



Financial results

Full year ended 30 June 2017

Peter Harmer
Managing Director and
Chief Executive Officer

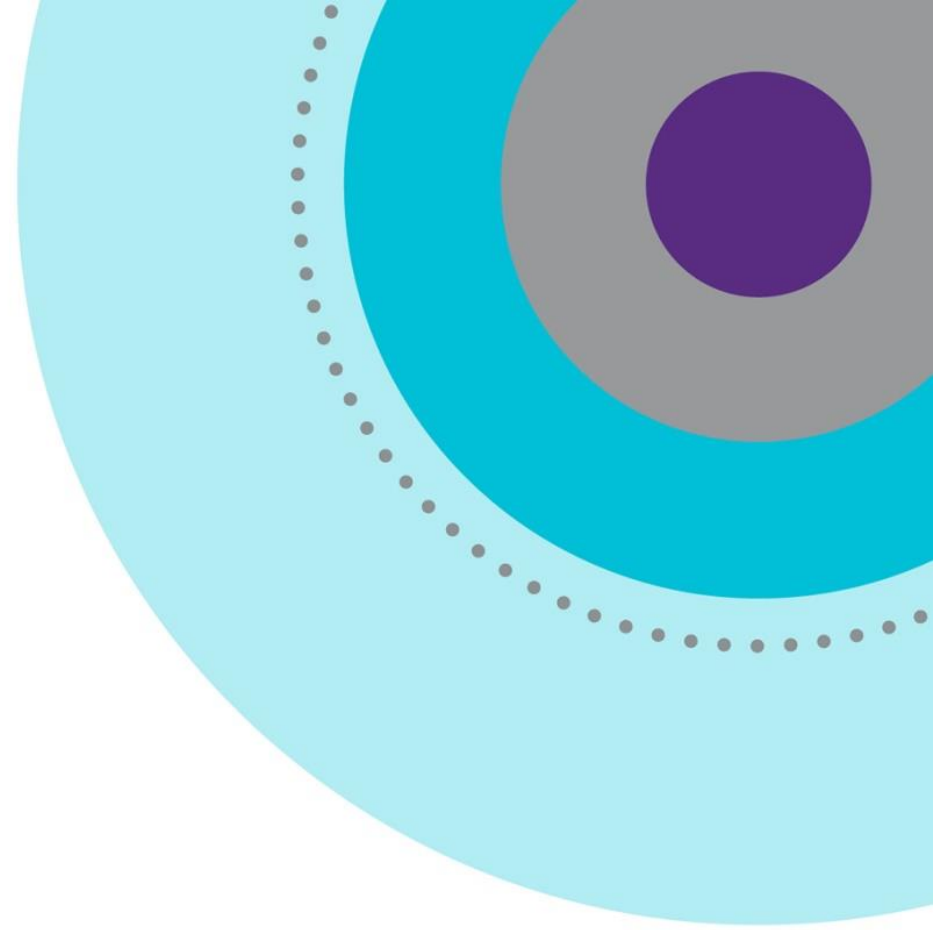
Nick Hawkins
Chief Financial Officer

23 August 2017

Overview

Peter Harmer

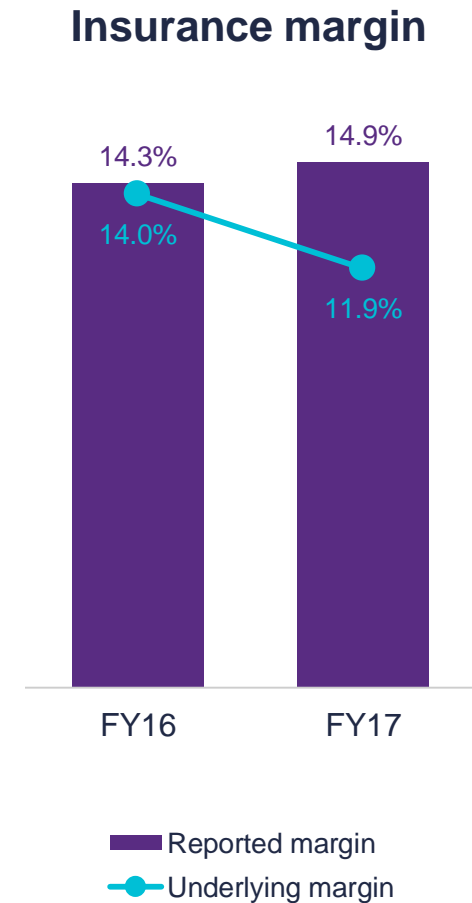
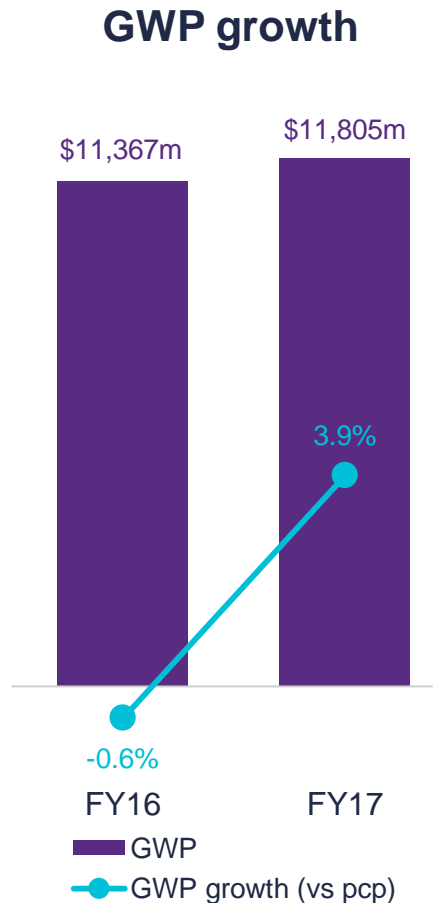
Managing Director and Chief Executive Officer



FY17 highlights

Robust performance in challenging claims environment

- GWP growth of 3.9% in line with guidance (like-for-like 4%+)
- Reported margin of 14.9% – upper end of updated guidance range
- Lower underlying margin of 11.9%
 - Adverse perils allowance effect (70bps)
 - Claims inflation in short tail motor
 - Elevated commercial large losses
- Short tail personal lines generating strong margins
- Further improvement in commercial market conditions, including New Zealand
- Optimisation program progressing to plan – small net negative absorbed in insurance profit
- Strong capital position maintained
- Full year ordinary dividend increased 27% to 33 cents per share – 79% of cash earnings



Strategic priorities

Supported by two themes of Leading and Fuelling



Customer

LEADING



Simplification

FUELLING



Agility

Operational scorecard

Customer, partnering and simplification activities tracking to plan

FY17 activities

FY18 priorities



Customer

- Single enterprise data hub created
- Needs-based Australian customer model implemented
- Enterprise customer journey map (universal to all brands) completed
- Enhanced customer measurement practices

- Extend customer model and customer research to New Zealand and Asia
- Update customer value propositions aligned to customer model
- Accelerate digital transformation



Simplification

- Commenced claims systems consolidation
- Completed refreshed technology strategy and roadmap, including end-to-end digitalisation
- Operational partnering commenced - initial tranches of activities transitioned to Philippines and India
- Consolidation of Australian insurance licences

- Embed single Australia Division operating structure – effective from 19 July 2017
- Complete claims component of systems consolidation
- Continue transition of targeted activities to operational partners
- Embed operational partnering excellence framework



Agility

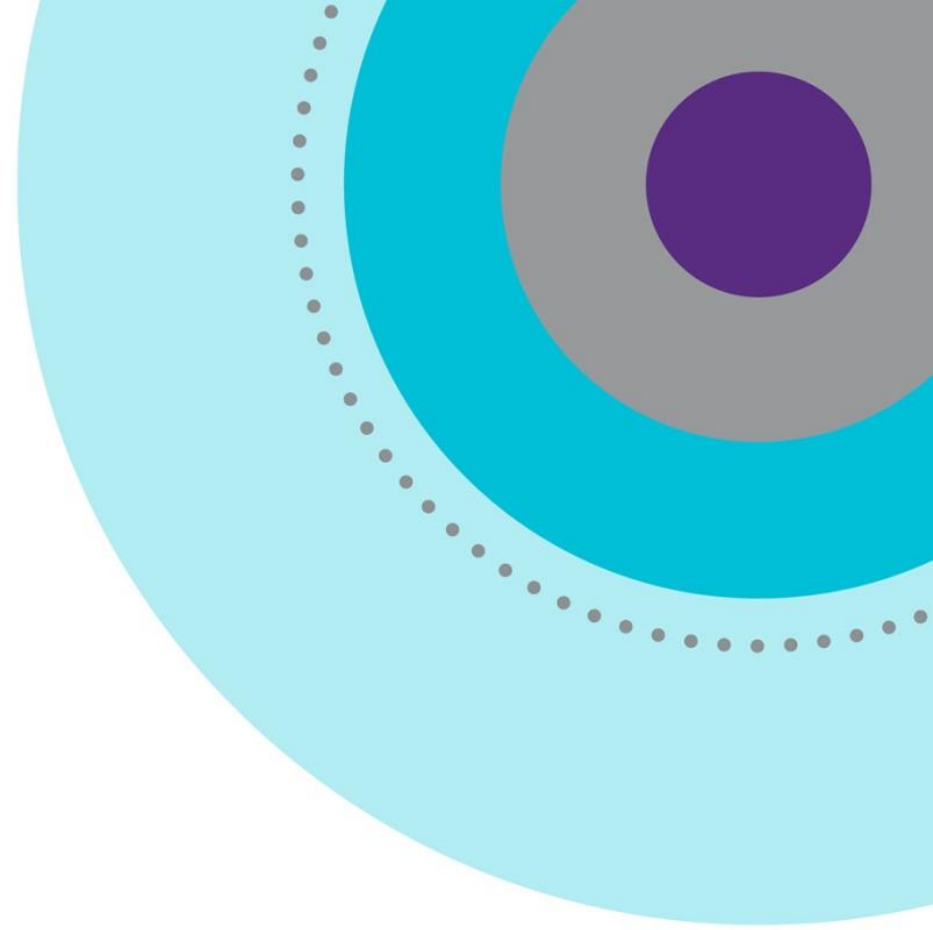
- Established Firemark Labs (Sydney and Singapore) to drive innovation
- New partnerships created and existing ones extended
- Commenced roll-out of Leading@IAG management framework

- Co-creation of new products and services via Firemark Labs – collaboration and investment in future capabilities
- Pursuit of new partnership opportunities
- Establishing a productive and constructive organisation through people development, efficiency and flexibility

Financials

Nick Hawkins

Chief Financial Officer



Financial summary

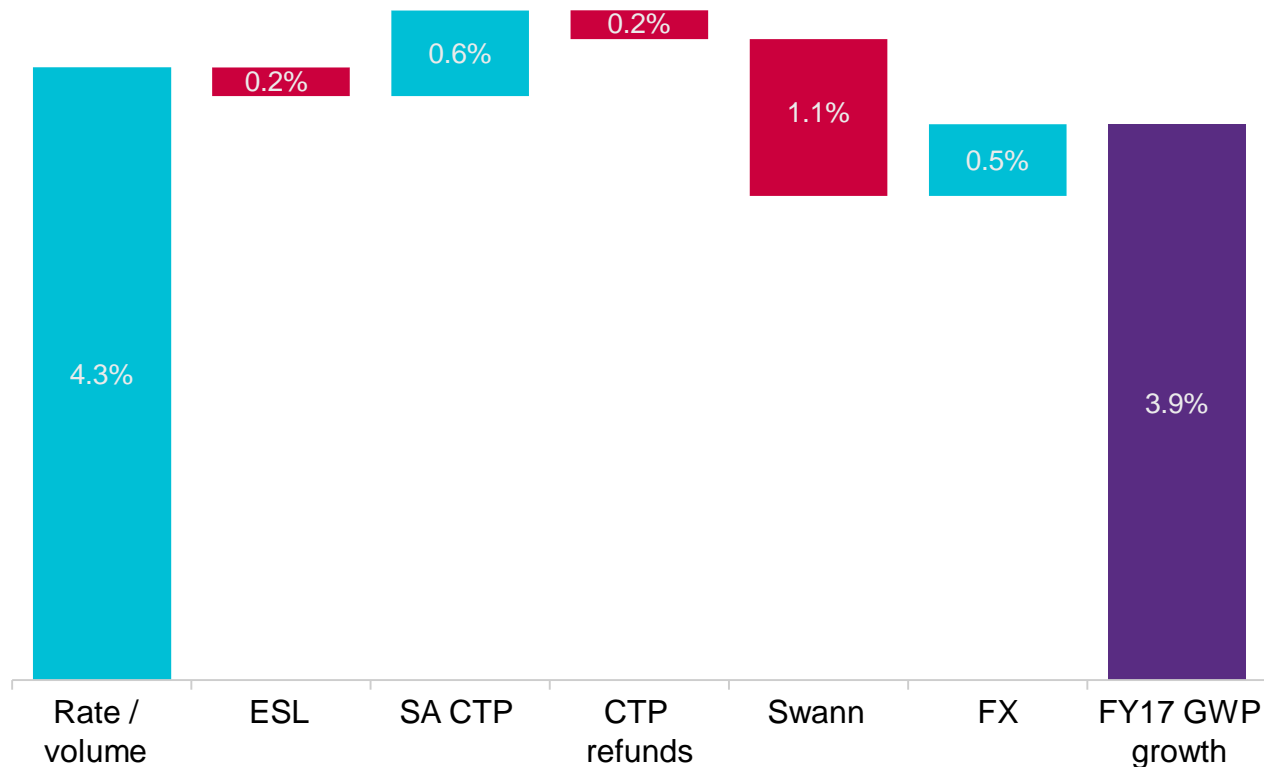
Cash ROE of 15.2%

	FY16	FY17	CHANGE
GWP (\$m)	11,367	11,805	3.9% ▲
Insurance profit (\$m)	1,178	1,258	6.8% ▲
Underlying margin (%)	14.0	11.9	210bps ▼
Reported margin (%)	14.3	14.9	60bps ▲
Shareholders' funds income (\$m)	97	249	156.7% ▲
Income tax expense (\$m)	218	329	50.9% ▲
Net profit after tax (\$m)	625	929	48.6% ▲
Cash EPS (CPS)	35.8	41.6	16.3% ▲
Ordinary dividend (CPS)	26.0	33.0	26.9% ▲
Special dividend (CPS)	10.0	n/a	n/a
Cash ROE (%)	13.0	15.2	220bps ▲
CET1 multiple	1.06	1.09	3bps ▲

GWP growth

Rate-driven growth – like-for-like improvement of over 4%

GWP growth vs FY16



Underlying growth of over 4%

- Rate increases addressing claims inflation, notably motor
- Ongoing rate increase momentum and higher than expected retention in Business
- Improvement in commercial rates in New Zealand in 2H17
- Favourable net FX translation effect

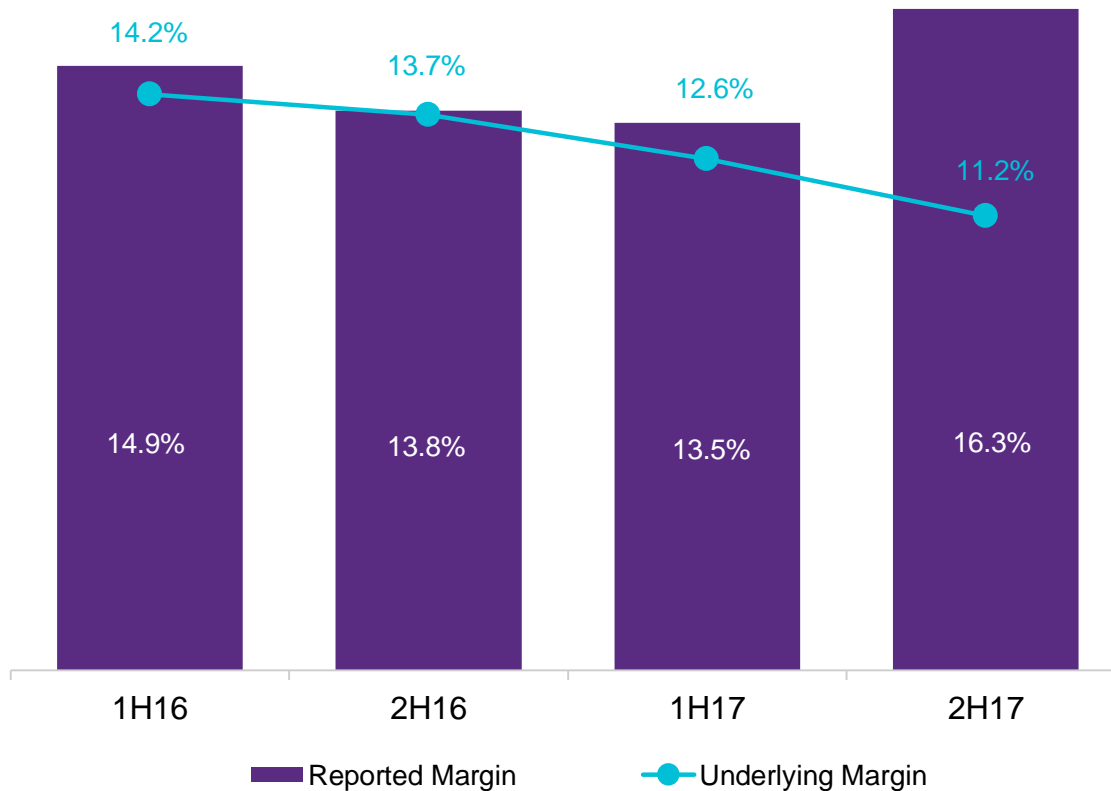
Several one-off effects in FY17

- Entry into South Australia CTP +\$73m
- Adverse ~\$130m impact from divested Swann motor dealership business
- Lower ESL collection of ~\$22m
- Provision for anticipated NSW CTP refunds of ~\$24m

Insurance margin

Underlying margin includes 70bps adverse impact from higher perils allowance

Margin trends – FY16-FY17



Lower underlying margin of 11.9% (FY16: 14.0%)

- 70bps adverse effect of higher perils allowance
- Significantly adverse commercial large loss experience in Australia, particularly in 2H17
- Lower investment income post 2H16 asbestos reinsurance arrangement
- Modest drag from lower margin, high growth Satellite business
- Lagged effect of rate response to short tail motor claims inflation

Higher reported margin of 14.9% (FY16: 14.3%)

- Higher than originally expected reserve releases: 5.4% of NEP
- Favourable credit spread movement
- Peril costs \$142m above allowance

Claims inflation

Adverse commercial large losses, ongoing pressure in short tail motor

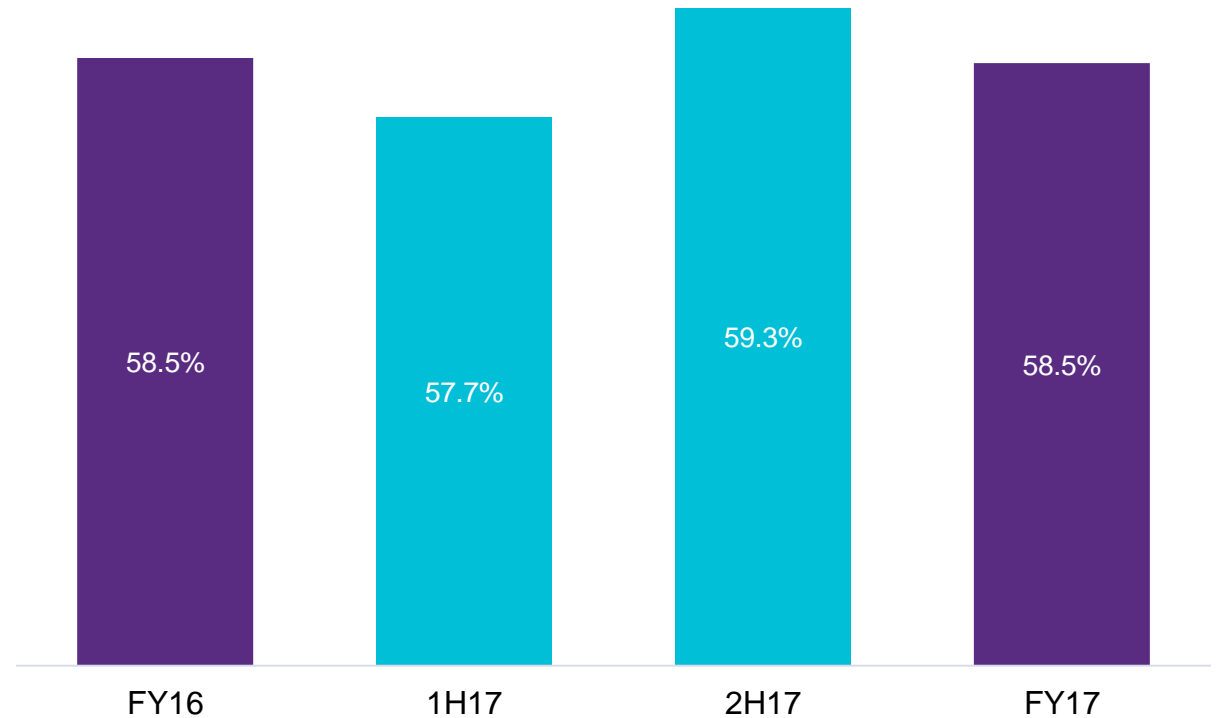
Flat year-on-year underlying claims ratio, masking several adverse outcomes:

- Elevated Australian commercial large loss experience, particularly in 2H17
- Ongoing short tail motor claims inflation in Australia from mixture of factors - met with rate response
- New Zealand experiencing higher frequency and average claim cost size, in motor and home

Countered by positive influences:

- Lower NSW CTP frequency, notably in 2H17
- Realisation of claims handling and supply chain efficiencies
- Remediation benefits in workers' compensation and liability portfolios

Underlying claims ratio* – FY16-FY17

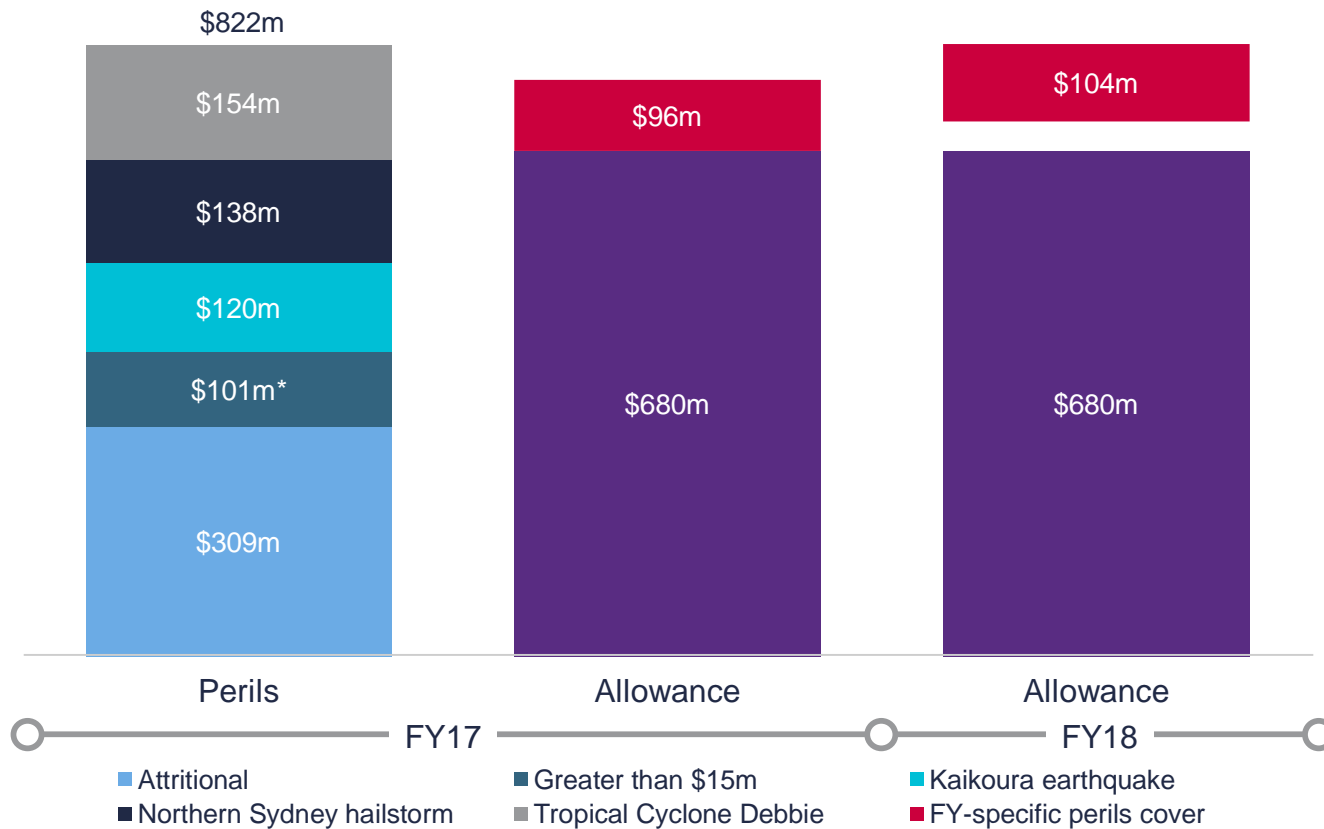


*Excludes reserve releases, natural perils and discount rate adjustments

Natural perils

Strong reinsurance position heading into 1H18

Natural perils experience vs. allowance



FY17 net perils \$142m above allowance

- Three \$100m+ events
- FY17-specific \$96m cover exhausted, \$140m+ protection from 2016/2017 aggregate covers
- Attritional costs c.20% higher than FY16

FY18 allowance maintained at \$680m

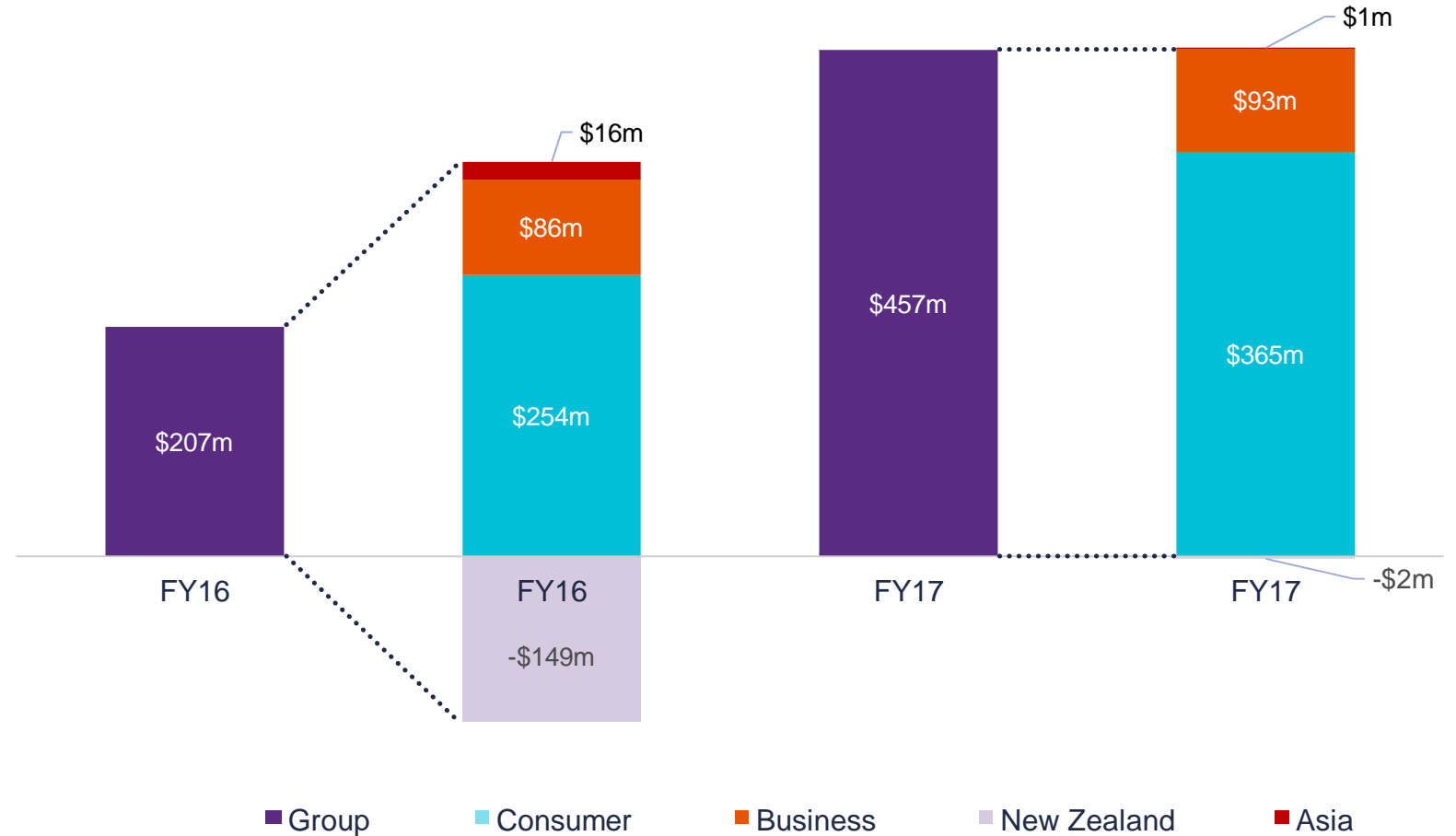
- Takes into account status of 2017 aggregate – ~\$340m of cover available in 1H18
- MER of \$20m at 1 July 2017
- FY18-specific perils cover of \$104m excess \$720m – gap of \$40m above allowance
- Extra \$1bn of gross cover (to \$8bn) purchased for 19 months from 1 June 2017

*Net of \$96m of reinsurance recoveries under FY17 cover

Reserve releases

Higher than originally expected outcome (5.4% of NEP)

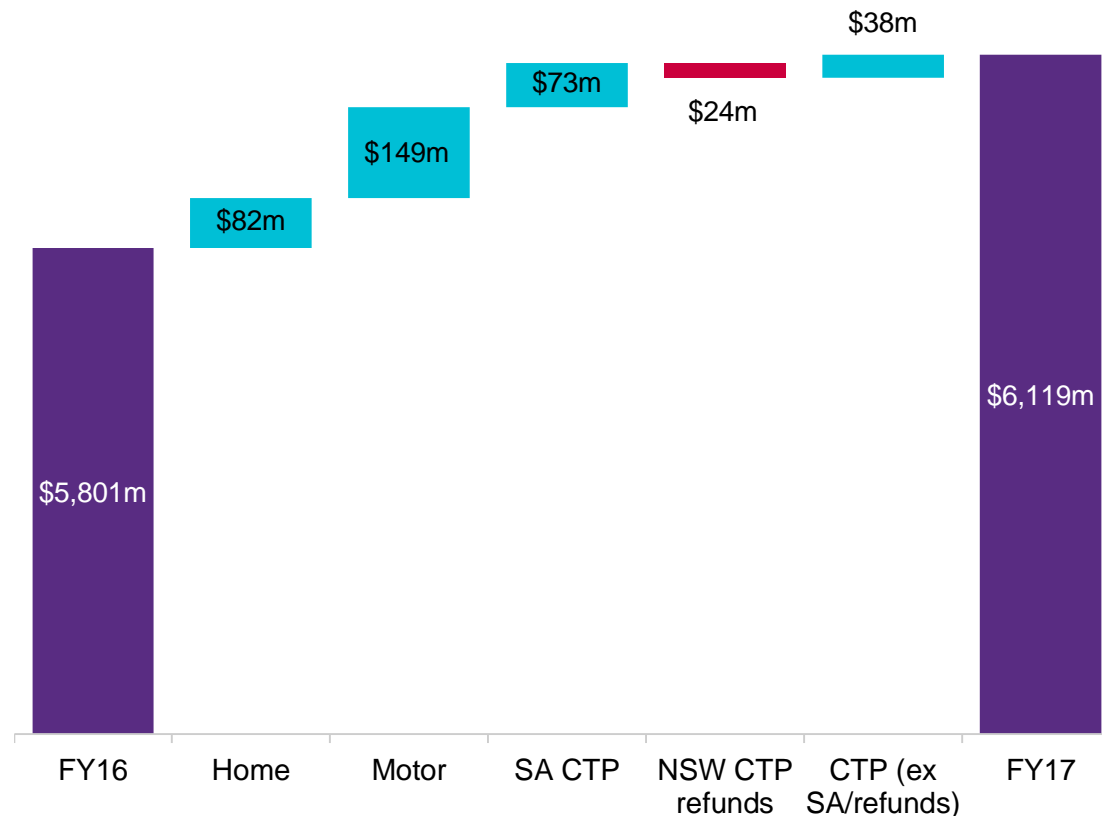
At least 2% expected in FY18



Consumer

Solid growth and lower underlying margin, reflecting claim pressures in motor

Consumer GWP growth



GWP growth of 5.5%

- Largely rate-driven growth of 5.6% in short tail motor, to combat claims inflation
- Home GWP growth of 3.9%
- Initial contribution from South Australian CTP
- Provision for anticipated refunds on NSW CTP policies that overlap with new scheme (1 December 2017)

Lower underlying margin of 13.9%

- Lagged effect of rate increases to address motor claims inflation
- Improved CTP profitability in 2H17 arising from lower small claim frequency
- Stronger growth of lower margin Satellite offering

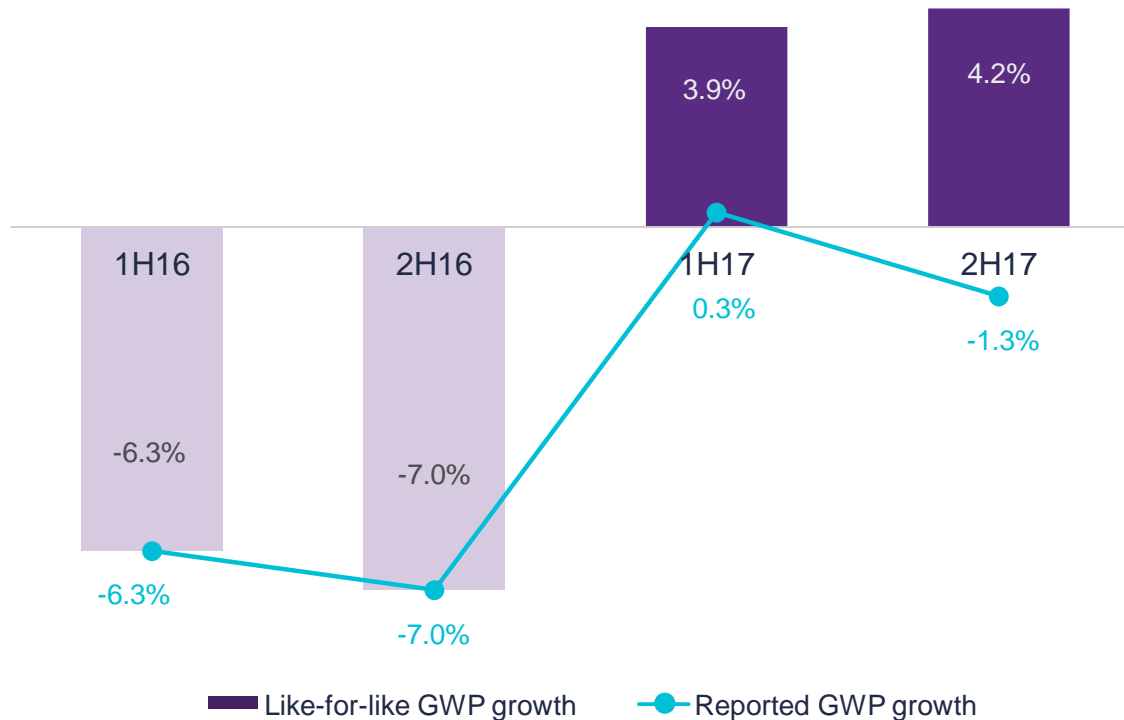
Reported margin of 21.8%

- Higher than expected reserve releases (8.5% of NEP)

Business

Positive rate momentum, while margin impacted by large loss experience

Business GWP growth - underlying vs reported



*Excludes Swann divestment and ESL effects

Like-for-like GWP growth over 4%

- Increased intermediated rate momentum evident
- Retention held up better than expected throughout FY17
- Lower new business opportunities and volumes
- Absence of ~\$130m from Swann divestment

Lower underlying margin of 6.9% (FY16: 9.7%)

- Elevated large losses principally in property, notably in 2H17 – adverse claims ratio impact of ~2.5% vs 2H16 and 1H17
- Earn through of lower GWP from prior periods, particularly in 1H17
- Lower investment income following reduction in technical reserves after completion of asbestos reinsurance arrangement in 2H16

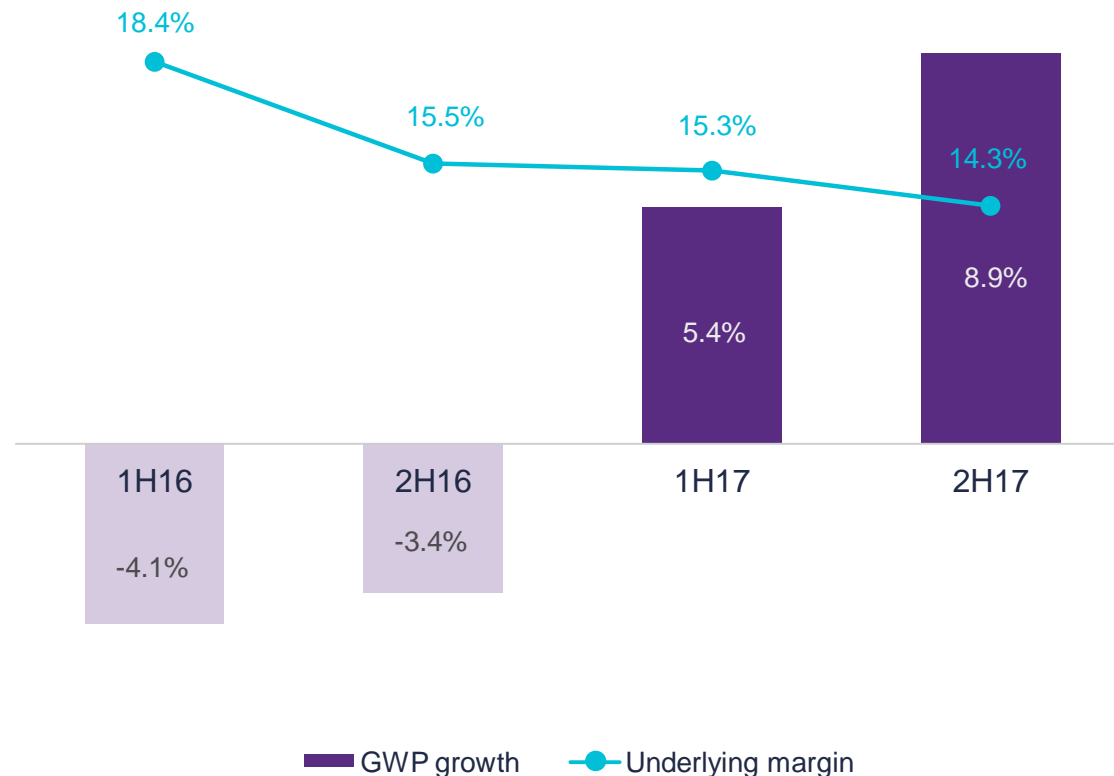
Lower reported margin of 9.2% (FY16: 10.0%)

- Slightly higher reserve releases

New Zealand

Strong underlying performance, despite rising claim pressures

GWP growth / underlying margin



Return to strong GWP growth

- 4.3% local currency growth, plus favourable FX effect
- Strong growth in personal lines from mix of rate and volume, led by motor
- 2H17 rate and volume improvement in commercial lines

Strong underlying margin of 14.8% (FY16: 16.9%)

- Higher working claims experience in motor, home and commercial motor portfolios
- Increase in large commercial losses
- Reduced expenses from disciplined cost management

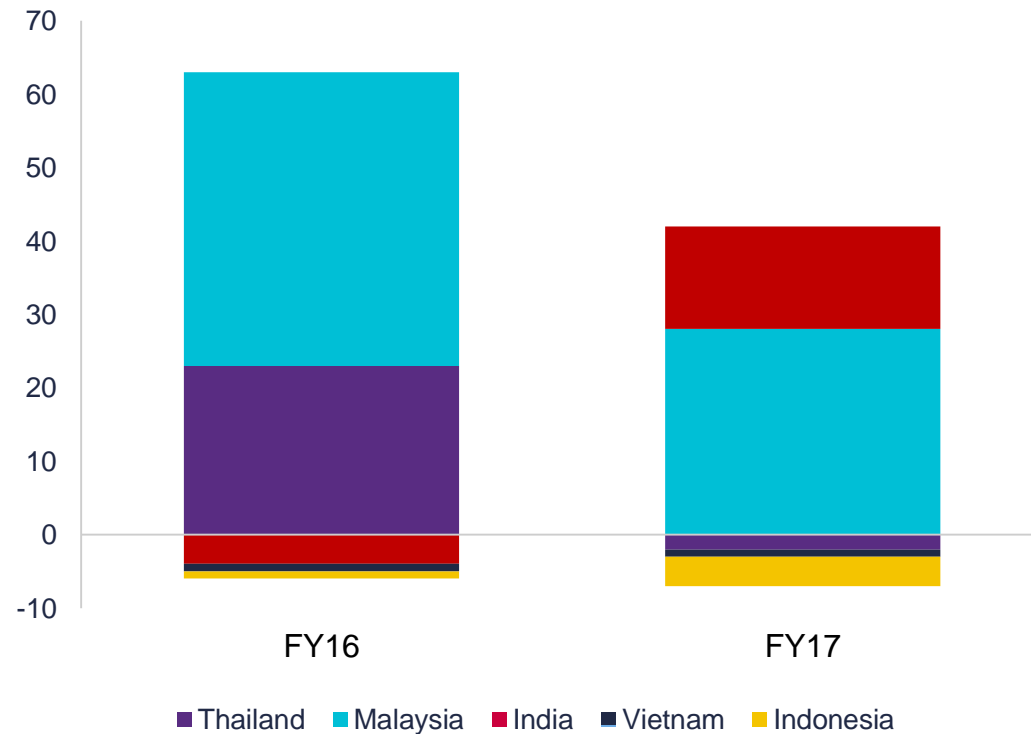
Reported margin of 7.6% after high natural perils

- Kaikoura earthquake in 1H17 (\$120m net cost)
- Sequence of significant events in 2H17

Asia

Lower result from increased competition and higher claim costs in key markets

Earnings contribution by country* (\$m)



*Before regional support and development costs

Lower earnings contribution of \$10m (FY16: \$26m)

- Increased competitive pressures and adverse claim cost trends in Thailand and Malaysia
- Move into profit by India on better risk selection and improved cost management
- Lower regional support and development costs
- Improvement in 2H17 vs 1H17

Relatively flat proportional GWP of \$747m

- Growth of 2.6% in constant currency terms
- Intensified price competition in Thai motor segment
- Lower new car sales and increased competition pre-detariffication in Malaysia
- Continued strong local currency growth of over 28% in India

Regional investment of ~\$800m

- Nearly 80% in Thailand and Malaysia

Optimising our capital mix

Exploring further reinsurance quota share opportunities

**Capital
platform**



Equity



Debt / hybrid



Reinsurance

Two key decisions

- Quantum of capital
- Form of capital (mix)

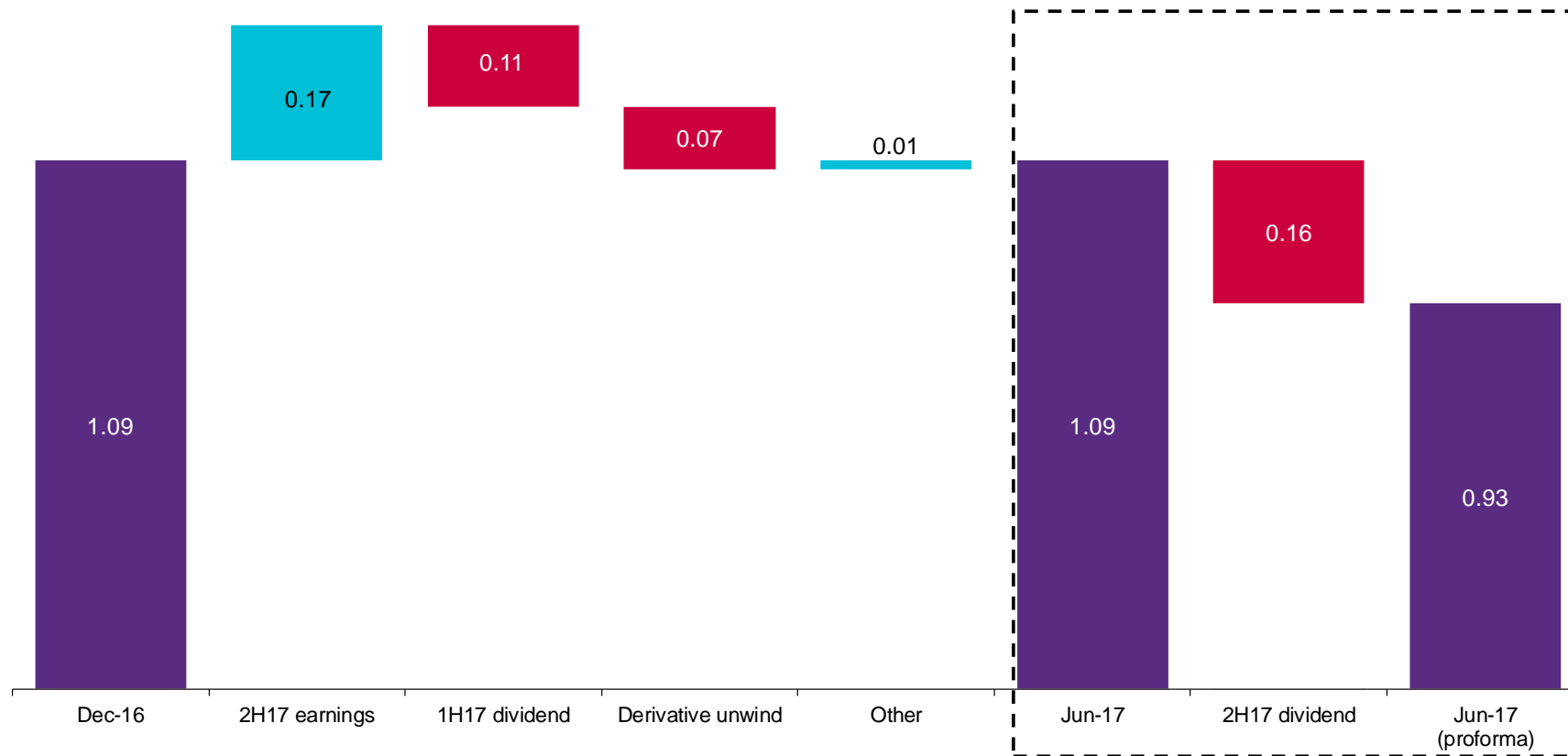
Capital mix trends

- Increased diversification
- Reduced emphasis on equity
- Greater use of reinsurance capital

Capital

Strong capital position maintained

CET1 movement since 31 December 2016



CET1 of 1.09 – upper end of benchmark range (0.9-1.1)

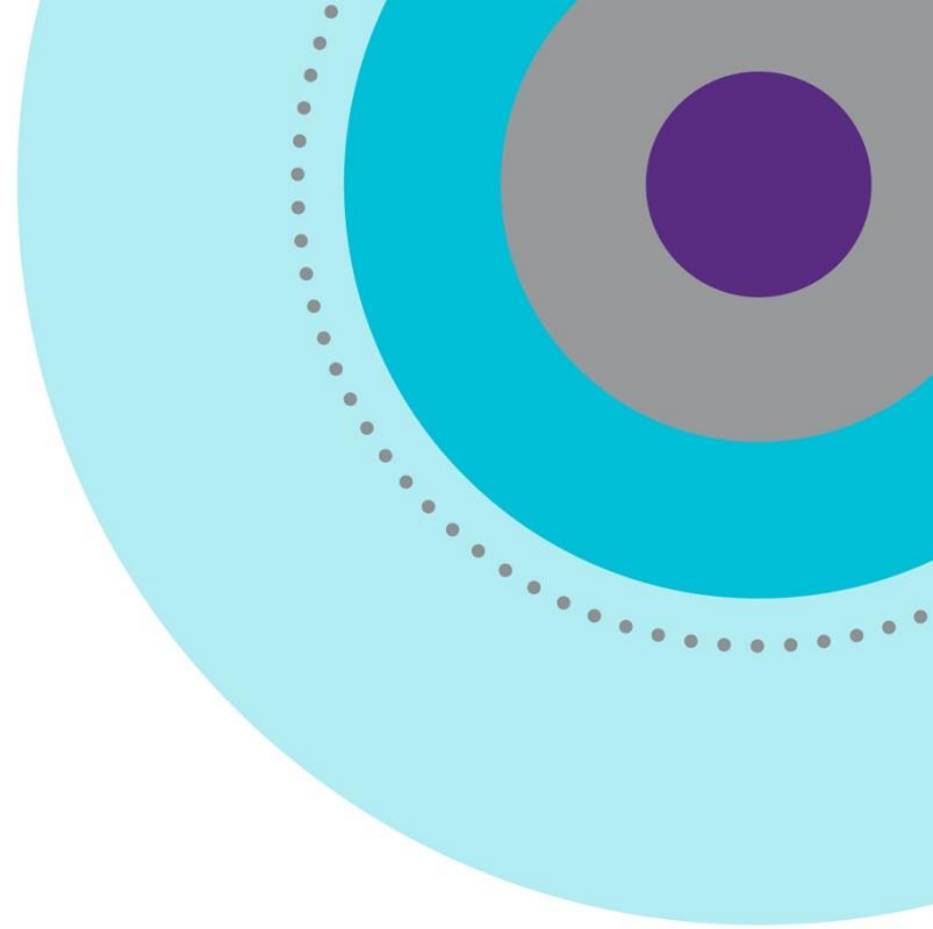
PCA of 1.70 – above benchmark range (1.4-1.6)

Proforma CET1 ratio within benchmark range post final dividend

Outlook

Peter Harmer



Managing Director and Chief Executive Officer



FY18 outlook

Improved underlying performance

FY18 guidance

GWP growth		Low single digit
Reported insurance margin		Range of 12.5-14.5%

Underlying assumptions

- 1** Net losses from natural perils of \$680m
- 2** Reserve releases of at least 2%
- 3** No material movement in foreign exchange rates or investment markets

- GWP growth guidance of 'low single digit'
 - Ongoing rate increases expected in short tail personal lines (notably motor) to counter claims inflation
 - Further positive rate momentum in commercial classes, both in Australia and New Zealand
 - Lower NSW CTP pricing in recognition of greater scheme certainty, post-reform
 - Up to \$60m GWP reduction from Swann – ceasing motorcycle dealer distribution, residue of car dealership divestment effect
- Reported insurance margin guidance of 12.5-14.5%
 - Improved underlying performance
 - Reserve release expectation of 'at least 2%' assumes continuation of presently particularly benign inflationary environment
 - A relatively neutral impact from optimisation program activities

Our value proposition

Delivering strong shareholder returns



Investment case

- Leading player with scale advantage in Australia and New Zealand (low single digit growth)
- Focused Asian growth opportunity – large player in our chosen markets (high single digit growth)
- Digitally-enabled insurer that is customer-led and data-driven
- Innovation in capital management
- Improved efficiencies

Value drivers



Fuelling drivers
(short to medium term)



Leading drivers
(longer term)



Shareholder value

Through-the-cycle targets

- Cash ROE 1.5x WACC
- High dividend (60-80% of cash earnings payout)
- Top quartile TSR
- ~10% compound EPS growth



For ownership details, see www.iag.com.au

We make your world a safer place



Appendix – Group Results

	1H16 A\$m	2H16 A\$m	1H17 A\$m	2H17 A\$m	FY16 A\$m	FY17 A\$m
GROUP RESULTS						
Gross written premium	5,543	5,824	5,802	6,003	11,367	11,805
Gross earned premium	5,734	5,677	5,868	5,824	11,411	11,692
Reinsurance expense	(1,632)	(1,551)	(1,624)	(1,603)	(3,183)	(3,227)
Net earned premium	4,102	4,126	4,244	4,221	8,228	8,465
Net claims expense	(2,589)	(2,808)	(2,625)	(2,638)	(5,397)	(5,263)
Commission expense	(423)	(386)	(416)	(422)	(809)	(838)
Underwriting expense	(654)	(653)	(669)	(678)	(1,307)	(1,347)
Underwriting profit	436	279	534	483	715	1,017
Investment income on technical reserves	174	289	37	204	463	241
Insurance profit	610	568	571	687	1,178	1,258
Net corporate expense	(14)	(207)	(4)	(4)	(221)	(8)
Interest	(51)	(48)	(51)	(42)	(99)	(93)
Profit/(loss) from fee based business	10	(8)	(1)	(33)	2	(34)
Share of profit from associates	8	12	9	12	20	21
Investment income on shareholders' funds	38	59	105	144	97	249
Profit before income tax and amortisation	601	376	629	764	977	1,393
Income tax expense	(67)	(151)	(109)	(220)	(218)	(329)
Profit after income tax (before amortisation)	534	225	520	544	759	1,064
Non-controlling interests	(40)	(37)	(45)	(31)	(77)	(76)
Profit after income tax and non-controlling interests (before amortisation)	494	188	475	513	682	988
Amortisation and impairment	(28)	(29)	(29)	(30)	(57)	(59)
Profit attributable to IAG shareholders	466	159	446	483	625	929



Appendix – Group Ratios and Key Metrics

Insurance Ratios	1H16	2H16	1H17	2H17	FY16	FY17
Loss ratio	63.1%	68.1%	61.9%	62.5%	65.6%	62.2%
Immunised loss ratio	62.7%	65.4%	63.9%	61.6%	64.0%	62.8%
Expense ratio	26.2%	25.2%	25.6%	26.1%	25.7%	25.8%
Commission ratio	10.3%	9.4%	9.8%	10.0%	9.8%	9.9%
Administration ratio	15.9%	15.8%	15.8%	16.1%	15.9%	15.9%
Combined ratio	89.3%	93.3%	87.5%	88.6%	91.3%	88.0%
Immunised combined ratio	88.9%	90.6%	89.5%	87.7%	89.7%	88.6%
Reported insurance margin	14.9%	13.8%	13.5%	16.3%	14.3%	14.9%
Underlying insurance margin	14.2%	13.7%	12.6%	11.2%	14.0%	11.9%
Key Financial Metrics (Total Operations)	1H16	2H16	1H17	2H17	FY16	FY17
Reported ROE (average equity) (% pa)	13.6%	4.7%	13.7%	14.9%	9.3%	14.3%
Cash ROE (average equity) (% pa)	14.7%	10.8%	14.8%	15.8%	13.0%	15.2%
Basic EPS (cents)	19.25	6.55	18.61	20.45	25.79	39.03
Diluted EPS (cents)	18.64	6.55	17.92	19.70	25.34	37.72
Cash EPS (cents)	20.81	14.97	19.98	21.64	35.78	41.60
DPS (cents)	13.00	13.00	13.00	20.00	26.00	33.00
Special DPS (cents)	10.00	n/a	n/a	n/a	10.00	n/a
Probability of adequacy	90%	90%	90%	90%	90%	90%
CET1 multiple	1.23	1.06	1.09	1.09	1.06	1.09

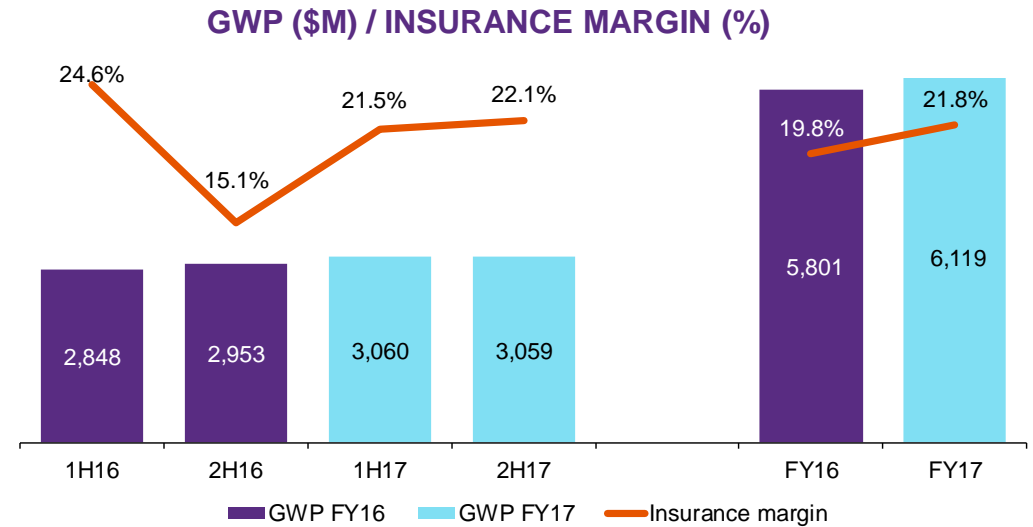
Appendix – Divisional Performance

DIVISION	FY16				FY17			
	GWP		INSURANCE MARGIN		GWP		INSURANCE MARGIN	
	Reported A\$m	Growth %	Reported %	Underlying %	Reported A\$m	Growth %	Reported %	Underlying %
Australia	8,780	(0.3)	16.3	13.7	9,081	3.4	17.5	11.5
<i>Consumer</i>	5,801	3.3	19.8	16.0	6,119	5.5	21.8	13.9
<i>Business</i>	2,979	(6.7)	10.0	9.7	2,962	(0.6)	9.2	6.9
New Zealand	2,182	(3.7)	8.6	16.9	2,339	7.2	7.6	14.8
Asia	386	9.3	nm	nm	366	(5.2)	nm	nm
Corporate & Other	19	nm	nm	nm	19	nm	nm	nm
Total Group	11,367	(0.6)	14.3	14.0	11,805	3.9	14.9	11.9

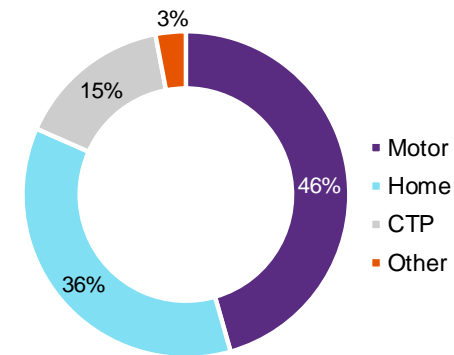
Appendix – Consumer

	1H16	2H16	1H17	2H17	FY16	FY17
	A\$m	A\$m	A\$m	A\$m	A\$m	A\$m
CONSUMER						
Gross written premium	2,848	2,953	3,060	3,059	5,801	6,119
Gross earned premium	2,834	2,852	2,980	3,021	5,686	6,001
Reinsurance expense	(818)	(804)	(837)	(849)	(1,622)	(1,686)
Net earned premium	2,016	2,048	2,143	2,172	4,064	4,315
Net claims expense	(1,221)	(1,530)	(1,269)	(1,371)	(2,751)	(2,640)
Commission expense	(105)	(106)	(114)	(127)	(211)	(241)
Underwriting expense	(276)	(282)	(313)	(305)	(558)	(618)
Underwriting profit	414	130	447	369	544	816
Investment income on technical reserves	81	180	14	111	261	125
Insurance profit	495	310	461	480	805	941

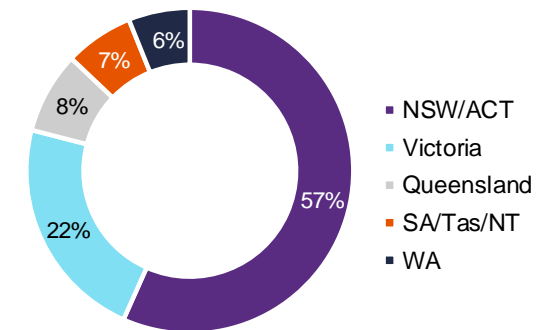
Insurance Ratios	1H16	2H16	1H17	2H17	FY16	FY17
Loss ratio	60.6%	74.7%	59.2%	63.1%	67.7%	61.2%
Immunised loss ratio	60.1%	70.9%	61.8%	61.9%	65.5%	61.9%
Expense ratio	18.9%	19.0%	19.9%	19.8%	18.9%	19.9%
Commission ratio	5.2%	5.2%	5.3%	5.8%	5.2%	5.6%
Administration ratio	13.7%	13.8%	14.6%	14.0%	13.7%	14.3%
Combined ratio	79.5%	93.7%	79.1%	82.9%	86.6%	81.1%
Immunised combined ratio	79.0%	89.9%	81.7%	81.7%	84.4%	81.8%
Reported insurance margin	24.6%	15.1%	21.5%	22.1%	19.8%	21.8%
Underlying insurance margin	15.5%	16.5%	14.1%	13.7%	16.0%	13.9%



FY17 GWP BY CLASS



FY17 GWP BY STATE

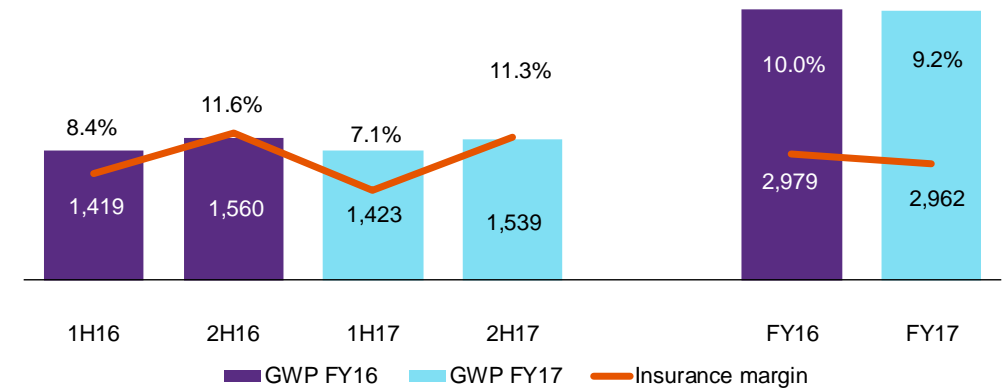


Appendix – Business

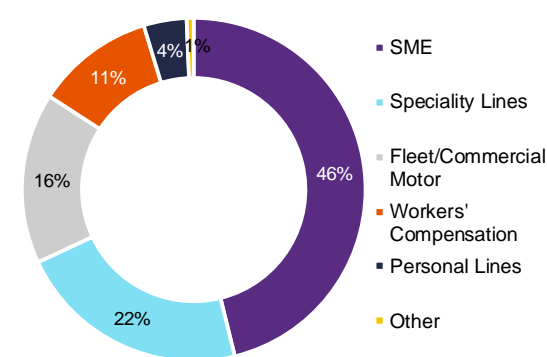
BUSINESS	1H16 A\$m	2H16 A\$m	1H17 A\$m	2H17 A\$m	FY16 A\$m	FY17 A\$m
Gross written premium	1,419	1,560	1,423	1,539	2,979	2,962
Gross earned premium	1,597	1,525	1,550	1,466	3,122	3,016
Reinsurance expense	(413)	(406)	(417)	(376)	(819)	(793)
Net earned premium	1,184	1,119	1,133	1,090	2,303	2,223
Net claims expense	(748)	(719)	(667)	(627)	(1,467)	(1,294)
Commission expense	(185)	(162)	(173)	(168)	(347)	(341)
Underwriting expense	(226)	(222)	(217)	(230)	(448)	(447)
Underwriting profit	25	16	76	65	41	141
Investment income on technical reserves	75	114	5	58	189	63
Insurance profit	100	130	81	123	230	204
Profit/(loss) from fee based business	11	(7)	2	(30)	4	(28)
Share of profit from associates	1	-	-	(1)	1	(1)
Total divisional result	112	123	83	92	235	175

Insurance Ratios	1H16	2H16	1H17	2H17	FY16	FY17
Loss ratio	63.2%	64.3%	58.9%	57.5%	63.7%	58.2%
Immunised loss ratio	61.1%	61.0%	61.7%	56.3%	61.1%	59.1%
Expense ratio	34.7%	34.3%	34.5%	36.5%	34.6%	35.4%
Commission ratio	15.6%	14.5%	15.3%	15.4%	15.1%	15.3%
Administration ratio	19.1%	19.8%	19.2%	21.1%	19.5%	20.1%
Combined ratio	97.9%	98.6%	93.4%	94.0%	98.3%	93.6%
Immunised combined ratio	95.8%	95.3%	96.2%	92.8%	95.7%	94.5%
Reported insurance margin	8.4%	11.6%	7.1%	11.3%	10.0%	9.2%
Underlying insurance margin	10.7%	8.6%	8.8%	4.9%	9.7%	6.9%

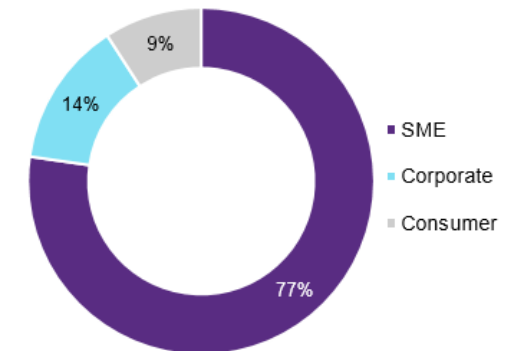
GWP (\$M) / INSURANCE MARGIN (%)



FY17 GWP BY CLASS



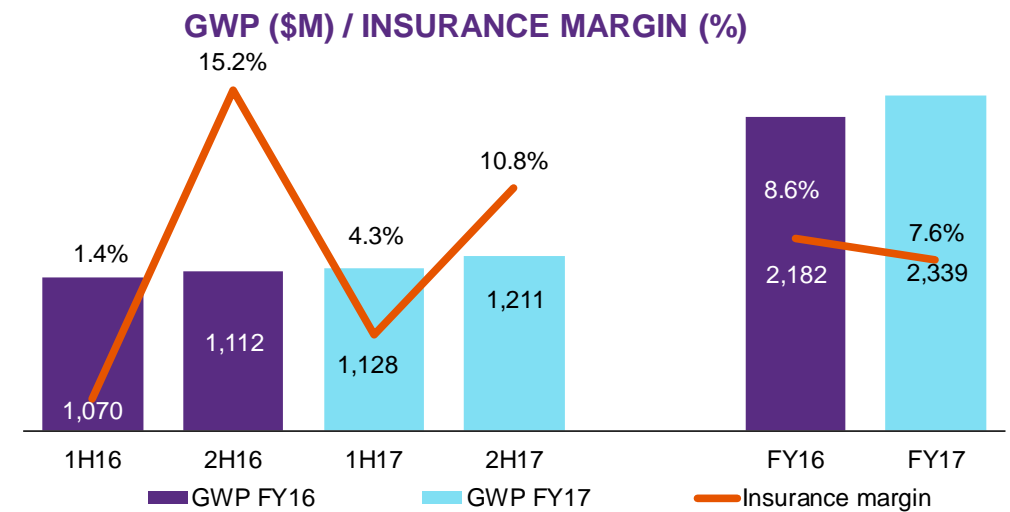
FY17 GWP BY SEGMENT



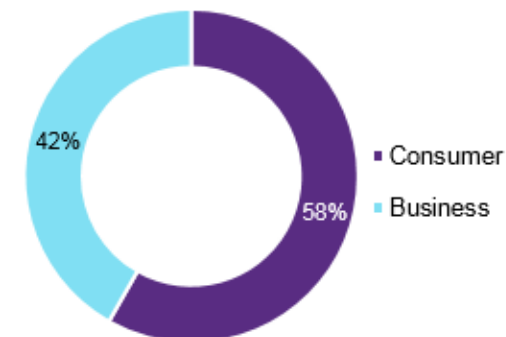
Appendix – New Zealand

NEW ZEALAND	1H16 A\$m	2H16 A\$m	1H17 A\$m	2H17 A\$m	FY16 A\$m	FY17 A\$m
Gross written premium	1,070	1,112	1,128	1,211	2,182	2,339
Gross earned premium	1,101	1,100	1,143	1,144	2,201	2,287
Reinsurance expense	(340)	(283)	(311)	(321)	(623)	(632)
Net earned premium	761	817	832	823	1,578	1,655
Net claims expense	(545)	(472)	(598)	(548)	(1,017)	(1,146)
Commission expense	(96)	(85)	(95)	(94)	(181)	(189)
Underwriting expense	(126)	(126)	(116)	(124)	(252)	(240)
Underwriting profit/(loss)	(6)	134	23	57	128	80
Investment income on technical reserves	17	(10)	13	32	7	45
Insurance profit	11	124	36	89	135	125
Profit from fee based business	1	-	-	-	1	-
Total divisional result	12	124	36	89	136	125

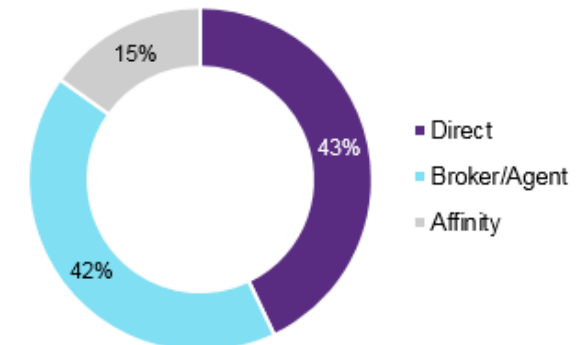
Insurance Ratios	1H16	2H16	1H17	2H17	FY16	FY17
Loss ratio	71.6%	57.8%	71.9%	66.6%	64.4%	69.2%
Immunised loss ratio	73.6%	58.5%	72.0%	66.8%	65.8%	69.4%
Expense ratio	29.2%	25.8%	25.3%	26.5%	27.5%	25.9%
Commission ratio	12.6%	10.4%	11.4%	11.4%	11.5%	11.4%
Administration ratio	16.6%	15.4%	13.9%	15.1%	16.0%	14.5%
Combined ratio	100.8%	83.6%	97.2%	93.1%	91.9%	95.1%
Immunised combined ratio	102.8%	84.3%	97.3%	93.3%	93.3%	95.3%
Reported insurance margin	1.4%	15.2%	4.3%	10.8%	8.6%	7.6%
Underlying insurance margin	18.4%	15.5%	15.3%	14.3%	16.9%	14.8%



FY17 GWP BY CLASS



FY17 GWP BY CHANNEL

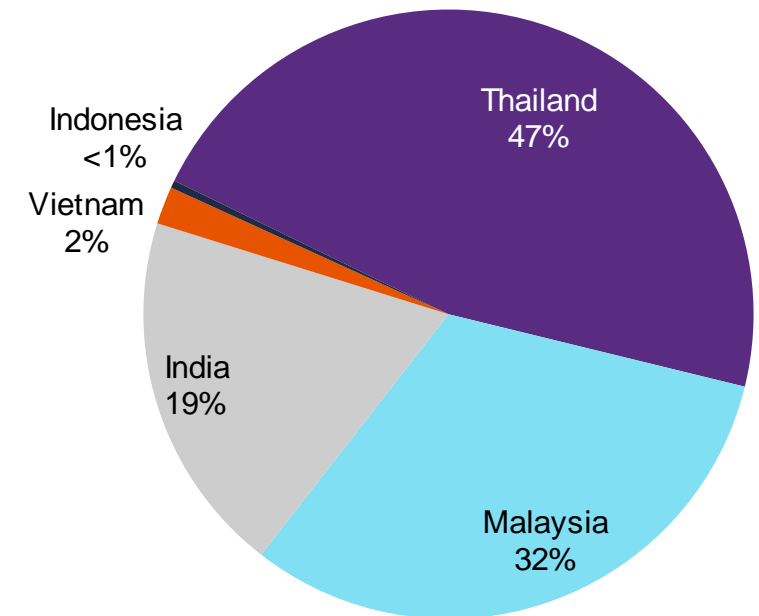


Appendix – Asia

ASIA	1H16 A\$m	2H16 A\$m	1H17 A\$m	2H17 A\$m	FY16 A\$m	FY17 A\$m
Gross written premium	197	189	182	184	386	366
Gross earned premium	193	193	186	185	386	371
Reinsurance expense	(57)	(54)	(53)	(52)	(111)	(105)
Net earned premium	136	139	133	133	275	266
Net claims expense	(75)	(82)	(89)	(92)	(157)	(181)
Commission expense	(35)	(32)	(33)	(31)	(67)	(64)
Underwriting expense	(25)	(24)	(23)	(19)	(49)	(42)
Underwriting profit/(loss)	1	1	(12)	(9)	2	(21)
Investment income on technical reserves	2	3	5	4	5	9
Insurance profit/(loss)	3	4	(7)	(5)	7	(12)
Share of profit from associates	7	12	9	13	19	22
Total divisional result	10	16	2	8	26	10

CONTRIBUTIONS BY COUNTRY	Gross GWP		Proportional GWP		Earnings Contribution	
	FY16 A\$m	FY17 A\$m	FY16 A\$m	FY17 A\$m	FY16 A\$m	FY17 A\$m
Thailand	362	348	362	348	23	(2)
Malaysia	521	484	255	237	40	28
Established markets	883	832	617	585	63	26
India	447	553	116	144	(4)	14
Vietnam	17	15	17	15	(1)	(1)
Indonesia	7	3	7	3	(1)	(4)
Developing markets	471	571	140	162	(6)	9
Total Asian operations	1,354	1,403	757	747	57	35
Support and development costs	n/a	n/a	n/a	n/a	(31)	(25)
Total divisional result	1,354	1,403	757	747	26	10

IAG ASIA GWP FY17 - PROPORTIONAL BASIS



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All references starting with '1H' refer to the six months ended 31 December, being the first half of IAG's financial year. For example, 1H17 refers to the six months ended 31 December 2016. All references starting with '2H' refer to the six months ended 30 June, being the second half of IAG's financial year. For example, 2H17 refers to the six months ended 30 June 2017. All references starting with 'FY' refer to the financial year ended 30 June. For example, FY17 refers to the year ended 30 June 2017.