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 2015 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 62 - 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 Chair of IAG's Nomination Committee and a member of the People and Remuneration Committee. He is also the Chairman of Insurance Manufacturers of Australia Pty Limited.

OTHER BUSINESS AND MARKET EXPERIENCE
Brian is the Deputy Chairman of Westfield Corporation, Deputy Chairman of Scentre Group 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.

Brian was appointed a member of the Order of Australia in 2004 for his services to business and the community 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 the past three years:
- Westfield Group, including Westfield Management Limited (which acts as the responsible entity of Carindale Property Trust), since 6 May 2009;
- IAG Finance (New Zealand) Limited (a part of the Group), since 26 August 2010;
- Scentre Group, since 20 June 2014; and
- Brambles Limited (2009-2014).

MANAGING DIRECTOR
MICHAEL (MJ) WILKINS
BCom, MBA, FCA, FAICD, age 58 - 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
In May 2014, Michael was appointed as a Director of The Geneva Association, the leading international insurance think tank for strategically important insurance and risk management issues. He is also a Director of Maple-Brown Abbott Limited.

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

OTHER DIRECTORS

ELIZABETH (EB) BRYAN AM

BA (Econ), MA (Econ), age 68 - Deputy Chairman and Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Elizabeth Bryan was appointed as a Director of IAG in December 2014, and as Deputy Chairman in June 2015. She is Chair of IAG's People and Remuneration Committee and a member of the Nomination Committee.

OTHER BUSINESS AND MARKET EXPERIENCE

Elizabeth is Chairman of Caltex Australia Limited, Chairman of Virgin Australia Holdings Limited, a Director of Westpac Banking Corporation, a member of the Takeovers Panel, a member of the ASIC Director Advisory Panel and President of YWCA NSW.

She was previously the Chairman of UniSuper Limited, where she served as a Director from January 2002 to June 2011.

Elizabeth has extensive experience in the financial services industry and on the boards of companies and statutory organisations. Her executive career has included senior roles with a variety of financial institutions, including eight years as the Chief Executive of Deutsche Asset Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

Directorships of other listed companies held in the past three years:

- Virgin Australia Holdings Limited, since 2015;
- Westpac Banking Corporation, since 2006; and
- Caltex Australia Limited, since 2002.

YASMIN (YA) ALLEN

BCom, FAICD, age 51 - Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Yasmin Allen was appointed as a Director of IAG in November 2004. She is a member of IAG's People and Remuneration Committee, the Audit Committee and Risk Committee.

OTHER BUSINESS AND MARKET EXPERIENCE

Yasmin has extensive experience as a company director and as an executive in the investment banking industry. She is a Director of Cochlear Limited and Chairman of its Audit Committee. She is a Director of Santos Limited and a member of the Santos Audit Committee and its Environment, Health, Safety and Sustainability Committee. Yasmin is a Director of ASX Limited, a member of its Clearing and Settlement Boards and a member of the ASX Audit Committee. She is also a National Director of the Australian Institute of Company Directors, a Director of the George Institute for Global Health and of the National Portrait Gallery. Previous Non-Executive Director roles include Chairman of Macquarie Global Infrastructure Funds and a Director 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 the past three years:

- ASX Limited, since 9 February 2015;
- Santos Limited, since 22 October 2014; and
- Cochlear Limited, since 2 August 2010.

ALISON (AC) DEANS

BA, MBA, GAICD, age 47 - Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Alison was appointed as a Director of IAG in February 2013. She is a member of IAG's Audit Committee and Risk Committee.

OTHER BUSINESS AND MARKET EXPERIENCE

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

She was appointed as an Independent Non-Executive Director of Westpac Banking Corporation in April 2014, Kikki-K in October 2014 and of Cochlear Limited in January 2015. Alison has also held Chief Executive roles at eBay Australia and New Zealand, eCorp and Hoyts Cinemas.

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

Directorships of other listed companies held in the past three years:

- Westpac Banking Corporation, since 1 April 2014; and
- Cochlear Limited, since 1 January 2015.

HUGH (HA) FLETCHER

BSc/BCom, MCom (Hons), MBA, age 67 - Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Hugh was appointed as a Director of IAG in September 2007 and Chairman of IAG New Zealand Limited in September 2003. He is a member of IAG's Audit Committee and Risk 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 the 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
- Fletcher Building Limited (2001-2012).

RAYMOND (SKR) LIM

BEcon, BA, LLM, age 56 - Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Raymond was appointed as a Director of IAG in February 2013. He is a member of IAG's 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 GIC Pte Ltd, Hong Leong Finance and Raffles Medical Group. He is an adjunct professor at the Lee Kuan School of Public Policy, National University of Singapore and the Nanyang Centre for Public Administration, Nanyang Technological University, Singapore.

Raymond is a former Cabinet minister in the Singapore Government from 2001 to 2011.

Prior to that, he 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 the past three years:
- Dart Energy Limited (2012-2013).

TOM (TW) POCKETT

CA, BCom, age 57 - Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Tom was appointed as a Director of IAG, effective 1 January 2015. He is a member of IAG's Audit Committee and Risk Committee.

OTHER BUSINESS AND MARKET EXPERIENCE

Tom is a Non-Executive Director of Stockland Corporation Limited, a Director of Sunnyfield Independence Association and of O'Connell St Associates. He previously spent over 11 years as Chief Financial Officer and over seven years as Finance Director with Woolworths Limited, and retired from these roles in February 2014 and July 2014 respectively. He remains a Director of ALH Group Pty Ltd, Hydrox Holdings Pty Ltd and The Quantium Group Holdings Pty Limited. Tom has also held senior finance roles at the Commonwealth Bank, Lend Lease Corporation and Deloitte.

Directorships of other listed companies held in the past three years:
- Stockland Corporation Limited, since 1 September 2014; and
- Woolworths Limited (2006-2014).

PHILIP (PJ) TWYMAN

BSc, MBA, FAICD, age 71 - Independent Non-Executive Director

INSURANCE INDUSTRY EXPERIENCE

Philip was appointed as a Director of IAG in July 2008. He is Chair of IAG's Risk Committee, Chair of the Audit Committee, and a member of the Nomination 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 has also been 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 Boards of Swiss Re in 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, from April 2007 to July 2008.

OTHER BUSINESS EXPERIENCE

Philip is also on the Board of Tokio Marine Management (Australasia) Pty Ltd.

Directorships of other listed companies held in the past three years:

- Perpetual Limited (2004-2012).

DIRECTORS WHO CEASED DURING THE FINANCIAL YEAR

- Peter Bush was a Director from 7 December 2010 to 1 January 2015.
- Dr Nora Scheinkestel was a Director from 1 July 2013 to 16 September 2014.

SECRETARY OF INSURANCE AUSTRALIA GROUP LIMITED

CHRIS (CJ) BERTUCH

BEc, LLB, LLM

Chris Bertuch was appointed Group General Counsel & 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 28 years of 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 below:

DIRECTOR	BOARD OF DIRECTORS				PEOPLE AND REMUNERATION COMMITTEE		AUDIT COMMITTEE		RISK COMMITTEE		BOARD SUB COMMITTEE		NOMINATION COMMITTEE[a]	
	Scheduled		Unscheduled											
Total number of meetings held	9		5		4		4		4		4		2	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Brian Schwartz	**9**	**9**	**5**	**4**	**4**	**4**	**-**	**-**	**-**	**-**	**3**	**3**	**2**	**2**
Elizabeth Bryan[b]	**3**	**3**	**4**	**4**	**1**	**1**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**-**
Yasmin Allen[c]	**9**	**9**	**5**	**3**	**4**	**4**	**4**	**4**	**4**	**4**	**1**	**1**	**2**	**2**
Peter Bush[d]	**6**	**6**	**2**	**1**	**2**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Alison Deans	**9**	**9**	**5**	**4**	**-**	**-**	**4**	**4**	**4**	**4**	**-**	**-**	**-**	**-**
Hugh Fletcher	**9**	**9**	**5**	**5**	**-**	**-**	**4**	**4**	**4**	**4**	**2**	**2**	**-**	**-**
Raymond Lim	**9**	**8**	**5**	**4**	**4**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Tom Pockett[e]	**3**	**3**	**3**	**2**	**-**	**-**	**1**	**1**	**1**	**1**	**-**	**-**	**-**	**-**
Dr Nora Scheinkestel[f]	**2**	**2**	**1**	**-**	**-**	**-**	**1**	**1**	**1**	**1**	**-**	**-**	**-**	**-**
Philip Twyman	**9**	**9**	**5**	**5**	**-**	**-**	**4**	**4**	**4**	**4**	**1**	**1**	**2**	**2**
Michael Wilkins	**9**	**8**	**5**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**4**	**-**	**-**

(a) The Nomination Committee was established on 1 July 2014.

(b) Elizabeth Bryan was appointed on 5 December 2014.

(c) Yasmin Allen was a member of the Nomination Committee until 12 June 2015.

(d) Peter Bush was a Director to 1 January 2015.

(e) Tom Pockett was appointed on 1 January 2015.

(f) Dr Nora Scheinkestel was a Director to 16 September 2014.

PRINCIPAL ACTIVITY

The principal continuing activity of the Group is the underwriting of general insurance and related corporate services and investing activities.

The Group reports its financial information under the following business division headings:

- Australia Personal Insurance – provides general insurance products to individuals throughout Australia primarily under the NRMA Insurance, SGIO, SGIC and CGU brands, in Victoria under the RACV brand (via a distribution and underwriting relationship with RACV) and the Coles Insurance brand nationally (via a distribution agreement with Coles);
- Australia Commercial Insurance - provides commercial insurance to business customers throughout Australia, predominantly under the CGU, WFI, and Swann Insurance brands through intermediaries including brokers, authorised representatives and distribution partners;
- New Zealand - comprises the general insurance business underwritten through subsidiaries in New Zealand. Insurance products are sold directly to customers predominantly under the State and AMI brands, and through intermediaries (insurance brokers and authorised representatives) predominantly under the NZI and Lumley Insurance brands. Personal and commercial products are also distributed by corporate partners, such as large financial institutions, using third party brands;
- Asia - comprises primarily the direct and intermediated insurance business underwritten through subsidiaries in Thailand, Vietnam and Indonesia and the share of the operating result from the investment in associates in Malaysia, India and China. The businesses offer personal and commercial insurance products through local brands; and
- Corporate and Other - comprises other activities, including corporate services, capital management activity, placement of the Group's reinsurance program, inward reinsurance from associates and investment of the shareholders' funds.

OPERATING AND FINANCIAL REVIEW

OPERATING RESULT FOR THE FINANCIAL YEAR

Insurance Australia Group Limited has produced a sound operating performance in an environment of increasingly competitive conditions, including a notably softer commercial market. This outcome attests to the strength of the Group's core franchises in Australia and New Zealand and the considerable improvement in their collective underlying performance in recent years.

Despite the cyclical industry pressures experienced, like-for-like business volumes and underlying profitability held up well, supporting delivery of a cash return on equity (ROE) in excess of the Group's through-the-cycle target of 15%. With a substantial portion of the benefits from the integration of the former Wesfarmers business and the move to a new operating model in Australia yet to be realised, the Group is well-placed to absorb further competitive pressure and to respond to any cyclical improvement in the medium term.

While Australia and New Zealand are expected to represent the majority of the Group's earnings base in the foreseeable future, a key facet of IAG's strategy is its pursuit of the long term growth potential in Asia. The Group will continue to pursue appropriate opportunities within its target markets in the region, where low insurance penetration and rising middle class affluence and consumption present compelling growth prospects. In particular, the Group has expressed an interest in gaining a national exposure to the Chinese market.

The Group's profit after tax for the financial year was $830 million (2014-$1,330 million). After adjusting for non-controlling interests in the Group result, net profit attributable to the shareholders of the Company was $728 million (2014-$1,233 million). Reported profitability in the 2015 financial year was 41% lower than that of the prior year, largely owing to the severe incidence of net natural peril claim costs, notably in the second half of the current year.

Total gross written premium (GWP) growth of 17.0% (2014-3.0%) primarily reflected the first-time inclusion of the former Wesfarmers business, where related attrition levels remained at the upper end of the Group's 5-10% expectations over the course of the year. In a low growth environment, like-for-like GWP was relatively flat, incorporating:

- modest GWP growth in personal lines, driven by short tail motor and home products;
- heightened competitive pressures in commercial lines, in both Australia and New Zealand, compared to the prior year;
- the ongoing relative absence of input cost pressures, resulting in minimal cause for rate increases; and
- the maintenance of underwriting discipline in the face of softer pricing, notably in commercial lines.

The reported insurance margin of 10.7% (2014-18.3%) incorporates:

- net natural peril claim costs of $1,048 million, which were $348 million higher than the related allowance and after exhaustion of the $150 million reinsurance cover in excess of the current year perils allowance of $700 million;
- a reduced favourable impact of $33 million from the narrowing of credit spreads, compared to $100 million in the prior year; and
- Prior period net reserve releases of $167 million, inclusive of strengthening related to the New Zealand earthquakes in the 2011 financial year. This is equivalent to 1.6% of net earned premium (NEP), down from $248 million (2014-2.9% of NEP) in the prior year.

In the current financial year the Group materially strengthened its gross claim reserves in respect of the 2010 and 2011 Canterbury earthquake events in New Zealand. The main contributory factors were:

- the continuing notification of new household claims exceeding the Earthquake Commission's (EQC) NZ$100,000 residential dwelling limit;
- an increase in forecast repair and rebuild costs; and
- a series of adverse court judgements which have affected the insurance industry.

The bulk of the gross earthquake claim reserve strengthening occurred at the end of the first half of the financial year. A more modest increase was recognised at 30 June 2015, resulting in gross claim reserves for the February 2011 event exceeding the applicable reinsurance limit of NZ$4 billion and bringing the Group on risk. The loss estimates for the other major earthquake events remain well below their respective reinsurance limits.

While the Group believes it has adopted an appropriate reserving position, given the complexity of the Canterbury earthquake events there remains a degree of uncertainty as to the ultimate cost. As at 30 June 2015, 78% of all earthquake-related claims by number had been fully settled (2014-58%).

The Group's underlying profitability has remained strong, with an underlying margin of 13.1%, compared to 14.2% in the prior financial year. The reduction in underlying margin reflects the impact of softer commercial market conditions and, more significantly, the first-time incorporation of the lower margin former Wesfarmers business.

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.

	2015		2014	
INSURANCE MARGIN	**$m**	**%**	$m	%
Reported insurance margin*	**1,103**	**10.7**	1,579	18.3
Net natural peril claim costs less allowance	**348**	**3.3**	(87)	(1.0)
Reserve releases in excess of 1% of NEP	**(64)**	**(0.6)**	(162)	(1.9)
Credit spread movements	**(33)**	**(0.3)**	(100)	(1.2)
Underlying insurance margin	**1,354**	**13.1**	1,230	14.2

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

Integration of the former Wesfarmers business and the Group's move to a new operating model in Australia are progressing to plan and are expected to generate significant annualised benefits by the end of the financial year ending 30 June 2016 ($230 million pre-tax). A relatively small portion of these benefits was realised in the 2015 financial year, with the Group exiting the year at a pre-tax benefit run rate of around $80 million, in line with expectations. Related benefits are reflected across a combination of the reinsurance, claims and administration expense lines.

The Group reported a tax expense of $119 million, compared to $472 million in the prior year, representing an effective tax rate (pre-amortisation) of approximately 11%.

This unusually low tax rate largely reflects reinsurance recoveries recognised in the period which relate to the 2010 and 2011 Canterbury earthquake events in New Zealand. A substantial portion of these recoveries is recorded by the Group's captive vehicle in the lower tax jurisdiction of Singapore.

The Singapore-based captive provides reinsurance cover to Group entities located outside Australia on an excess of loss basis, with locally retained risk based on relevant regulatory requirements.

The 2015 financial year tax expense reconciles to the prevailing Australian corporate rate of 30% after allowing for:

- the effect of earthquake reinsurance recoveries in the period;
- other differences in tax rates applicable to the Group's foreign operations, principally in New Zealand, Singapore and Malaysia; and
- franking credits generated from the Group's investment portfolio.

It is the Group's expectation that the effective tax rate will revert to a more normal level in future periods.

Investment income on shareholders' funds was a profit of $231 million, a decrease of over 42% on the profit of $400 million in the prior financial year. The lower outcome was driven by the markedly more modest return from equity markets, as well as lower average funds held. The broader Australian index (S&P ASX200 Accumulation) delivered a positive result of 5.7%, while the equivalent return in the financial year ended 30 June 2014 was 17.4%.

A. AUSTRALIA PERSONAL INSURANCE

Personal Insurance accounted for 49% of Group GWP and continued to perform well, with a strong underlying margin of 13.9% which was lower than the prior year owing to changed business mix and some softening of current year compulsory third party (CTP) profitability. The business' reported margin of 15.9% (2014-21.4%) was also lower than the prior financial year, following an adverse movement of nearly 400 basis points owing to increased net natural peril claim costs, which was partially offset by higher prior period reserve releases. GWP growth of 5.2% was largely sourced from incoming former Wesfarmers personal lines volumes. Modest like-for-like growth was achieved in short tail personal lines, while lower long tail GWP reflected the exit from the Queensland CTP market in the prior year and increased competition in the Australian Capital Territory (ACT).

I. Premiums

Personal Insurance's GWP increased by 5.2%, to $5,614 million (2014-$5,335 million). This largely reflects the first-time inclusion of personal lines of the former Wesfarmers business, including volumes related to the Coles distribution agreement. Like-for-like GWP growth was modest and was derived from a mixture of volume and rate.

The division's overall GWP performance continued to be characterised by high retention levels, coupled with good conversion of limited new business opportunities. Notable enhancements to Personal Insurance's overall customer offering during the financial year were the release of new funeral and income protection products, both underwritten by a third party. The financial year results also benefited from the new travel insurance product and improved loyalty scheme, both of which were launched late in the previous financial year.

II. Insurance profit

Personal Insurance reported an insurance profit of $788 million for the financial year ended 30 June 2015, compared to $1,016 million in the previous year. This equates to a lower reported insurance margin of 15.9% (2014-21.4%).

The main influence on the lower reported margin was the significantly higher level of net natural peril claim costs, which resulted in a 3.8% adverse margin effect after allowance, compared to the previous financial year. The combination of higher prior period reserve releases and a lower favourable credit spread effect had a mildly negative impact on the reported margin, compared to the prior year.

At an underlying level, Personal Insurance's performance remained strong across the year. The lower current year underlying margin reflects the combination of:

- the first-time inclusion of lower margin former Wesfarmers business volumes, including Coles;
- the increased reinvestment in the business; and
- some deterioration of CTP profitability owing to the increased level of lower severity claims.

III. CTP adverse development cover (ADC)

Effective 1 July 2014, the Group entered into an ADC in respect of its CTP portfolio, providing protection for 30% of any reserve deterioration above the central estimate for losses incurred prior to 30 June 2013. This complements the CTP quota share arrangement which commenced on 1 July 2013, and has been concluded with the same counterparty. Both elements have been driven by improved capital efficiency.

The cumulative impact of the CTP quota share and ADC arrangements has been a reduction of approximately $150 million in the Group's regulatory capital requirement, approximately $90 million of which was crystallised by the ADC on 1 July 2014.

B. AUSTRALIA COMMERCIAL INSURANCE

Commercial Insurance recorded GWP growth of over 40%, reflecting the addition of the former Wesfarmers business, where attrition remained of the order of 10%. Like-for-like (ex-Wesfarmers) GWP growth was modestly negative, owing to slightly lower average rates and the maintenance of underwriting discipline in an increasingly competitive commercial market. The business maintained a double digit underlying margin, with the slightly reduced outcome compared to the prior year reflecting inclusion of the lower margin former Wesfarmers business and tougher market conditions. The reported margin of 3.0% was considerably lower than the prior year, largely owing to an adverse effect of over 1,100 basis points from the combination of significantly higher net natural peril claim costs and lower reserve releases.

I. Premiums

Commercial Insurance GWP of $3,192 million represented growth of 40.7% over the prior financial year (2014-$2,268 million). This reflects the first-time inclusion of the former Wesfarmers business, which has delivered a market-leading position in the Australian commercial insurance market.

Commercial Insurance encountered cyclically softer market conditions over the course of the financial year, resulting in a modest contraction in reported GWP on a like-for-like (ex-Wesfarmers) basis. While partly reflecting lower input costs which have been passed on to customers, there has also been evidence that general business conditions have resulted in lower average premiums, predominantly on new business.

In all lines of business, Commercial Insurance has maintained a strategy to compete on the strength of its partnerships and the quality of its service. As such, the business has continued to apply sound underwriting disciplines.

II. Insurance profit

Commercial Insurance reported an insurance profit of $93 million, a substantial decrease compared to the previous financial year (2014-$371 million). This equates to a reported insurance margin of 3.0% (2014-18.3%).

The lower reported margin reflects the net effect of:

- a substantially higher net natural peril claim cost of $426 million, well in excess of allowance;
- a $10 million reduction in prior period reserve releases;
- a lower, but still favourable, credit spread movement of $14 million (2014-$35 million); and
- the first-time inclusion of the lower margin former Wesfarmers business.

Commercial Insurance produced a satisfactory underlying margin of 10.5%, compared to 12.1% in the prior year. This decline is a function of incorporating the lower margin former Wesfarmers business and the impact of softer commercial market conditions in Australia.

III. Fee based business

Commercial Insurance generates fee income by acting as an agent under both the NSW and Victorian workers' compensation schemes that are underwritten by the respective State governments. Net income from fee based operations was $16 million, compared to $9 million in the previous financial year.

C. NEW ZEALAND

New Zealand continued to perform strongly at an underlying level, while the reported margin was slightly lower than the prior year. This was after an earthquake-related net reserve strengthening which served to reduce the full year outcome by over 600 basis points, partially offset by a favourable natural perils experience, particularly in the first half of the year. The business has maintained its market-leading position, with GWP growth of 22.8% derived from the former Wesfarmers business and a favourable foreign exchange translation effect. Modest like-for-like growth in direct personal lines was countered by tougher conditions in the commercial market, where underwriting discipline has been maintained.

I. Premiums

New Zealand's GWP of $2,267 million represented an increase of 22.8% over the prior year (2014-$1,846 million). This strong growth reflects the first contribution from Lumley Insurance (Lumley) following its acquisition as part of the Wesfarmers transaction and a favourable exchange rate effect compared to the prior year.

Excluding Lumley, local currency GWP fell slightly, reflecting:

- softening premium rates and additional capacity in commercial lines;
- ongoing aggressive competition across the intermediated business;
- a small reduction, primarily in the second half of the year, from the transfer of the health portfolio and the outsourcing of a large portion of the travel portfolio to third parties; and
- offsetting solid growth in direct personal lines, particularly in the home owner and private motor vehicle areas.

II. Insurance profit

The New Zealand business produced an insurance profit of $216 million (2014-$180 million), which was a strong result in a competitive environment. The result equated to a reported insurance margin of 10.8% (2014-11.5%).

The slightly lower reported insurance margin reflects the combination of:

- continued focus on pricing and underwriting discipline, while balancing affordability for customers with availability of insurance capacity;
- ongoing operational improvements across the business and the realisation of initial benefits associated with the Lumley integration;
- relatively benign natural peril activity, despite the pick-up in events in the second half of the financial year; and
- reserve strengthening in respect of the 2011 financial year earthquakes, which has seen the Group exceed its reinsurance cover for the February 2011 event.

The New Zealand business' underlying margin was consistently strong across the financial year ended 30 June 2015, while absorbing high regulatory and reinsurance costs in an increasingly competitive environment.

III. Canterbury Rebuild

Over the course of the financial year, there was a significant increase in the expected final claim cost arising from the series of earthquakes that affected the Canterbury region in 2010 and 2011. This was primarily driven by:

- the continuing notification of new household claims exceeding the Earthquake Commission's (EQC) NZ$100,000 residential dwelling limit;
- an increase in forecast repair and rebuild costs; and
- a series of adverse court judgements which have affected the insurance industry.

The bulk of the increase relates to the 22 February 2011 event. At 30 June 2015, gross claim reserves for the February 2011 event now exceed the applicable reinsurance limit of NZ$4 billion, bringing the Group on risk for any further development. Loss estimates for the other major earthquake events are expected to settle well below respective reinsurance limits.

While the Group believes it has adopted an appropriate reserving position, given the complexity of the Canterbury earthquake events there remains a degree of uncertainty as to the ultimate cost.

All earthquake settlement statistics exclude those related to the Lumley business. Although Lumley's earthquake claims are being managed by IAG, they are subject to indemnities from the previous owner which result in no future financial exposure for IAG.

D. ASIA

IAG's combined operation in Asia continues to make sound progress towards its long term goals, with the fundamental underwriting performance of the established businesses remaining strong and developing markets progressing broadly to plan. Asia is expected to be an important source of long term growth for the Group.

Asia achieved an improved operating performance in the financial year ended 30 June 2015 as it continues to accelerate its operational development and enhancement of risk management and governance.

A key milestone in the current financial year was the acquisition at the end of April 2015 of PT Asuransi Parolamas (Parolamas) in Indonesia, fulfilling IAG's presence in its six target markets in the Asian region. IAG is now focused on securing a distribution agreement with a recognised local partner to capitalise on opportunities presented in a market with a low insurance penetration and a growing middle-class.

During the year there was a $60 million writedown of the investment in Bohai Property Insurance Company Ltd (Bohai Insurance) in China. This was influenced by a revision to the expected cash flows of the business, together with the indicated issue price of new shares in a capital raising in which IAG does not intend to participate.

I. Divisional result

The division contributed a total profit of $21 million, including shares of associates and allocated costs. This compares to a $14 million profit in the prior financial year, and comprises:

- strong underlying performances by the established businesses in Thailand and Malaysia;
- an improved operating performance from each of the developing businesses in India, China and Vietnam;
- a favourable movement in mark-to-market valuations of investments, including those within associates' shareholders' funds; and
- modestly higher regional support and development costs of $32 million (2014-$31 million).

Asia saw strong growth in consolidated GWP of over 11%, driven by a resumption of growth in Thailand, as more stable political conditions benefited economic activity. IAG now participates in a gross regional annualised GWP pool of nearly $1.7 billion, an increase of over 13% compared to the prior year.

II. Controlled entities

GWP from the Group's controlled entities was $353 million, which was an increase of over 11% on the corresponding prior financial year (2014-$317 million), within this:

- the Thai business (Safety Insurance) reported an increase in GWP of nearly 16% to $334 million from $288 million for the prior year, reflecting increased focus on the used car market, improved renewal retention, softening rates in the commercial motor and property segments and improved domestic demand; and
- AAA Assurance in Vietnam recorded GWP equivalent to $18 million (2014-$29 million). The decline of nearly 40% follows the decision to withdraw from the distribution of loan protection insurance with a bank partner on profitability grounds, which took effect from the end of the first quarter of the financial year.

The insurance profit delivered by the controlled entities for the current year was $17 million (2014-$23 million) excluding allocated costs. Within this:

- the Thai business reported an insurance profit of $15 million, compared to $28 million in the corresponding prior year. The reduction was driven by a higher incidence of large fire losses, the absence of prior year reserve releases, and increased commission costs;
- AAA Assurance contributed an insurance profit of $2 million (2014-$5 million loss); and
- there was a negligible contribution from Parolamas in Indonesia, which was consolidated by IAG from May 2015. Parolamas has a GWP base of approximately $12 million per annum.

III. Share of net profit/(loss) of associates

The Group's share of associates was a profit of $36 million (2014-$22 million), excluding allocated costs and before amortisation. This result includes AmGeneral Holdings Berhad (AmGeneral) in Malaysia, SBI General Insurance Company Limited (SBI General) in India, and Bohai Insurance. AmGeneral accounts for the majority of the Group's share of net profit from associates. IAG's share of AmGeneral's profit for the current year increased by over 34% to $39 million (2014-$29 million), with higher prior period reserve releases, higher income owing to a favourable mark-to-market movement on the bond portfolio and lower mark-to-market losses recognised on the investments backing shareholders' funds all contributing.

E. CORPORATE AND OTHER

Revenue has decreased from $411 million in the prior year to $249 million in the financial year ended 30 June 2015. A pre- tax loss of $189 million was reported, which compares to a profit of $209 million in the corresponding prior year. The movements are predominantly due to lower investment income on shareholders' funds, net of investment fees, and increased pre-tax net corporate expenses. The current year result includes $155 million of costs, which primarily comprises restructuring costs in respect of the new operating model in Australia (implemented from 1 July 2014) and integration costs associated with the acquisition of the former Wesfarmers business.

Further details on the operating segments are set out in the segment reporting note within the Financial Statements.

REVIEW OF FINANCIAL CONDITION

A. FINANCIAL POSITION

The total assets of the Group as at 30 June 2015 were $31,402 million compared to $29,748 million at 30 June 2014. Movements within the overall increase of $1,654 million include:

- an increase in deferred reinsurance premium of $1,117 million, predominantly relating to recognition of the Berkshire Hathaway quota share agreement for unearned premium ceded at reporting date;
- an increase in reinsurance and other recoveries receivable of $465 million, mainly attributable to the Brisbane hail storm and NSW east coast low events; and
- an increase in investments of $158 million from the funds inflow associated with the equity placement to Berkshire Hathaway in June 2015 and strong investment returns achieved on the technical reserves portfolio, offset by claim payments from natural peril events.

The total liabilities of the Group as at 30 June 2015 were $24,384 million compared to $22,954 million at 30 June 2014. The increase in liabilities of $1,430 million is mainly attributable to:

- a $681 million increase in gross outstanding claims, predominantly due to the heightened natural perils activity in Australia and lower discount rates impacting claim reserves on long tail classes; and
- an increase in reinsurance premium payable of $884 million, primarily as a result of the Berkshire Hathaway quota share agreement.

IAG shareholders' equity (excluding non-controlling interests) increased from $6,568 million at 30 June 2014 to $6,817 million at 30 June 2015, reflecting the combined effect of:

- the $500 million equity placement to Berkshire Hathaway in June 2015;
- a sound operating earnings performance for the financial year, resulting in a net profit attributable to shareholders of $728 million; and
- payment of the 26 cents per share final dividend declared in respect of the 2014 financial year ($609 million) and the 13 cents per share interim dividend declared in respect of the first half of the 2015 financial year ($304 million).

B. CASH FROM OPERATIONS

The net cash inflows from operating activities for the financial year ended 30 June 2015 were $698 million compared to $1,077 million for the prior financial year. The decrease is mainly attributable to the net effect of:

- an increase in claims costs paid of $1,838 million, mainly attributable to the former Wesfarmers business, natural peril events and payment of New Zealand earthquake claims;
- an increase in outwards reinsurance premium expense paid of $297 million, mainly attributable to additional cover purchased for the former Wesfarmers business and CTP adverse development cover within Australia Personal Insurance;
- a net increase in other operating payments over receipts of $343 million, primarily due to the addition of the former Wesfarmers business; and partially offset by
- an increase in premium received of $1,842 million, mainly attributable to the former Wesfarmers business; and
- an increase in reinsurance and other recoveries received of $160 million, mainly attributable to the former Wesfarmers business.

C. INVESTMENTS

The Group's investments totalled $15.5 billion as at 30 June 2015, excluding investments held in joint ventures and associates, with over 70% represented by the technical reserves portfolio. Total investments at 30 June 2014 were $15.4 billion.

As at 30 June 2015, the Group's overall investment allocation remains conservatively positioned and the credit quality of the investment book remains strong, with 81% (2014-86%) of the fixed interest and cash portfolio rated in the 'AA' category or higher.

Technical reserves as at 30 June 2015 accounted for $11.0 billion (2014-$10.4 billion) of the Group's investments, and were entirely invested in fixed interest and cash. The current year saw the transfer of assets from shareholders' funds to technical reserves to support earthquake-related liabilities.

The Group's allocation to growth assets was 41% of the $4.5 billion of shareholders' funds at 30 June 2015 (2014-42%). Included within the Group's allocation to growth assets are Australian and international equities and alternative investments.

D. INTEREST BEARING LIABILITIES

The Group's interest bearing liabilities stood at $1,762 million at 30 June 2015, compared to $1,752 million at 30 June 2014. There were no changes in composition over the period, with any movement driven by foreign exchange translation effects.

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 2015, the Group's capital mix was in the lower half of the targeted range, with debt and hybrids representing 33.8% (2014-35.4%) of total tangible capitalisation.

F. CAPITAL MANAGEMENT

The Group remains strongly capitalised under APRA's Prudential Standards, with regulatory capital of $4,785 million at 30 June 2015 (2014-$4,981 million). The Group 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 2015, the Group had a PCA multiple of 1.70 (2014-1.72) and a CET1 multiple of 1.14 (2014-1.14).

Further capital management details are set out in the capital management note within the Financial Statements.

STRATEGY

A. STRATEGIC PRIORITIES

IAG's strategic priorities are to:

I. Maintain its market leading position in personal and commercial insurance in Australia and New Zealand

IAG is the market leader in personal and commercial insurance in Australia and New Zealand, following the acquisition of the former Wesfarmers business. IAG is focused on embedding and sustaining this position, while maintaining underwriting discipline.

Increased efficiency is being realised via the new operating model in Australia and through the integration of the former Wesfarmers business. This includes the delivery of Enterprise Operations' operating efficiency programmes and the consolidation of IAG's IT platforms and processes.

The new operating model allows IAG to better leverage its scale and market leadership position to deliver great experiences for customers and shared value for its partners, people, communities and shareholders.

II. Grow Asian footprint and its earnings contribution

The development of IAG's business in Asia is progressing to plan, and it is now in the phase of accelerating operational development and enhancing risk management and governance. IAG has increased its capability in the region to ensure the potential of the broader Asian platform is realised over the medium to longer term.

Expansion of IAG's Asian footprint will result in a higher proportion of GWP coming from this region in the future, and more capital being invested in higher growth insurance markets.

It will support IAG's vision of being Asia Pacific's most loved, most inventive and most successful insurer.

III. Accelerate digital transformation

The exponential adoption of new technology is rapidly changing customer and competitor behaviour and creating risks of disruption to the insurance industry. It is also creating new growth opportunities for companies that embrace the changes to explore new ways to meet emerging customer needs. IAG has established a new division, IAG Labs, to take advantage of digital opportunities and enable the Group to become more innovative.

IAG Labs will help the organisation deliver great customer experiences by building the capacity and capability to rapidly develop and test new customer product and service ideas. IAG Labs incorporates the Group's core IT functions and is accountable for delivering in-flight strategic IT investments.

Bringing together IAG's existing technology, digital and venturing teams with its customer insights and analytics teams allows IAG to better understand customer needs, deliver great customer outcomes and to innovate at scale. IAG Labs will create new ways of working and drive significant cultural change, resulting in a more dynamic and innovative environment.

IV. Create deeper customer insights and an agile response

Customer needs and behaviours continue to evolve rapidly alongside changes in technology, creating a myriad of new opportunities for customers to interact with IAG.

IAG is investing in programmes to drive stronger customer-centricity, including research on customer insights, the development of customer journey maps, and the deployment of human centred design to improve customer and partner experience. IAG is investing in its data and analytics capability to deepen its understanding of customers and their assets, to simplify customer engagement processes and to drive customer value by better understanding risk patterns and helping customers minimise the cost of managing risk. This helps IAG strengthen its market leadership position by delivering superior value to customers.

The new operating model and the establishment of IAG Labs are important initiatives in supporting customer insights, designing better customer experiences and building a more agile organisation.

B. BUSINESS RISK AND RISK MANAGEMENT

Managing risk is central to the sustainability of IAG's business, its purpose and delivery of value to shareholders. IAG uses an enterprise approach to risk and its 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 by the Risk Committee (RC) before being recommended for approval by the Board. IAG's risk and governance function provides regular reports to the RC on the operation of IAG's risk management framework, the status of key risks, risk and compliance incidents and risk framework changes. IAG's Internal Audit function provides reports to the Audit Committee (AC) on significant audit findings and other audit related matters.

Roles and responsibilities of the Board and its standing committees, the AC, the RC, the People and Remuneration Committee (PARC) and the Nominations Committee, are set out in the Corporate Governance section of the IAG website.

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, as a result of inadequate or inappropriate underwriting, inadequate or inappropriate product pricing, unforeseen, unknown or unintended liabilities that may eventuate, inadequate or inappropriate claims management including reserving or insurance concentration risk (i.e. by locality, segment factor or distribution);
- reinsurance risk: the risk of insufficient or inappropriate reinsurance coverage, inadequate underwriting and pricing of reinsurance exposures retained by IAG's reinsurance captives, inadequate or inappropriate reinsurance recovery management, reinsurance arrangements not legally binding and reinsurance concentration risk;
- financial risk: the risk of inadequate liquidity, adverse movements in market prices (equities, derivatives, interest rates, foreign exchange, etc) or inappropriate concentration within investment funds, a counterparty failing to meet its obligations and/or inappropriate capital management; and
- 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, regulators and shareholders.

Detail of the Group's overall risk management framework, which is outlined in the RMS, is set out in the risk management note within the Financial Statements and in the Corporate Governance Statement, which is available on the IAG website.

CORPORATE GOVERNANCE

IAG is committed to attaining the highest level of corporate governance to ensure the future sustainability of the organisation and to create long term value for its shareholders. To achieve this, IAG promotes a culture that rewards performance, integrity, respect and a considered sense of urgency.

IAG's Corporate Governance Statement has been approved by the Board. For the financial year ended 30 June 2015, IAG has complied with the Australian Securities Exchange Corporate Governance Council Principles and Recommendations (3rd edition) and is compliant as at 21 August 2015. Further details on IAG's corporate governance practices and Corporate Governance Statement are available at www.iag.com.au/about-us/corporate-governance.

OUTLOOK

The outlook for the financial year ending 30 June 2016 is one of relatively flat GWP, as the Group maintains its underwriting discipline in the face of what is expected to remain a low growth environment, characterised by relatively challenging market conditions and subdued inflationary pressures.

2016 financial year GWP expectations have been updated since the initial 2016 financial year guidance, of 0-3% growth, as provided on 16 June 2015. This minor revision accommodates the reported 2015 financial year outcome and recent foreign exchange movements.

Underlying profitability is expected to remain strong, as further benefits from the integration of the former Wesfarmers business and the move to the new operating model are realised, cushioning the effect of competitive pressures. In addition, implementation of the quota share agreement with Berkshire Hathaway from 1 July 2015 is expected to reduce earnings volatility applicable to 20% of the Group's business.

The Group's reported insurance margin guidance for the 2016 financial year remains at 14-16%. This includes an at least 200 basis points favourable effect from the implementation of the quota share.

Underlying assumptions behind the reported margin guidance are:

- net losses from natural perils in line with an allowance of $600 million;
- prior period reserve releases of at least 1% of NEP; and
- no material movement in foreign exchange rates or investment markets.

The 2016 financial year is also expected to see Asia report a stronger underlying performance, alongside progress in expanding the Group's regional footprint, including the dial-up of ownership in India to 49%.

DIVIDENDS

Details of dividends paid or determined to be paid by the Company and the dividend policy employed by the Group are set out in the dividends note within the Financial Statements.

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 (post-tax); and
- excluding any unusual items (non-recurring in nature, for example the expenses associated with restructuring) after tax.

CASH EARNINGS	2015 $m	2014 $m
Net profit after tax	**728**	1,233
Intangible amortisation and impairment	**150**	21
	878	1,254
Unusual items:		
Corporate expenses	**155**	68
Tax effect on corporate expenses	**(46)**	(16)
Cash earnings*	**987**	1,306
Interim dividend	**304**	304
Final dividend	**389**	609
Dividend payable	**693**	913
Cash payout ratio*	**70.2%**	69.9%

* Cash earnings and cash payout ratio represent non-IFRS financial information.

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 16.0 cents per ordinary share (2014-26.0 cps). The final dividend is payable on 7 October 2015 to shareholders registered as at 5pm on 9 September 2015.

The Company's Dividend Reinvestment Plan (DRP) will operate for the final dividend by acquiring shares on-market with no discount applied. The DRP Issue Price will be based on a volume weighted average share price as defined in the DRP terms. The last date for the receipt of an election notice for participation in the Company's DRP is 10 September 2015. Information about IAG's DRP is available at www.iag.com.au/shareholder-centre/dividends/reinvestment.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year the following changes became effective:

- Effective 1 July 2014 the Group implemented a new operating model for its Australian operations, creating a more customer focused and efficient organisation. This change is reflected in the segment reporting note within the Financial Statements.
- On 16 June 2015, IAG announced it had formed a strategic relationship with Berkshire Hathaway, comprising:
  - an exclusive operating relationship in Australia and New Zealand;
  - a ten-year, 20% whole-of-account quota share arrangement, commencing 1 July 2015;
  - a $500 million equity placement to Berkshire Hathaway (through National Indemnity Company), representing approximately 3.7% of IAG's expanded issued capital (with anti-dilution arrangements); and
  - a put option exercisable by IAG to place further new shares to National Indemnity Company within 24 months after 16 June 2015. Refer to the notes to the statement of changes in equity note for further details.

The Group regards this strategic relationship, which builds on its long-standing relationship with Berkshire Hathaway, as endorsing IAG's strategy and the strength of its franchises in the Asia Pacific region. Expected benefits include the harnessing of complementary operating capabilities, reduced earnings volatility via the quota share and significant capital flexibility.

EVENTS SUBSEQUENT TO REPORTING DATE

Detail of matters subsequent to the end of the financial year is set out below and in the events subsequent to reporting date note within the Financial Statements. These include:

- On 21 August 2015, the Board determined to pay a final dividend of 16 cents per share, 100% franked. The dividend will be paid on 7 October 2015. The dividend reinvestment plan will operate by acquiring shares on-market for participants with no discount applied; and
- The announcement on 11 August 2015 that Mr Jonathan Nicholson will be appointed to the IAG Board, as an Independent Non-Executive Director, effective 1 September 2015.

NON-AUDIT SERVICES

During the financial year, KPMG has performed certain other services for the 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 AC, 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 Chartered Accountants Australia and New Zealand 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 amounted to approximately $1.2 million (refer to the remuneration of auditors note for further details of 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 36 and forms part of the Directors' Report for the year ended 30 June 2015.

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.

REMUNERATION REPORT
LETTER FROM THE PEOPLE AND REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder

IAG is pleased to present its Remuneration Report for the year ended 30 June 2015.

The People and Remuneration Committee (PARC) reaffirms its commitment to delivering remuneration outcomes that reflect both business performance and shareholder returns, as well as ensuring IAG is able to continue to attract and retain high quality executives.

To achieve these objectives, IAG's remuneration structure is underpinned by five key principles:

- to align remuneration with the interests of IAG's shareholders;
- to motivate employees to achieve superior and sustainable performance and discourage underperformance;
- to remain market competitive to attract and retain high quality people;
- to clearly communicate the remuneration policy; and
- to encourage constructive behaviours and prudent risk taking that support long term financial soundness.

The following table provides a summary of some key highlights for the year ended 30 June 2015:

2015 HIGHLIGHTS	SUMMARY
Fixed remuneration remains competitive	IAG assesses the fixed remuneration of its Executives against the market. IAG provided Executives with a 1.5% increase in the year ended 30 June 2015. On the recommendation of the Executive team and in recognition of the difficult market conditions in which we are operating, in August 2015 the PARC determined not to provide further fixed pay increases to our Executive team for the 2016 financial year. Our goal continues to be to provide market competitive fixed remuneration that takes into account an Executive's experience, skills, the internal relativities of IAG's Executive team and comparison with external roles.
Short term performance was sound	Short term performance for the year ended 30 June 2015 was sound. Despite a decline in insurance margin due to adverse natural perils, IAG evolved its operating model in Australia and continued the integration of the former Wesfarmers business to secure its leading position in both Australia and New Zealand. Reflecting these achievements, the average Short Term Incentive (STI) payment was 61% of the maximum achievable for the Group CEO and Group Executives.
IAG delivers sustained long term performance	IAG once again exceeded its ROE and relative TSR targets. Based on three and four years of strong returns as measured by the ROE and TSR components of the LTI plan, both hurdles were met and the LTI for the Group CEO and Executive team tested during the year ended 30 June 2015 vested in full.
Shareholder interests are aligned through a mandatory shareholding requirement	IAG believes strongly in aligning the interests of Non-Executive Directors (NEDs) and Executives with those of shareholders. To achieve this alignment, NEDs and Executives are required to hold a significant number of IAG shares and all exceeded their requirement at 30 June 2015.

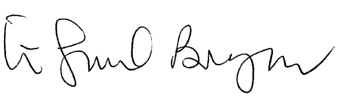
To satisfy IAG's ongoing governance of reward and APRA regulations, we conducted an assessment to determine if any adjustment of unvested or unexercised equity grants was required. The Board of Directors is satisfied that no adjustment is necessary.

The Board had an independent assessment of its remuneration undertaken. As a consequence, in the year ended 30 June 2015 the Board increased the fees for the main Board and Committees by 3% to maintain its positioning against the market. In August 2015, the People and Remuneration Committee determined not to increase the main Board fees for the 2016 financial year, consistent with the approach adopted for executive fixed remuneration. It was determined to increase Committee fees (excluding the Nominations Committee) to better align these fees to the market.

IAG is committed to ensuring the Remuneration Report presents executive remuneration in a consistent, concise and simple manner, as well as complying with the Corporations Act 2001. As in previous years, in this report the company voluntarily discloses the actual remuneration received by Executives, in addition to meeting our statutory reporting obligations.

The People and Remuneration Committee is confident that IAG's remuneration framework supports the Group's financial and strategic goals now and into the future.

Yours sincerely



Elizabeth Bryan
Chairman - People and Remuneration Committee

CONTENTS | PAGE

A. REMUNERATION EXPLAINED

I. Key terms and definitions

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

TERM	DEFINITION
Actual remuneration	The dollar value of remuneration actually received by the Executives in the financial year. This is the sum of fixed remuneration plus the cash portion of the STI plus the value of DAR vested during the year plus the value of LTI in the form of EPR vested during the year.
At-risk remuneration	The components of remuneration that are at-risk because they depend on a combination of the financial performance of the Group and the Executives' performance against individual financial and non-financial measures. At-risk remuneration typically includes STI (cash and deferred remuneration) and LTI.
Base salary	The cash component of fixed remuneration.
Cash return on equity (ROE)	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 (non-recurring in nature, for example the expenses associated with restructuring). Cash ROE is used to calculate one half of the outcome in the LTI plan.
Cash STI	The two-thirds portion of STI for the year ended 30 June 2015 that is paid in the form of cash in September 2015, following the end of year assessment and approval by the Board of Directors.
Corporate Office Executives	The Chief Financial Officer, Chief Risk Officer, Chief Strategy Officer and Chief Executive, IAG Labs.
Deferred STI/Deferred Award Rights (DAR)	The one-third portion of STI that is deferred over a period of two years and 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.
Divisional Executives	The Executives with responsibility for managing a division.
Executive team	The Executives who report directly to the Group CEO.
Executives	The Group CEO and the Executive team.
Fixed remuneration	Base salary plus superannuation. Individuals can determine the mix of base salary and superannuation they receive in line with legislative requirements.
Group CEO	IAG's Managing Director and Chief Executive Officer.
Key management personnel (KMP)	The Group CEO and the Executive team responsible for managing the Group and the Board.
Long term incentive (LTI)/Executive Performance Rights (EPR)	A grant of rights in the form of EPR that are exercisable for IAG ordinary shares or cash between three and four years after the grant date if performance hurdles are achieved.
People and Remuneration Committee (PARC)	The Board committee which oversees IAG's remuneration practices.
Short term incentive (STI)	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.
Total shareholder return (TSR)	Used as one measure of Group performance over a period of time. TSR combines share price appreciation and dividends paid to show total return to shareholders, relative to that of other companies in the peer group. IAG uses relative TSR performance to calculate one half of the LTI outcome.
WACC	Weighted average cost of capital.

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.

II. Key management personnel covered in this report

This report sets out the remuneration details of IAG's KMP as listed below:

NAME	POSITION	TERM AS KMP
Executives		
Michael Wilkins	Managing Director and Chief Executive Officer	Full year
Ben Bessell [(a)]	Acting Chief Executive, Commercial Insurance	Part year
Duncan Brain	Chief Executive, Asia	Full year
Andy Cornish	Chief Executive, Personal Insurance	Full year
Peter Harmer [(b)]	Chief Executive, IAG Labs	Full year
Alex Harrison [(c)]	Chief Executive, Enterprise Operations	Full year
Nicholas Hawkins	Chief Financial Officer	Full year
Jacki Johnson	Chief Executive, New Zealand	Full year
Leona Murphy [(d)]	Chief Strategy Officer	Full year
Clayton Whipp [(e)]	Chief Risk Officer	Full year
Executives who ceased as key management personnel		
Justin Breheny [(f)]	Chief Risk Officer	Part year
Non-Executive Directors		
Brian Schwartz	Chairman, Independent Non-Executive Director	Full year
Elizabeth Bryan [(g)]	Deputy Chairman, Independent Non-Executive Director	Part year
Yasmin Allen	Independent Non-Executive Director	Full year
Alison Deans	Independent Non-Executive Director	Full year
Hugh Fletcher	Independent Non-Executive Director	Full year
Raymond Lim	Independent Non-Executive Director	Full year
Tom Pockett [(h)]	Independent Non-Executive Director	Part year
Philip Twyman	Independent Non-Executive Director	Full year
Non-Executive Directors who ceased as key management personnel		
Peter Bush [(i)]	Independent Non-Executive Director	Part year
Dr Nora Scheinkestel [(j)]	Independent Non-Executive Director	Part year

(a) Ben Bessell commenced as a KMP on 31 March 2015 in the role of acting Chief Executive, Commercial Insurance.

(b) From 1 July 2014, Peter Harmer held the role of Chief Executive, Commercial Insurance. Effective 1 April 2015, he commenced in the role of Chief Digital Officer and has subsequently been appointed Chief Executive, IAG Labs (effective 31 July 2015).

(c) Alex Harrison commenced as a KMP on 1 July 2014 in the role of Chief Executive, Enterprise Operations. Alex Harrison will cease as a KMP on 31 August 2015.

(d) From 1 July 2014, Leona Murphy held the role of Chief Transformation Officer. Effective 31 March 2015, she resumed the role of Chief Strategy Officer.

(e) Clayton Whipp commenced as a KMP on 1 July 2014 in the role of acting Chief Strategy Officer. He was subsequently appointed Chief Risk Officer on 31 March 2015.

(f) Effective 31 March 2015, Justin Breheny retired from the role of Chief Risk Officer and ceased as a KMP.

(g) Elizabeth Bryan commenced as an Independent Non-Executive Director on 5 December 2014.

(h) Tom Pockett commenced as an Independent Non-Executive Director on 1 January 2015.

(i) Peter Bush ceased as an Independent Non-Executive Director on 1 January 2015.

(j) Dr Nora Scheinkestel ceased as an Independent Non-Executive Director on 16 September 2014.

B. 2015 SNAPSHOT

I. Actual remuneration received by Executives

The actual remuneration paid to Executives during this and the previous financial year is set out below. IAG discloses actual remuneration voluntarily for increased transparency. Actual remuneration 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 F.

TABLE 1 - ACTUAL REMUNERATION RECEIVED IN 2015 AND 2014

NAME	FINANCIAL YEAR	FIXED PAY	OTHER BENEFITS AND LEAVE ACCRUALS	TERMINATION PAYMENTS	CASH STI	DEFERRED STI VESTED	LTI VESTED	TOTAL ACTUAL REMUNERATION RECEIVED
		$000	$000	$000	$000	$000	$000	$000
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
EXECUTIVES								
Michael Wilkins	**2015**	**2,112**	**232**	**-**	**1,314**	**1,232**	**5,514**	**10,404**
	2014	2,077	253	-	1,796	1,243	6,038	11,407
Ben Bessell(8)	**2015**	**123**	**(7)**	**-**	**65**	**-**	**-**	**181**
Duncan Brain(9)	**2015**	**921**	**263**	**-**	**469**	**210**	**429**	**2,292**
	2014	679	378	-	347	-	-	1,404
Andy Cornish(10)	**2015**	**1,052**	**93**	**-**	**602**	**469**	**2,290**	**4,506**
	2014	879	(54)	-	487	590	2,457	4,359
Peter Harmer	**2015**	**1,012**	**(23)**	**-**	**473**	**432**	**2,152**	**4,046**
	2014	995	(26)	-	704	326	1,672	3,671
Alex Harrison(9)	**2015**	**849**	**51**	**-**	**611**	**192**	**397**	**2,100**
	2014	218	(1)	-	125	-	-	342
Nicholas Hawkins	**2015**	**1,012**	**56**	**-**	**603**	**463**	**2,198**	**4,332**
	2014	995	(11)	-	731	489	2,342	4,546
Jacki Johnson(11)	**2015**	**1,096**	**(43)**	**-**	**418**	**398**	**1,949**	**3,818**
	2014	1,048	37	-	565	409	2,222	4,281
Leona Murphy	**2015**	**910**	**38**	**-**	**505**	**411**	**1,981**	**3,845**
	2014	895	13	-	569	431	2,109	4,017
Clayton Whipp	**2015**	**755**	**64**	**-**	**341**	**211**	**367**	**1,738**
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL								
Justin Breheny(12)	**2015**	**702**	**205**	**-**	**546**	**446**	**2,024**	**3,923**
	2014	915	193	-	579	490	2,222	4,399

TABLE NOTE

(1) Represents base salary plus superannuation and included an annual pay increase of 1.5% effective September 2014.

(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. Details are provided in table 9 in Section F.

(3) No termination payments were made to Executives in the 2015 financial year.

(4) Represents two thirds of the STI for the relevant financial year. Details are provided in table 6 in Section E.

(5) Deferred STI that vested in the relevant financial year. Details are provided in table 10 in Section F. The five day weighted average share price used to value the deferred STI at vesting date is $6.49 for awards vested on 1 September 2014. For the financial year ended 30 June 2014 the prices were $5.47 for awards vested on 1 July 2013 and $5.78 for awards vested on 1 September 2013.

(6) LTI that vested in the relevant financial year. Details of the plan are provided in table 11 in Section F. The five day weighted average share price at vesting date is $6.27 for awards vested on 20 August 2014 and $6.18 for awards vested on 30 September 2014 (23 August 2013: $5.83 - 30 September 2013: $5.88).

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

(8) Remuneration reported for Ben Bessell relates only to his role as Acting Chief Executive, Commercial Insurance, which commenced on 31 March 2015. Share based remuneration provided in the current financial year did not relate to his role as Acting Chief Executive, Commercial Insurance and has not been disclosed.

(9) Remuneration for Duncan Brain and Alex Harrison has increased as for the first time both executives were KMP for the full period in the year ended 30 June 2015. In the 2014 financial year, no share based payments were disclosed for these executives as those payments were not related to their roles as KMP.

(10) Remuneration received by Andy Cornish was higher in the year ended 30 June 2015 than the previous financial year as he took a three-month period of unpaid leave in the 2014 financial year.

(11) Remuneration for Jacki Johnson is determined in New Zealand dollars and reported in Australian dollars. Foreign exchange movements affect the value of remuneration disclosed. The exchange rate used to report Jacki Johnson's remuneration in the year ended 30 June 2015 was NZD1 = AUD0.93060 (2014-NZD1 = AUD0.90485).

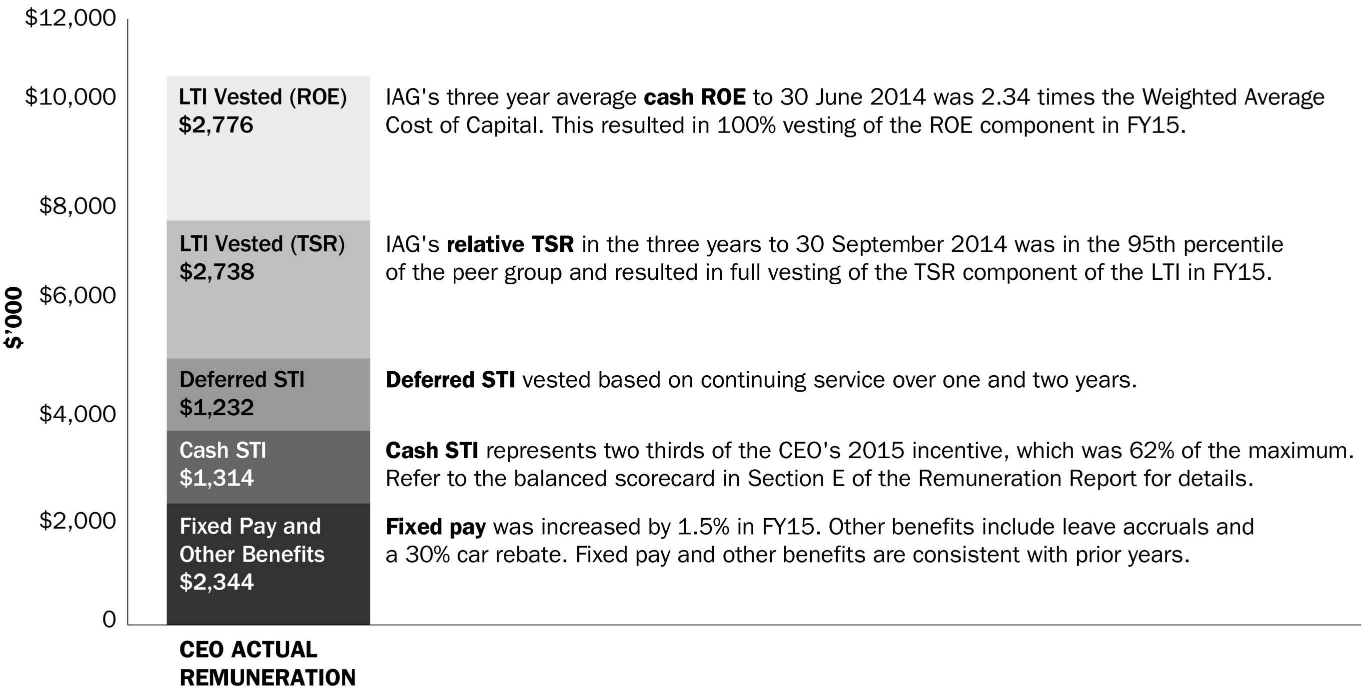
(12) Other benefits received by Justin Breheny include the accrual of annual and long service leave, the value of the interest that would have accrued on his loan plus the related FBT and accommodation allowance.

II. Actual remuneration explained

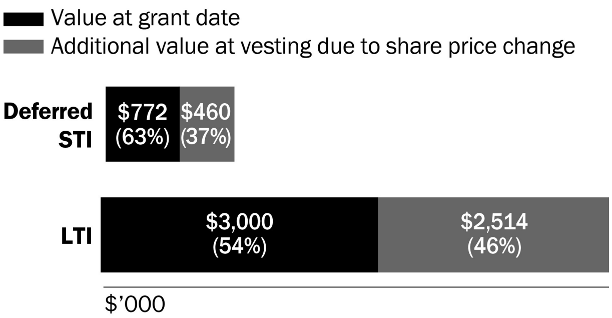
The actual remuneration outlined in table 1 shows a significant proportion of the total reward comprising at risk remuneration and in particular the LTI. Given IAG's strong long term performance, the value of variable reward represents a significant proportion of the total actual reward received, highlighting the strength of the link between the incentive outcomes for IAG's Executives and IAG's performance.

The actual remuneration received in a given year is based on IAG's performance over a number of different time periods and for achieving different, challenging objectives. The following graph illustrates the Group CEO's remuneration as an example, broken down into the components of his remuneration plan. Beside each remuneration component is a description of the timeframe and the objective achieved to receive this remuneration.

CEO FY15 PERFORMANCE AND ACTUAL REMUNERATION OUTCOMES



INCENTIVE VALUE AT GRANT AND AT VESTING



Significant elements of the total actual reward received by the Group CEO are those of the deferred STI and LTI plans. The disclosed value of both plans is impacted by a significant increase in the value of IAG's share price since they were allocated, which also benefited IAG's shareholders. The adjacent graph outlines the dollar value and proportion of deferred STI and LTI when they were awarded as well as the additional value achieved through share price growth.

IAG's ROE has been positively reflected in the dividends shareholders receive as well as the LTI for executives, further demonstrating the alignment of reward to our shareholder interests. IAG's performance has resulted in sound dividend payments provided to shareholders over a number of years. The dividend paid/payable to shareholders for the year ended 30 June 2015 is 29 cents per ordinary share. IAG continues to adhere to its dividend policy of paying approximately 50–70% of reported cash earnings to shareholders in any given financial year.

C. EXECUTIVE REMUNERATION 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.

I. Role of the PARC

The PARC endeavours to ensure that remuneration policies balance IAG's 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. A copy of the PARC's charter is available on the IAG website at www.iag.com.au/about-us/corporate-governance.

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

II. Remuneration guiding principles

IAG's remuneration practices have been designed to achieve the following objectives:

- to align remuneration with the interests of IAG's shareholders;
- to motivate employees to achieve superior and sustainable performance and discourage underperformance;
- to remain market competitive to attract and retain high quality people;
- to clearly communicate the remuneration policy; and
- to encourage constructive behaviours and prudent risk taking that support long term financial soundness.

III. Use of remuneration consultants

The PARC engages remuneration consultants to provide advice that ultimately assists the Board in making remuneration decisions. The PARC did not engage external remuneration consultants during the 2015 financial year, as an extensive market benchmarking exercise was conducted in 2014. In 2014, the then Chairman of the PARC engaged 3 degrees consulting to provide advice regarding the appropriateness of the LTI plan, additional insights on market trends and market data in relation to CEO and senior executive remuneration levels. Based on IAG's research, these insights remain relevant in 2015.

IV. Mandatory shareholding requirements

As part of IAG's philosophy of aligning the interests of Executive and Non-Executive Directors with those of shareholders, all Executive and Non-Executive Directors are required to hold a proportion of their remuneration as IAG shares.

The Group CEO is required to accumulate and hold IAG ordinary shares with a value of two times his base salary, and the Executive team one times their respective base salaries. Executives have four financial years from their date of appointment as an Executive to meet their requirement. Holdings are assessed annually at the end of each financial year, using the closing share price at 30 June and the executive's base salary from four years prior. The shareholding includes Executives' directly held shares and rights vested and unexercised as at 30 June, for entities controlled, jointly controlled or significantly influenced by the Executive. Shares held by the Executives' domestic partner and dependants are not included in the mandatory shareholding requirement. Executives appointed prior to 30 June 2011 were required to meet the mandatory shareholding requirement at 30 June 2015 and all have done so.

Non-Executive Directors are required to hold IAG 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 holding. This requirement is assessed annually at the close of each financial year using the closing share price at 30 June and the Non-Executive Directors' Board fee from three years prior.

Non-Executive Directors appointed prior to 30 June 2012 were required to meet the mandatory shareholding requirement at 30 June 2015 and all have done so.

Refer to Section J Related Party Interests for further information.

V. Adjustment policy

From 2010, IAG introduced a discretionary provision to enable variable remuneration under the DAR and EPR Plans to be adjusted to:

- protect the financial soundness of IAG or an operating segment;
- respond to significant unexpected or unintended consequences that were not foreseen by the Board; or
- respond to other circumstances where the Board determines an adjustment is necessary to ensure that an inappropriate reward outcome does not occur.

Each year, an investigation is conducted to assess whether adjustment of remuneration is required. This assessment requires the Group CEO, the Chief Risk Officer, the Chief Financial Officer, Chief Strategy Officer and each divisional CEO to attest as to whether an adjustment is necessary to the remuneration of any individual or group of employees. The PARC and Board separately consider these attestations in conducting their own assessment of whether adjustment to variable remuneration is appropriate.

In the year ended 30 June 2015, this investigation did not reveal any requirement for the Board to adjust remuneration for the purposes discussed above.

D. EXECUTIVE REMUNERATION STRUCTURE

I. Summary of remuneration components

The remuneration components for the Executives are explained below:

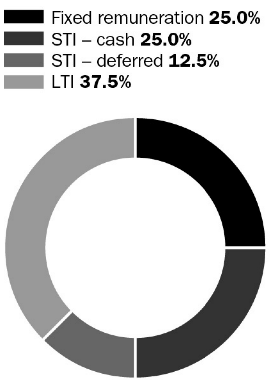
TABLE 2 - SUMMARY OF REMUNERATION COMPONENTS

REMUNERATION COMPONENT			STRATEGIC PURPOSE
Fixed remuneration	Cash	■ Base salary and superannuation.	■ Attract and retain high quality people.
At-risk remuneration	Cash STI	■ 2/3 of the STI outcome paid as cash following the end of year assessment and approval by the Board.	■ Motivate and reward performance within a financial year.
	Deferred STI	■ 1/3 of the STI outcome is deferred over a period of two years, subject to ongoing employment conditions. ■ Provided as a grant of rights in the form of DAR. ■ Number of DAR issued based on face value of an IAG ordinary share. ■ The actual value of shares will depend on the future share price. ■ The Board has discretion to adjust remuneration to protect the financial soundness of the Group or to ensure an appropriate reward outcome.	■ Align reward to shareholder interests. ■ Strike a balance between short and long term results and reward for exceptional performance. ■ Retain high quality people. ■ Protect the financial soundness of the Group.
	LTI	■ Provided as a grant of rights in the form of EPR. ■ Number of EPR issued based on face value of an IAG ordinary share. ■ 3-4 year performance period. ■ Subject to performance hurdles of relative TSR and ROE being achieved. ■ The Board has discretion to adjust remuneration to protect the financial soundness of the Group or to ensure an appropriate reward outcome.	■ Align reward to shareholder interests. ■ Align remuneration with longer term financial performance. ■ Retain high quality people. ■ Protect the financial soundness of the Group.

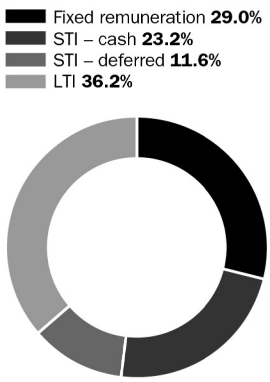
II. Potential remuneration mix

Total remuneration for the Group CEO and the Executive team comprises a mix of fixed remuneration and maximum potential at-risk remuneration (STI and LTI). The mix, shown in the graph below, 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.

POTENTIAL GROUP CEO REMUNERATION MIX



AVERAGE POTENTIAL GROUP EXECUTIVE REMUNERATION MIX



Notes:

■ Potential remuneration is based on current remuneration at 30 June 2015. STI and LTI are based on maximum opportunities.

III. Remuneration components in detail

a. FIXED REMUNERATION

IAG provides market competitive fixed remuneration given the roles' experience, skills, the internal relativities of IAG's Executive team and market pay levels for external comparator roles. Fixed remuneration is reviewed regularly using independent remuneration benchmarking data. The appropriate market benchmark is determined considering organisation size, industry and geographic location. For Australian-based Executives, positioning is determined by reference to a number of peer groups, including financial services companies in the S&P/ASX 50 Index and companies that are of similar size to IAG. Relevant local market peer groups are referenced for overseas based Executives.

The average fixed remuneration increase for the Executive team for the year ended 30 June 2015 was 1.5% effective September 2014. In August 2015, the Board endorsed management's recommendation not to increase the annual fixed remuneration for the Executive team for the 2016 financial year.

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.

i. Cash and deferred STI

Key details of the STI plan are shown below:

TABLE 3 - STI PLAN

Description	STI refers to the at-risk remuneration designed to motivate and reward for performance in a set financial year.
Potential maximum STI amount	The Group CEO can earn up to 150% of his annual fixed remuneration and members of the Executive team can earn up to 120% of their annual fixed remuneration.
Performance measures and rationale	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 5). Financial measures make up 50% of the balanced scorecard objectives, with the remaining 50% based on non-financial measures. This provides a balance between rewarding the achievement of financial targets and non-financial objectives that drive the execution of IAG's strategy. The following table details the weighting of financial and non-financial performance measures for the STI of the Group CEO and the Executive team in the year ended 30 June 2015.

ROLE	FINANCIAL MEASURES		NON-FINANCIAL MEASURES
	Group financial targets	Division or business financial targets	
Group CEO	50%	N/A	50%
Divisional Executives	10%	40%	50%
Corporate Office Executives	40%	10%	50%

Testing of performance measures	The Group CEO's STI is recommended by the PARC based on his balanced scorecard performance and is approved by the Board. The amount of STI paid to members of the Executive team is recommended by the Group CEO to the PARC based on the Executive team members' balanced scorecard performance and recommended by the PARC for approval by the Board. The Board may apply discretion in determining the STI outcomes to ensure they are appropriate.
Instrument	Two-thirds of the STI is paid as cash, with the remaining one-third deferred in the form of DAR that vest over two years.
Key terms of the deferred STI	Deferred STI is issued in the form of DAR, which are rights over IAG ordinary shares which are held by a trustee. They are issued to Executives during the financial year at no cost, to the value of their deferred STI amount. The number of DAR issued uses the face value of IAG ordinary shares at 30 June before the grant date. 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.

ii. Long term incentive

Key details of the LTI plan are shown below:

TABLE 4 - LTI PLAN

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 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 face value of an IAG ordinary share at 30 June 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 of ROE and TSR with 50% of each allocation subject to the ROE hurdle and 50% subject to the TSR hurdle: ▪ ROE is measured relative to IAG's WACC. The ROE hurdle uses cash ROE to align with the reporting of IAG's financial performance to the external market and is used to determine the dividend. Cash ROE is reported ROE adjusted for amortisation and impairment of acquired identifiable intangible assets and for unusual items; and ▪ TSR is measured against that of 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 to reduce the impact of share price volatility.
Rationale for choosing performance hurdles	The hurdles require superior financial performance over a 3-4 year period and are directly linked to IAG's strategy. ROE provides evidence of company growth in profitability and is linked to shareholder return. IAG uses ROE as a key internal measure of the efficiency of its financial performance. IAG has a stretch strategic target of achieving an ROE that is one and a half times greater than its WACC. TSR provides a direct link between Executive reward and shareholder return by measuring the value created for shareholders through the appreciation of the share price and the value of dividends. The value created is compared to that of companies within IAG's peer group. IAG has a strategic target of providing total shareholder returns in the top quartile of its peer group.
Testing of performance hurdles	**ROE** The ROE portion of LTI is tested from 1 July of the grant year to 30 June three years later. 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 four years after the base date (being 30 September 2018 for the September 2014 grant). The TSR portion of awards granted after 1 July 2013 is subject to a four year performance period with no additional opportunity for retesting. For EPR granted prior to 1 July 2013, the TSR portion of LTI is tested three years after the base date and then again at four years and five years. The vesting schedule is shown below: ▪ no vesting below 50th percentile of IAG's performance measured against the top 50 industrials within the S&P/ASX 100 Index; ▪ 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 granted after 1 July 2013 may be settled with IAG ordinary shares or with cash if performance hurdles are achieved, as determined by the Board. Rights granted prior to 1 July 2013 are settled with IAG ordinary shares. These are exercisable for shares if performance hurdles are achieved.
Forfeiture conditions	Under the terms of the LTI, if an Executive ceases employment with IAG voluntarily before the performance hurdles are tested, 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.

E. LINKING PERFORMANCE AND REWARD

I. Linking IAG's short term performance and short term reward

IAG uses a balanced scorecard approach across the organisation to set performance objectives which drive the execution of its strategy. Executives and businesses have a strategy map, which defines their key strategic priorities and the balanced scorecard sets out the objectives that have to be achieved to meet these priorities. All balanced scorecards use goals set against financial and non-financial measures. The achievement of the objectives is measured and this informs the Board's determination of STI outcomes.

The table below provides a summary of key balanced scorecard objectives and outcomes for IAG for the year ended 30 June 2015. 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 are used to determine the STI awarded to the Group CEO. A similar process applies for members of the Executive team.

TABLE 5 - BALANCED SCORECARD OBJECTIVES AND PERFORMANCE REQUIREMENTS

CATEGORY	OBJECTIVE	WEIGHTING	OUTCOME
Financial	Return on risk based capital	25%	Did not meet target: The Group sets targets to achieve a return on its risk based capital that require outperformance through the cycle and represents a stretch target. This return reflects how effectively IAG uses its capital and is directly aligned to the Group's strategic target of achieving an ROE of 1.5 times the weighted average cost of capital. In the year ended 30 June 2015, the Group reported a return on risk based capital that was approximately 10% lower than its budget.
	Profitable growth	15%	Did not meet target: To grow profitably and create value for shareholders, IAG needs to expand its products, markets and customer base. Although GWP increased by 17% to $11.4 billion during the year ended 30 June 2015 (in 2014, GWP increased by 3%), this did not meet IAG's challenging target set with consideration of the additional GWP from the integration of the former Wesfarmers business.
	Capital and risk management	10%	Exceeded target: Managing the balance sheet 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 PCA multiple at 30 June 2015 of 1.70 (compared to a Group benchmark of 1.4 to 1.6), and a Common Equity Tier 1 multiple of 1.14 (compared to a Group benchmark of 0.9 to 1.1 times the PCA). The Group also formed a strategic partnership with Berkshire Hathaway which provides significantly enhanced capital flexibility. IAG has embedded risk management strategies that align governance, risk and strategy approaches across the Group.
Non-financial	Customer, partner and employee satisfaction	15%	Exceeded target: Customer and partner satisfaction is tracked across IAG's businesses by measuring advocacy and/or satisfaction. IAG undertakes a range of activities to improve customer advocacy based on feedback. IAG has worked to introduce a consistent customer advocacy measure across the Group and establish a baseline for future year comparisons. In the year ended 30 June 2015, customer advocacy scores improved in the Australian Personal Insurance and Commercial Insurance divisions. Customer advocacy was stable in New Zealand and Asia based on the collected baseline information. IAG recognises the importance of stakeholder reputation and actively seeks feedback through perception audits, regulator dialogue and external agency ratings. These have demonstrated improvements in key areas.
	Strategy development and execution	20%	Met target: In the year ended 30 June 2015, IAG focused on the realisation of synergy benefits and cultural integration of the Australian and New Zealand former Wesfarmers business, including the Lumley and WFI brands, as well as the transformation of the Australian operating model. IAG also set ambitious strategic priorities to deliver great customer experiences, creating shared value for all of our stakeholders.
	Build capability and agility for future value	5%	Met target: IAG focused on a number of strategic initiatives that will help deliver a platform for future growth. IAG implemented a Human Centred Design (HCD) approach to problem solving, dedicated resources to drive IAG's digital strategy and pioneered venturing initiatives.

Culture and employee development	10%	Exceeded target: IAG focused on aligning the culture of the Group and the Group people strategies in light of the recent acquisition and change in operating model. The Group culture results were positive and continue to outperform those of the financial services sector. IAG proudly embraces an inclusive and diverse workplace. Women hold 31.5% of senior management roles across the Group, and 33.3% in the Australian and New Zealand businesses. Although this is short of the goal set in 2010 of 33% of senior management roles being held by women across the Group, IAG has improved significantly from 27% reported in 2010. IAG continues to improve this, including by introducing training to reduce unconscious bias in recruitment.

II. STI outcomes for the year ended 30 June 2015

Cash and deferred STI payments made to the Group CEO and the Executive team for the year ended 30 June 2015 are set out below, and were based on achievement against the balanced scorecard measures described in table 5.

Each 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. In line with the overall performance, the STI awarded to the Group CEO and the Executive team are, on average, less than those for last year.

TABLE 6 - ACTUAL STI OUTCOMES FOR THE YEAR ENDED 30 JUNE 2015

	MAXIMUM STI OPPORTUNITY	ACTUAL STI OUTCOME		CASH STI OUTCOME (2/3 OF OUTCOME)	DEFERRED STI OUTCOME (1/3 OF OUTCOME)
	(% of fixed pay)[a]	(% of maximum)[a]	(% of fixed pay)	(% of fixed pay)	(% of fixed pay)
Michael Wilkins	150 %	62 %	93 %	62 %	31 %
Ben Bessell	120 %	51 %	61 %	41 %	20 %
Duncan Brain	120 %	64 %	76 %	51 %	25 %
Andy Cornish	120 %	71 %	86 %	57 %	29 %
Peter Harmer	120 %	58 %	70 %	47 %	23 %
Alex Harrison[b]	120 %	60 %	72 %	72 %	- %
Nicholas Hawkins	120 %	74 %	89 %	59 %	30 %
Jacki Johnson	120 %	48 %	57 %	38 %	19 %
Leona Murphy	120 %	69 %	83 %	55 %	28 %
Clayton Whipp	120 %	55 %	66 %	44 %	22 %

(a) The proportion of STI forfeited is derived by subtracting the actual % of maximum received from the maximum STI opportunity and was 39% on average for the year ended 30 June 2015 (compared to 21% in 2014).

(b) Alex Harrison's STI will be settled entirely in cash due to his departure from IAG on 31 August 2015.

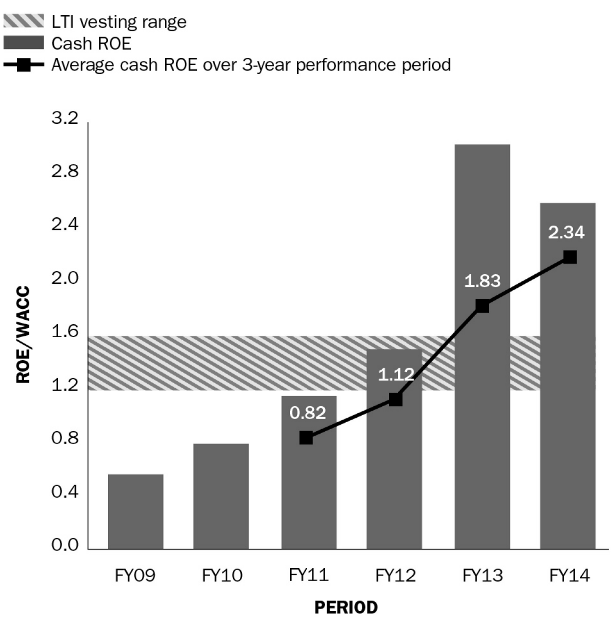
III. Linking IAG's long term performance and long term reward

IAG's LTI performance measures are challenging over the long term and require strong performance over both an internal capital efficiency measure (ROE) and an external market measure (relative TSR). Executives are only rewarded under the LTI plan when the Group exceeds its challenging long term performance targets and delivers superior financial performance over at least a three-year period.

The LTI vested in the year ended 30 June 2015 was based against IAG's performance against the ROE hurdle at 30 June 2014, and relative TSR measured at 30 September 2014.

IAG measures the ROE component of the LTI over three years using cash ROE, which is the basis on which dividends are calculated for shareholders. The average cash ROE for the three years to 30 June 2014 was 2.34 times IAG's WACC. This was a strong result compared to historical returns and resulted in full vesting of the ROE portion of the 2011/2012 Series 4 EPR. This is only the second time the ROE portion of the LTI has vested and this strong cash ROE performance has similarly been reflected in the solid dividend provided to shareholders. The adjacent graph shows IAG's cash ROE against WACC for each of the last five financial years with reference to the LTI vesting range, to put the recent performance in a longer term context. The graph also shows the three year average cash ROE over the performance period, as measured by the LTI plan.

IAG HISTORICAL CASH ROE / WACC



IAG's TSR was in the top quartile of its peer group, ranking at the 95th percentile over the three years up to 30 September 2014.

While delivering value to shareholders this outcome also resulted in full vesting of the LTI plan for Executives.

The following table shows the returns IAG delivered to its shareholders for the last five financial years for a range of additional measures.

TABLE 7 - HISTORICAL ANALYSIS OF SHAREHOLDER RETURN ON LTI

	YEAR ENDED 30 JUNE 2011	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2013	YEAR ENDED 30 JUNE 2014	**YEAR ENDED 30 JUNE 2015**
Closing share price ($)	3.40	3.48	5.44	5.84	**5.58**
Dividend paid per ordinary share (cents)	16.00	17.00	36.00	39.00	**29.00**
Basic earnings per share (cents)	12.08	10.01	37.57	56.09	**31.22**
Cash ROE (%)	11.1	13.3	25.3	23.0	**15.3**
ROE to WACC outcome for EPR Plan	0.82	1.12	1.83	2.34	**2.47**
TSR (%)*	3.0	5.3	59.2	15.6	**1.8**

* This represents the TSR performance measured for the 12 months from 1 July to 30 June. This is only one indication of IAG's performance for the relevant financial year.

IV. LTI awards outstanding during the year ended 30 June 2015

Details of outstanding LTI awards made to Executives in the year ended 30 June 2015 are shown in table 8 below:

TABLE 8 - LTI AWARDS OUTSTANDING DURING THE YEAR ENDED 30 JUNE 2015

AWARD	GRANT DATE	BASE DATE	FIRST TEST DATE	LAST TEST DATE	PERFORMANCE HURDLE ACHIEVEMENT	LAST EXERCISE DATE
2014/2015 Series 6 - TSR[a]	03/11/2014	30/09/2014	30/09/2018		N/A	03/11/2021
2014/2015 Series 6 - ROE[a]	03/11/2014	30/06/2014	30/06/2017		N/A	03/11/2021
2013/2014 Series 6 - TSR[a]	01/11/2013	30/09/2013	30/09/2017		N/A	01/11/2020
2013/2014 Series 6 - ROE[a]	01/11/2013	30/06/2013	30/06/2016		N/A	01/11/2020
2012/2013 Series 5 - TSR[b]	26/10/2012	30/09/2012	30/09/2015	30/09/2017	N/A	26/10/2019
2012/2013 Series 5 - ROE[b][c]	26/10/2012	30/06/2012	30/06/2015		N/A	26/10/2019
2011/2012 Series 5 - TSR[b]	21/10/2011	30/09/2011	30/09/2014	30/09/2016	100%	21/10/2018
2011/2012 Series 5 - ROE[b]	21/10/2011	30/06/2011	30/06/2014		100%	21/10/2018

(a) Terms and conditions for EPR Plan 2013/2014 and 2014/2015 are the same, therefore they are both referred to as Series 6.

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

(c) The cash ROE portion of EPR Plan 2012/2013 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 2016.

V. LTI awards vested during the year ended 30 June 2015

Details of LTI vested during the year are set out below.

For EPR Plan 2011/2012 – Series 5, the performance results were:

- TSR met the performance hurdle on 30 September 2014 and 100% of those rights vested upon the first test; and
- the ROE performance hurdle was tested on 30 June 2014 and 100% of those rights vested.

F. EXECUTIVE REMUNERATION OUTCOMES IN DETAIL

I. Total remuneration for Executives

Statutory remuneration details for the Group CEO and the Executive team required by the Accounting Standards are set out below:

TABLE 9 - STATUTORY REMUNERATION DETAILS (EXECUTIVES)

	SHORT TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS	OTHER LONG TERM EMPLOYMENT BENEFITS	SUB-TOTAL	SHARE BASED PAYMENT		TOTAL	AT-RISK REMUNERATION PORTION PAID
	Base salary	Short term incentive	Leave accruals and other benefits	Superannuation	Long service leave accruals		Value of deferred short term incentive	Value of rights granted		
	$000	$000	$000	$000	$000	$000	$000	$000	$000	%
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
EXECUTIVES										
Michael Wilkins										
2015	**2,093**	**1,314**	**188**	**19**	**44**	**3,658**	**898**	**2,525**	**7,081**	**67**
2014	2,059	1,796	209	18	44	4,126	844	2,504	7,474	69
Ben Bessell										
2015	**116**	**65**	**(10)**	**7**	**3**	**181**	**-**	**-**	**181**	**36**
Duncan Brain(11)										
2015	**886**	**469**	**243**	**35**	**20**	**1,653**	**167**	**534**	**2,354**	**50**
2014	660	347	282	19	96	1,404	148	326	1,878	44
Andy Cornish(12)										
2015	**1,017**	**602**	**73**	**35**	**20**	**1,747**	**307**	**1,048**	**3,102**	**63**
2014	854	487	(71)	25	17	1,312	334	1,018	2,664	69
Peter Harmer										
2015	**977**	**473**	**(37)**	**35**	**14**	**1,462**	**341**	**1,032**	**2,835**	**65**
2014	970	704	(35)	25	9	1,673	287	986	2,946	67
Alex Harrison(11)										
2015	**819**	**611**	**29**	**30**	**22**	**1,511**	**144**	**308**	**1,963**	**54**
2014	212	125	(3)	6	2	342	-	-	342	37
Nicholas Hawkins										
2015	**982**	**603**	**68**	**30**	**(12)**	**1,671**	**353**	**1,007**	**3,031**	**65**
2014	970	731	23	25	(34)	1,715	320	976	3,011	67
Jacki Johnson(13)										
2015	**1,096**	**418**	**(50)**	**-**	**7**	**1,471**	**287**	**940**	**2,698**	**61**
2014	1,048	565	6	-	31	1,650	271	889	2,810	61
Leona Murphy										
2015	**880**	**505**	**20**	**30**	**18**	**1,453**	**298**	**907**	**2,658**	**64**
2014	870	569	(5)	25	18	1,477	283	880	2,640	66
Clayton Whipp										
2015	**720**	**341**	**29**	**35**	**35**	**1,160**	**138**	**208**	**1,506**	**46**
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL										
Justin Breheny										
2015	**678**	**546**	**177**	**24**	**28**	**1,453**	**307**	**927**	**2,687**	**66**
2014	890	579	173	25	20	1,687	309	903	2,899	62

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 plus salary sacrifice items such as cars and parking, as determined in accordance with AASB 119 Employee 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 allowances for certain KMP who have salary sacrifice arrangements on cars and other short term employment benefits as agreed and provided under specific conditions. Other benefits provided under specific conditions for various KMP are provided below:

2015:

- Duncan Brain: $269,929 for accommodation allowances, airfares for home visits and other benefits. This amount is partially offset by a negative annual leave accrual; and
- Justin Breheny: $126,099 for accommodation allowances and the interest that would have accrued on the interest free loan and the applicable FBT (for further details, see Section J Related party interests).

2014:

- Duncan Brain: $163,758 for accommodation allowances, airfares for home visits and other benefits;
- Justin Breheny: $133,846 for other benefits, accommodation, health insurance, tax compliance, airfares for home visits and the value of interest that would have accrued on the interest free loan (for further details, see Section J Related party interests); and
- Jacki Johnson: $18,325 (NZ$20,252) for accommodation allowances and other benefits.

(4) Superannuation represents the employer's contributions.

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

(6) The sum of columns (1) to (5). The sub-total includes the value of termination payments, which is not shown as no termination payments were made to Executives during the year ended 30 June 2015 (2014-nil).

(7) The deferred STI is granted as DAR and is valued using the Black-Scholes valuation model. An allocated portion of unvested DAR for financial years prior to 30 June 2014 is included in the total remuneration disclosure above. The deferred STI for the year ended 30 June 2015 will be granted in the next financial year, so no value was included in the current financial year's total remuneration.

(8) This value represents the allocated portion of unvested EPR. To determine the EPR values the Monte Carlo simulation (for TSR performance hurdle) and Black-Scholes valuation (for ROE performance hurdle) 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.

(9) The sum of columns (6) to (8).

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

(11) Remuneration for Duncan Brain and Alex Harrison has increased as for the first time both executives were KMP for the full period in the year ended 30 June 2015. In the 2014 financial year, no share based payments were disclosed for Alex Harrison as those payments were not related to his role as KMP.

(12) Remuneration received by Andy Cornish is higher in the year ended 30 June 2015 than the previous financial year as he took a three-month period of unpaid leave in the 2014 financial year.

(13) Remuneration for Jacki Johnson is determined in New Zealand dollars and reported in Australian dollars. Foreign exchange movements affect the value of remuneration disclosed. The exchange rate used to report Jacki Johnson's remuneration in the year ended 30 June 2015 was NZD1 = AUD0.93060 (2014 - NZD1 = AUD0.90485).

II. Movement in equity plans within the financial year

Changes in each Executive's holding of DAR during the financial year are set out below. The DAR granted during the year reflect the deferred portion of the STI outcome for the year ended 30 June 2015. Refer to the share based remuneration note of the Financial Statements for further DAR Plan details.

TABLE 10 - MOVEMENT IN POTENTIAL VALUE OF DAR FOR THE YEAR ENDED 30 JUNE 2015

		DAR ON ISSUE 1 JULY	DAR GRANTED DURING THE YEAR[a]	DAR EXERCISED DURING THE YEAR[b]	DAR LAPSED DURING THE YEAR	DAR ON ISSUE 30 JUNE	DAR VESTED DURING THE YEAR	DAR VESTED AND EX-ERCISABLE 30 JUNE
2015								
EXECUTIVES								
Michael Wilkins	Number	266,850	153,800	(189,700)	-	230,950	189,700	-
	$000		**927**	**1,154**	**-**			
Duncan Brain	Number	44,600	35,500	(32,400)	-	47,700	32,400	-
	$000		**214**	**197**	**-**			
Andy Cornish	Number	101,250	41,700	(72,200)	-	70,750	72,200	-
	$000		**251**	**439**	**-**			
Peter Harmer	Number	96,800	60,300	(66,500)	-	90,600	66,500	-
	$000		**363**	**405**	**-**			
Alex Harrison[c]	Number	41,800	25,300	(29,500)	-	37,600	29,500	-
	$000		**153**	**179**	**-**			
Nicholas Hawkins	Number	101,750	62,700	(71,300)	-	93,150	71,300	-
	$000		**378**	**434**	**-**			
Jacki Johnson	Number	147,300	48,400	(122,400)	-	73,300	61,250	-
	$000		**292**	**745**	**-**			
Leona Murphy	Number	89,700	48,800	(63,250)	-	75,250	63,250	-
	$000		**294**	**385**	**-**			
Clayton Whipp[c]	Number	43,200	23,900	(32,450)	-	34,650	32,450	-
	$000		**144**	**197**	**-**			
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL								
Justin Breheny	Number	95,300	49,600	(68,750)	-	76,150	68,750	-
	$000		**299**	**418**	**-**			

(a) DAR that were granted on 3 November 2014, have a first exercisable date of 1 September 2015 and an expiry date of 3 November 2021. The value of DAR granted during the year is the fair value of the DAR at grant date calculated using the Black-Scholes valuation model, which was $6.03. 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 ending 30 June 2015 to 30 June 2017).

(b) DAR that vested on 1 September 2014 or before and were exercised in the financial year. The value of DAR exercised is based on the weighted average share price which was $6.08 for the year ended 30 June 2015.

(c) Opening number of DAR on issue represents the balance as at the date of appointment of 1 July 2014.

Changes in each Executive's holding of EPR during the financial year are set out below. The EPR granted during the year ended 30 June 2015 were in relation to the LTI plan. Refer to the share based remuneration note of the Financial Statements for further EPR Plan details.

TABLE 11 - MOVEMENT IN POTENTIAL VALUE OF EPR FOR THE YEAR ENDED 30 JUNE 2015

		EPR ON ISSUE 1 JULY	EPR GRANTED DURING THE YEAR[a]	EPR EXERCISED DURING THE YEAR[b]	EPR LAPSED DURING THE YEAR[c]	EPR ON ISSUE 30 JUNE	EPR VESTED DURING THE YEAR	EPR VESTED AND EX-ERCISABLE 30 JUNE	EPR FORFEITED AND WILL LAPSE IN FUTURE YEARS
2015									
EXECUTIVES									
Michael Wilkins	Number	2,739,000	544,300	(885,500)	(395,300)	2,002,500	885,500	-	-
	$000		**2,339**	**5,388**	**2,444**				**-**
Duncan Brain	Number	376,050	197,800	(68,900)	(30,750)	474,200	68,900	-	-
	$000		**850**	**419**	**190**				**-**
Andy Cornish	Number	1,128,950	226,000	(367,700)	(155,850)	831,400	367,700	-	-
	$000		**971**	**2,237**	**964**				**-**
Peter Harmer	Number	927,500	217,300	(345,600)	-	799,200	345,600	-	-
	$000		**934**	**2,103**	**-**				**-**
Alex Harrison[d]	Number	172,000	182,000	(63,700)	-	290,300	63,700	-	-
	$000		**782**	**388**	**-**				**-**
Nicholas Hawkins	Number	1,086,300	217,300	(353,000)	(151,400)	799,200	353,000	-	-
	$000		**934**	**2,148**	**936**				**-**
Jacki Johnson	Number	1,212,883	227,100	(536,333)	(146,950)	756,700	312,900	-	-
	$000		**976**	**3,263**	**909**				**-**
Leona Murphy	Number	966,650	195,600	(318,100)	(124,650)	719,500	318,100	-	-
	$000		**841**	**1,935**	**771**				**-**
Clayton Whipp[d]	Number	183,300	77,100	(58,900)	(22,600)	178,900	58,900	-	-
	$000		**331**	**358**	**140**				**-**
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL									
Justin Breheny	Number	1,007,250	199,900	(325,000)	(146,950)	735,200	325,000	-	-
	$000		**859**	**1,977**	**909**				**-**

(a) All EPR were granted on 3 November 2014 and have an expiry date of 3 November 2021. EPR granted during the year and subject to the TSR performance hurdle have a grant date value of $3.02, 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 2018. EPR granted during the year and subject to the ROE performance hurdle have a grant date value of $5.58, calculated using the Black-Scholes valuation model. All rights granted during the year, and subject to the ROE performance hurdle, are first exercisable after the performance period concludes on 30 June 2017. The total value of EPR granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years ending 30 June 2015 to 30 June 2019).

(b) EPR that vested on 30 September 2014 or before and were exercised in the financial year. The value of EPR exercised is based on the weighted average share price which was $6.08 for the year ended 30 June 2015.

(c) The value of EPR lapsed during the year ended 30 June 2015 is based on the five day weighted average share price which was $6.18 to 30 September 2014.

(d) Opening number of EPR on issue represents the balance as at the date of appointment of 1 July 2014.

G. 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 each Executive 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

NAME	NOTICE PERIOD FROM THE RELEVANT COMPANY	NOTICE PERIOD FROM THE EMPLOYEE	TERMINATION PROVISIONS
Michael Wilkins	12 months	6 months	12 months fixed remuneration and STI that would have accrued for 12 months had termination not occurred. An additional six months fixed remuneration is payable if IAG invokes a restraint clause.
Duncan Brain	12 months	6 months	12 months base salary
Andy Cornish	12 months	3 months	12 months fixed remuneration
Peter Harmer	12 months	6 months	12 months base salary
Alex Harrison	12 months	6 months	12 months base salary
Nicholas Hawkins	12 months	3 months	12 months base salary
Jacki Johnson	12 months	3 months	12 months fixed remuneration
Leona Murphy	12 months	3 months	12 months base salary
Clayton Whipp	12 months	6 months	12 months base salary

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 employment agreement; or
- the retrenchment benefits due under the 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 employment 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.

H. 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 requirement.

II. Remuneration structure

Non-Executive Director remuneration has three components:

- board fees (paid as cash);
- superannuation; and
- subsidiary board and committee fees.

a. CHANGES TO NON-EXECUTIVE REMUNERATION DURING THE YEAR ENDED 30 JUNE 2015

On 14 August 2014, the Board approved a 3% increase in the Board and Committee fees effective from 1 July 2014. The aggregate limit of Board fees approved by shareholders at the annual general meeting in October 2013 remains unchanged at $3,500,000 per annum.

The figures shown below are inclusive of superannuation. Directors can elect the portion of fees contributed into their nominated superannuation fund, provided minimum legislated contribution levels are met.

TABLE 13 - BOARD AND COMMITTEE FEES

		ANNUAL FEE	
BOARD/COMMITTEE	ROLE	**2015**	2014
Board	Chairman	**$565,800**	$549,300
	Non-Executive Director	**$188,600**	$183,100
Audit Committee	Chairman	**$40,900**	$39,700
	Member	**$20,450**	$19,850
Risk Committee	Chairman	**$40,900**	$39,700
	Member	**$20,450**	$19,850
People and Remuneration Committee	Chairman	**$40,900**	$39,700
	Member	**$20,450**	$19,850
Nominations Committee*	Chairman	**N/A**	N/A
	Member	**$10,000**	N/A

* IAG established a Nominations Committee on 1 July 2014. No fees are payable to the Chairman.

b. SUBSIDIARY BOARD AND COMMITTEE FEES

A summary of Non-Executive Directors' service on subsidiary boards and the fees paid are set out below:

TABLE 14 - FEES FOR NON-EXECUTIVE DIRECTORS' SERVICE ON SUBSIDIARY BOARDS

DIRECTOR	SUBSIDIARY	CAPACITY	ANNUAL FEE
Brian Schwartz	Insurance Manufacturers of Australia Pty Limited	Chairman	$247,000
Hugh Fletcher*	IAG New Zealand Limited	Chairman	$139,590

* 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.

III. Board performance

A formal external review of the performance, composition and size of the Board is conducted every three years. A formal review was conducted in the 2014 financial year. In the years this review is not conducted, performance is evaluated by the Chairman via 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.

IV. Total remuneration details

Details of total remuneration for Non-Executive Directors on the Board for the year ended 30 June 2015 are set out below:

TABLE 15 - STATUTORY REMUNERATION DETAILS (NON-EXECUTIVE DIRECTORS)

	SHORT TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS		OTHER LONG TERM EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SHARE BASED PAYMENT	TOTAL
	IAG Board fees received as cash	Other Boards and Committee fees	Superannuation	Retirement benefits				
	$000	$000	$000	$000	$000	$000	$000	$000
Brian Schwartz								
2015	**568**	**226**	**19**	**-**	**-**	**-**	**-**	**813**
2014	552	220	18	-	-	-	-	790
Elizabeth Bryan								
2015	**99**	**6**	**10**	**-**	**-**	**-**	**-**	**115**
Yasmin Allen								
2015	**178**	**84**	**19**	**-**	**-**	**-**	**-**	**281**
2014	172	68	18	-	-	-	-	258
Alison Deans								
2015	**173**	**37**	**19**	**-**	**-**	**-**	**-**	**229**
2014	168	31	18	-	-	-	-	217
Hugh Fletcher								
2015	**172**	**177**	**20**	**-**	**-**	**-**	**-**	**369**
2014	168	167	18	-	-	-	-	353
Raymond Lim								
2015	**172**	**19**	**18**	**-**	**-**	**-**	**-**	**209**
2014	168	18	17	-	-	-	-	203
Tom Pockett								
2015	**86**	**-**	**8**	**-**	**-**	**-**	**-**	**94**
Philip Twyman								
2015	**177**	**80**	**19**	**-**	**-**	**-**	**-**	**276**
2014	170	56	18	-	-	-	-	244
NON-EXECUTIVE DIRECTORS WHO CEASED AS KEY MANAGEMENT PERSONNEL								
Peter Bush								
2015	**115**	**12**	**12**	**-**	**-**	**-**	**-**	**139**
2014	168	18	17	-	-	-	-	203
Dr Nora Scheinkestel								
2015	**37**	**12**	**5**	**-**	**-**	**-**	**-**	**54**
2014	169	21	16	-	-	-	-	206

I. OTHER BENEFITS

Remuneration does not include premiums paid by IAG for an insurance contract covering current and former Non-Executive 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 Non-Executive 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 Non-Executive Directors and Executives on the same terms and conditions available to other employees.

J. RELATED PARTY INTERESTS

In accordance with the Corporations Act Regulation 2M.3.03, the Remuneration Report includes disclosure of related parties.

I. Movements in total number of ordinary shares held

The relevant interests of each key management personnel and their related parties in IAG ordinary shares are disclosed in the table below:

TABLE 16 - MOVEMENT IN TOTAL NUMBER OF ORDINARY SHARES HELD

	SHARES HELD AT 1 JULY	SHARES RECEIVED ON EXERCISE OF EPR	SHARES RECEIVED ON EXERCISE OF DAR	NET MOVEMENT OF SHARES DUE TO OTHER CHANGES[(a)]	TOTAL SHARES HELD AT 30 JUNE	SHARES HELD NOMINALLY AT 30 JUNE[(b)]
	Number	Number	Number	Number	Number	Number
2015						
Brian Schwartz	**107,751**	**-**	**-**	**3,420**	**111,171**	**108,718**
Elizabeth Bryan[(c)]	**-**	**-**	**-**	**31,409**	**31,409**	**31,409**
Yasmin Allen	**41,753**	**-**	**-**	**-**	**41,753**	**40,087**
Alison Deans	**37,742**	**-**	**-**	**-**	**37,742**	**37,742**
Hugh Fletcher	**78,776**	**-**	**-**	**1,931**	**80,707**	**44,146**
Raymond Lim	**30,000**	**-**	**-**	**-**	**30,000**	**30,000**
Tom Pockett[(c)]	**32,017**	**-**	**-**	**79**	**32,096**	**-**
Phillip Twyman	**48,022**	**-**	**-**	**(16,750)**	**31,272**	**28,530**
Michael Wilkins	**2,048,030**	**885,500**	**189,700**	**(1,075,200)**	**2,048,030**	**1,207,840**
Ben Bessell[(c)]	**277**	**-**	**-**	**-**	**277**	**277**
Duncan Brain	**51,687**	**68,900**	**32,400**	**-**	**152,987**	**4,000**
Andy Cornish	**347,031**	**367,700**	**72,200**	**(583,850)**	**203,081**	**-**
Peter Harmer	**362,300**	**345,600**	**66,500**	**(150,000)**	**624,400**	**172,800**
Alex Harrison[(c)]	**-**	**63,700**	**29,500**	**(93,200)**	**-**	**-**
Nicholas Hawkins	**227,147**	**353,000**	**71,300**	**(451,447)**	**200,000**	**-**
Jacki Johnson	**640,760**	**536,333**	**122,400**	**-**	**1,299,493**	**225,933**
Leona Murphy	**293,402**	**318,100**	**63,250**	**(334,092)**	**340,660**	**114,545**
Clayton Whipp[(c)]	**91,303**	**58,900**	**32,450**	**(150,272)**	**32,381**	**1,191**
NON-EXECUTIVE DIRECTORS AND EXECUTIVE WHO CEASED AS KEY MANAGEMENT PERSONNEL						
Peter Bush	**31,500**	**-**	**-**	**(31,500)**	*****	*****
Dr Nora Scheinkestel	**32,826**	**-**	**-**	**(32,826)**	*****	*****
Justin Breheny	**240,277**	**325,000**	**68,750**	**(430,000)**	*****	*****

* These Non-Executive Directors or Executive ceased as KMP during the financial year. Information on shares held is disclosed up to the date of their cessation.

2014						
Brian Schwartz	101,675	-	-	6,076	107,751	105,448
Yasmin Allen	39,011	-	-	2,742	41,753	40,087
Peter Bush	-	-	-	31,500	31,500	-
Alison Deans	15,000	-	-	22,742	37,742	37,742
Hugh Fletcher	74,208	-	-	4,568	78,776	42,215
Raymond Lim	-	-	-	30,000	30,000	30,000
Dr Nora Scheinkestel	-	-	-	32,826	32,826	2,760
Phillip Twyman	57,780	-	-	(9,758)	48,022	45,280
Michael Wilkins	1,549,194	1,030,432	216,190	(747,786)	2,048,030	1,207,840
Duncan Brain[(c)]	87,627	47,060	-	(83,000)	51,687	4,000
Justin Breheny	204,450	647,685	195,250	(807,108)	240,277	-
Andy Cornish	391,234	419,374	102,800	(566,377)	347,031	-
Peter Harmer	20,250	285,600	56,450	-	362,300	-
Nicholas Hawkins	396,644	399,681	85,080	(654,258)	227,147	-
Jacki Johnson	379,193	326,487	10,080	(75,000)	640,760	2,500
Leona Murphy	371,087	359,871	75,040	(512,596)	293,402	114,381

(a) Net movement of shares relates to acquisition and disposal transactions by the KMP and their related parties during the year.

(b) Nominally held shares are included in the column headed total shares held at 30 June and include those held by the KMP's related parties, inclusive of domestic partner, dependants and entities controlled, jointly controlled or significantly influenced by the KMP.

(c) Opening number of shares held represents the balance as at the date of appointment.

II. Movements in total number of convertible preference shares

Philip Twyman acquired 1,100 (2014-957) convertible preference shares during the year, holding a total of 4,115 shares as at 30 June 2015. Justin Breheny held 16 (2014-16) convertible preference shares at the beginning of the financial year and up to the date of cessation as a KMP. No other key management personnel had any interest directly or nominally in convertible preference shares at any time during the financial year (2014-nil).

III. Movements in total number of reset exchangeable securities held

No key management personnel had any interest directly or nominally in reset exchangeable securities of IAG Finance (New Zealand) Limited at any time during the financial year (2014-nil).

IV. Other related party transactions with key management personnel

Justin Breheny was provided with an unsecured loan of $779,672 on 21 March 2014 to assist with tax obligations incurred as a result of his move from Singapore to Australia. One repayment of $146,632 was made in the prior financial year. The remaining balance of the loan at 1 July 2014 was $633,040, and this was also the highest outstanding balance during the reporting period. The loan was an interest free loan and would have accrued an interest charge of $35,742 during the year ended 30 June 2015. On 27 May 2015 the loan was repaid in full.

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

	FOR SECTION 205G OF THE CORPORATIONS ACT 2001	
	Shares held directly [a]	Shares held indirectly [b]
Brian Schwartz	**2,453**	**108,718**
Elizabeth Bryan	**-**	**31,409**
Yasmin Allen	**1,666**	**40,087**
Alison Deans	**-**	**37,742**
Hugh Fletcher	**36,561**	**44,146**
Raymond Lim	**-**	**30,000**
Tom Pockett	**32,096**	**-**
Philip Twyman	**2,742**	**28,530**
Michael Wilkins	**840,190**	**1,207,840**

(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 IAG 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 held 4,115 (2014-3,015) convertible preference shares as at the reporting date. No other Director and their related parties had any interest directly or nominally in convertible preference shares at the reporting date (2014-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 the reporting date (2014-nil).

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 21st day of August 2015 in accordance with a resolution of the Directors.

Michael Wilkins
Director