for our next three to five years
- I'll now hand back to Elizabeth
- Thank you.



We make your world a safer place

See www.iag.com.au for ownership details

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About IAG

IAG is the parent company of a general insurance group with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia, employing more than 15,000 people. Its businesses underwrite over \$11 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, State, AMI and Lumley Insurance (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia and India. For further information please visit www.iag.com.au.

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