THE STORY SO FAR

How we performed

FINANCIAL PERFORMANCE – SELECTED HIGHLIGHTS

	Six months ended 31 Dec 2013 $m	Six months ended 31 Dec 2014 $m
Gross written premium	4,786	5,603
Net earned premium	4,320	5,154
Net claims expense	(2,508)	(3,481)
Underwriting profit	671	266
Investment income on technical reserves	87	427
Insurance profit	758	693
Investment income on shareholders' funds	233	137
Net profit attributable to holders of ordinary shares	**642**	**579**

FINANCIAL POSITION

	As at 30 June 2014 $m	As at 31 Dec 2014 $m
Cash and investments	16,396	16,090
Other assets	9,721	10,525
Goodwill and intangibles	3,540	3,595
Total assets	**29,657**	**30,210**
Claims provisions and unearned premium	18,193	18,936
Borrowings and other liabilities	4,670	4,467
Total liabilities	**22,863**	**23,403**
Net assets	**6,794**	**6,807**
Equity attributable to IAG shareholders	6,568	6,583
Non-controlling interests	226	224
Total equity	**6,794**	**6,807**

Key Figures

$5,603m
GROSS WRITTEN PREMIUM ($M)

1H15	5,603
2H14	4,993
1H14	4,786

Increased by 17.1% to $5.6 billion, largely reflecting the first-time inclusion of the former Wesfarmers business.

13.4%
INSURANCE MARGIN (%)

1H15	13.4
2H14	19.0
1H14	17.5

The Group's reported insurance margin of 13.4% was affected by net natural peril claim costs of $421 million, $71 million higher than our allowance and including $165 million for the Brisbane storm in November 2014; and lower prior period reserve releases of $92 million, equivalent to 1.8% of net earned premium (NEP), down from 4.3% in the first half of the 2014 financial year.

$579m
NET PROFIT AFTER TAX ($M)

1H15	579
2H14	591
1H14	642

Compared to the first half of last financial year, net profit after tax decreased by nearly 10% to $579 million.

13.0cps
DIVIDEND (CPS)

1H15	13.0
2H14	26.0
1H14	13.0

Consistent with the last interim dividend of 13.0 cents per share (cps) and equal to a payout ratio of 46.6% of cash earnings. The Group's policy is to pay out 50-70% of cash earnings in any given year. The fully franked dividend will be paid on 1 April 2015, to shareholders registered at 4 March 2015. The Dividend Reinvestment Plan will operate for the interim dividend.

More detail about our results is contained in our 1H15 Investor Report and financial statements, which are available in the **Results and Reports** area of our website at www.iag.com.au

IAG
Insurance Australia Group

AUSTRALIA

NEW ZEALAND

ASIA

USEFUL INFORMATION

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Online Information
To view other information about IAG and to manage your shareholding online, visit www.iag.com.au
You can also register to receive email news alerts when IAG makes important announcements.

100% owned unless indicated
[1] IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is 70% owned by IAG and 30% by RACV. [2] IAG holds a 98.6% beneficial interest in Safety Insurance, based in Thailand, which trades under the Safety and NZI brands. [3] IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmGeneral Holdings Berhad (AmGeneral), which trades under the AmAssurance and Kurnia brands. [4] IAG owns 26% of SBI General Insurance Company, a joint venture with State Bank of India. [5] IAG owns 20% of Bohai Property Insurance Company Ltd, based in China. [6] IAG owns 63.17% of AAA Assurance Corporation, based in Vietnam.

THE STORY SO FAR

In an increasingly competitive environment, our business delivered a sound operating result for the first half of the 2015 financial year.

Our underlying profitability and performance remained strong, shown by an underlying margin of 13.3%, compared to the 13.7% underlying margin we reported in the first half of last financial year

Our reported insurance margin of 13.4% moved from 17.5% in the first half of last financial year, affected by:

- net natural peril claim costs of $421 million, which were $71 million more than the half year allowance and included $165 million for the Brisbane storm in November 2014;
- lower prior period reserve releases of $92 million, equivalent to 1.8% of net earned premium (NEP), compared to 4.3% in the first half of the 2014 financial year; and
- a similar-sized favourable impact from the narrowing of credit spreads, of $40 million.

Our gross written premium (GWP) grew by 17.1% to $5.6 billion, largely reflecting the first-time addition of the former Wesfarmers business. Like-for-like GWP growth was relatively flat, influenced by:

- modest volume growth in personal lines, which was broadly in line with the industry;
- heightened competition in commercial products, in both Australia and New Zealand; and
- the ongoing relative absence of cost pressures, resulting in minimal cause for rate increases.

Insurance profit was $693 million for the half year, compared to $758 million in the prior corresponding period. Investment income on shareholders' funds was $137 million, more than 40% lower than for the same period last year, which saw particularly strong equity market returns. Net profit after tax was nearly 10% lower, at $579 million.

In December 2014, IAG increased its gross claims reserves for the FY11 Canterbury earthquakes in New Zealand by NZ$950 million. These reserves remain within the Group's applicable reinsurance covers. 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.

Our plans to integrate the former Wesfarmers business and implement a new operating model in Australia delivered modest early benefits this half. We are confident we will achieve our targeted pre-tax run rate of $80 million by the conclusion of the 2015 financial year, and a $230 million run rate by the end of the 2016 financial year.

DIVISIONAL RESULTS

- Our largest business, **Personal Insurance**, performed well, growing its GWP by 4.3% to $2,802 million, largely through the first-time addition of business associated with the former Wesfarmers business, including Coles. Like-for-like growth was modest and broadly in line with the industry, and the business delivered a strong underlying margin of 14%.
- **Commercial Insurance** grew GWP by 43.9%, to $1,514 million, reflecting the addition of the former Wesfarmers business. Like-for-like GWP growth was slightly lower as the business maintained underwriting discipline in an increasingly competitive market. Commercial Insurance maintained its double digit underlying margin; its reported margin of 6.6% was affected by natural peril experience.
- Our **New Zealand** business increased GWP by 26.2%, to $1,116 million, after incorporating the local Lumley Insurance business, and with a favourable foreign exchange translation effect. Local currency GWP growth was 22.2% and like-for-like GWP growth was modest.
- **Asia's** overall earnings contribution increased to $17 million (from $7 million in the first half of the last financial year) and on a proportional basis, GWP increased by 4.8%, aided by a return to growth in Thailand, and continued strong growth in India.

DIVIDEND AND CAPITAL

The Group's capital position remains strong, and the Board has declared a fully franked interim dividend of 13 cents per share, to be paid on 1 April 2015 to shareholders registered at 5pm on 4 March 2015.

OUTLOOK

We maintain our reported insurance margin guidance of 13.5-15.5% for the 2015 financial year[1], and expect GWP growth to be at the lower end of our 17-20% guidance range.

BRIAN SCHWARTZ AM, CHAIRMAN

MIKE WILKINS, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Progress towards our Strategic Priorities

OUR STRATEGIC PRIORITIES	HOW WE ARE PROGRESSING
Maintain market leading position in personal and commercial insurance in Australia and New Zealand	– IAG is the market leader in personal insurance in Australia and New Zealand. Acquiring the former Wesfarmers business delivered market leadership in commercial insurance in Australia and cemented our existing leadership position in New Zealand. We are continuing to work to embed and maintain this position, while maintaining underwriting discipline.
Drive customer-centricity	– Customer expectations and behaviours continue to evolve, particularly as technology creates more opportunities for them to interact with us. – We are undertaking significant work to ensure a sharper focus on activities that directly affect the customer experience, allowing our businesses to lead in delivering superior value. – Personal Insurance provides customers with a comprehensive digital sales and service offering, including an online self service centre and an integrated digital multi-channel platform, which allows access to various services across all devices. – Commercial Insurance's focus on partnerships and service is translating into improved partner relationships and service levels, as reflected in a significant improvement in the CGU brand's net promoter score amongst brokers. CGU also won 'Australia's Best Customer Experience Company' at the recent Best Customer Experience 2014 awards.
Embed shared value strategy and create alignment across IAG	– We continue to explore and invest in new initiatives to help the communities in which we operate feel safer, stronger and more confident. – We have taken a leading role in contributing towards improved safety on the road and in the home, and in enhancing the resilience of small-to-medium sized businesses. – We also continue to help protect customers and make communities safer through our participation in the Australian Business Roundtable for Disaster Resilience & Safer Communities.
Secure and grow our business in Asia	– Our business in Asia is now accelerating operational development and enhancing risk management and governance. – We have increased capability in the region to ensure we realise the potential of the broader Asian platform over the medium to longer term. – IAG now participates in a gross regional annualised GWP pool in excess of $1.5 billion.
Explore long term growth opportunities	– We continue to explore long term growth opportunities, including solutions to improve insurance affordability and ways to commercialise our expertise in the identification and management of risk.

LEADING WITH PURPOSE

IAG's purpose is to help make your world a safer place.

This means that whether you are a customer, partner, employee, shareholder or part of the communities IAG serves across Australia, New Zealand or Asia, we exist to 'help make your world a safer place'.

Since 1851, our businesses have helped people recover from natural disasters, accidents and loss. Increasingly, we see our role extending beyond paying claims to risk awareness and helping communities reduce and prevent risk.

We believe satisfied customers, more resilient communities and the passion of our people and partners are at the heart of superior performance.

We are committed to rewarding and recognising our people for their hard work and will give them great career and development opportunities in a safe, fair, flexible and inclusive work environment.

We believe it is our responsibility as an industry leader to use our influence and role as a major investor, purchaser and employer for the good of everyone. We will balance competing demands, using our purpose to guide us in making the right decisions.

Our refined purpose will enable us to become a more sustainable business over the long term, and deliver stronger and more consistent returns for shareholders.

[1] The assumptions underlying our reported insurance margin guideline include:
- Net losses from natural perils in line with allowance of $700 million;
- Prior period reserve releases equivalent to around 2% of NEP; and
- No material movement in foreign exchange rates or investment markets in the second half of the financial year.