



THE NEXT STEPS

OUR STORY



CONTENTS

OUR FIVE KEY PRINCIPLES	2	PERFORMANCE HIGHLIGHTS	10	EXECUTIVE TEAM	17
CHAIRMAN'S REVIEW	4	AUSTRALIA DIRECT	12	DIRECTOR AND EXECUTIVE	
CHIEF EXECUTIVE OFFICER'S REVIEW	5	AUSTRALIA INTERMEDIATED	13	REMUNERATION	18
OUR PORTFOLIO	6	NEW ZEALAND	14	FIVE YEAR FINANCIAL SUMMARY	20
CHIEF FINANCIAL OFFICER'S REVIEW	7	ASIA	14	SHAREHOLDER INFORMATION	21
SUSTAINABLE OPERATIONS	8	UNITED KINGDOM	15	KEY DATES	21
CHIEF STRATEGY OFFICER'S REVIEW	9	THE BOARD	16	GLOSSARY	21

ABOUT THIS REVIEW

This annual review contains a summary of the 2012 financial year performance of Insurance Australia Group Limited (IAG, or the Group). More detailed financial information is contained in IAG's 2012 annual report, which can be viewed online at www.iag.com.au/results.

To obtain a printed copy of the annual report, please contact the share registry at the address shown on page 21. Detailed information about IAG's business sustainability performance is available online at www.iag.com.au/sustainable. All figures in this review are in Australian currency unless otherwise stated.

GROSS WRITTEN PREMIUM (\$M)

\$8,992M



INSURANCE PROFIT (\$M)

\$832M



INSURANCE MARGIN (%)

10.6%



CASH EARNINGS (\$M)

\$583M



TOTAL DIVIDENDS (CPS)

17CPS



COMMUNITY INVESTMENT (\$M)

\$9.7M



ACCELERATE GROWTH IN AUSTRALIA AND NEW ZEALAND



This year, Australia Direct continued to perform strongly, growing revenue by 10.5% as a result of rate increases to recover higher natural peril and reinsurance costs, as well as volume growth, notably in comprehensive motor.

CGU achieved strong Gross Written Premium (GWP) growth of 12.0%, primarily through rate increases and recent business acquisitions.

A new customer-focused operating model, 'One CGU', was launched in March 2012. It will accelerate the performance of the business by increasing efficiency and improving customer service.

We acquired the AMI insurance business in New Zealand, enhancing our position as New Zealand's leading insurer. IAG's market share for direct home and contents now stands at approximately 55% and for direct motor is approximately 60%.

READ MORE: PAGES 10-14.



BOOST OUR ASIAN FOOTPRINT – 10% OF GROUP GWP BY 2016



We have made good progress towards boosting our Asian footprint, with acquisitive and organic growth, having finalised a 20% strategic investment in Bohai Property Insurance in China and a 30% strategic interest in AAA Assurance in Vietnam. We are also expanding our presence in Malaysia where our joint venture business, AmG, has entered agreements to acquire Kurnia Insurans Berhad (Malaysia); and our joint venture business in India, SBI General, continues to grow rapidly.

READ MORE: PAGES 10–11 AND 14–15.



THE STEPS WE HAVE TAKEN in our three strategic priorities have helped us achieve profitable growth and stronger returns for our shareholders, solutions for our customers and opportunities for our people. With our iconic brands and passionate people, we are ready to take the next steps towards our ambition to be the world's most respected group of general insurance companies.

RESTORE PROFITABILITY IN THE UNITED KINGDOM



The performance of the UK business continued to improve in financial year 2012, as the extensive programme of remedial actions began to show benefits in all areas.

READ MORE: PAGES 10–11 AND 15.



INNOVATIVE
AND ONE
STEP AHEAD



We're determined to keep moving and be one step ahead of our competitors. That's why we are the only insurer in Australia to fund our own Research Centre to better understand variables that influence claim costs.

For example, we regularly conduct bumper tests, so we can estimate the likely rear and front end vehicle damage from the high-frequency, low-speed collisions that make up a material proportion of our claims expense. The testing gives us unique pricing insights for certain vehicles based on the design and material used. More broadly, we have used our insight to influence car manufacturers in their design of bumpers and other parts.



We're not just good at insurance – we're good at business – as shown by the discipline and patience behind the years of work that have built our Asian portfolio, creating a platform for future growth and profitability for IAG.

Behind each market entry there has been a structured process, from initial market identification, through to partner selection and acquisitions, to capability transfer and consolidation.

Since we began to expand our Asian portfolio in 2006, we have examined 80 opportunities but only concluded five deals, ensuring we make sound investments and select quality joint venture partners.

DISCIPLINED
BUSINESS
LEADERS



PASSIONATE
ABOUT OUR
CUSTOMERS

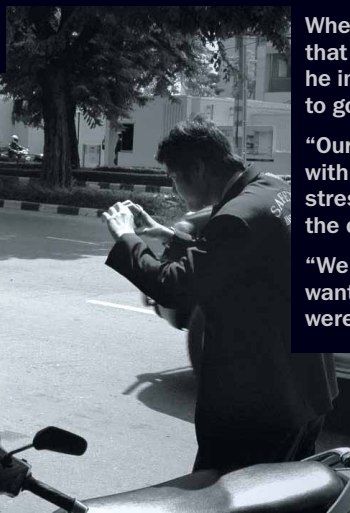


At every interaction we demonstrate our passion for our customers. This was shown after the Christmas Day hailstorm in Melbourne when many of our people gave up their holidays to support our customers who lodged 24,000 claims following the event. One of those who helped was Andrew Scarlis from the NRMA office in Parramatta, Sydney.

When he received a message advising that a major hailstorm had hit Victoria, he immediately left his family and friends to go to work.

"Our National Call Centre was inundated with calls for help and customers were very stressed and anxious and wanted to get the claim process started," Andrew said.

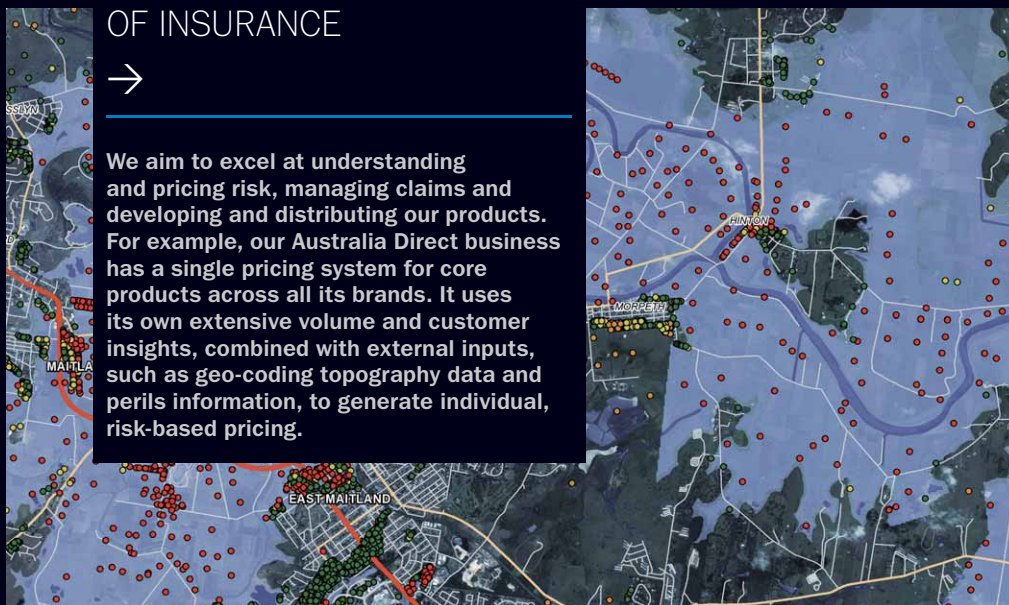
"We were the first point of call and we wanted to make people feel that we were there providing our support."



EXPERTS IN THE
FUNDAMENTALS
OF INSURANCE



We aim to excel at understanding and pricing risk, managing claims and developing and distributing our products. For example, our Australia Direct business has a single pricing system for core products across all its brands. It uses its own extensive volume and customer insights, combined with external inputs, such as geo-coding topography data and perils information, to generate individual, risk-based pricing.



WHAT WE STAND FOR: As a leading general insurer, our purpose is to help people manage risk and recover from the hardship of unexpected loss. We have a proud history of helping our customers in times of need. We insure around 7.7 million cars, 2.9 million homes and 398,000 businesses and deliver a world-class experience built from trusted local brands.

At IAG, our definition of a sustainable business is one which delivers for our shareholders, customers, people and the community by taking a balanced approach. This year, we brought together a range of stakeholders at our inaugural Risk Matters Summit to help us agree a new long term programme of initiatives aimed at reducing risk in the home, on the road, in business and in the natural environment.

SUSTAINABLE,
SO WE'RE HERE
FOR THE LONG TERM



In March 2012, Amanda Dunn's home was one of many in the NSW town of Wagga Wagga to be inundated by rising waters. The town was declared a disaster zone as almost 9,000 people were forced from their homes due to the worst flooding in 160 years following the highest rainfall on record. As a customer of NRMA Insurance, when Amanda and her family were forced to drier ground, NRMA Insurance's emergency assistance provided much needed immediate support in their plight. Read more of their story in the 2012 sustainability report.



CHAIRMAN'S REVIEW

It has been immensely rewarding to see how the steps we have taken this year are creating value for our shareholders, customers, employees and the communities in which we operate. This year we have delivered a result in line with our guidance, despite the headwinds presented by continued extreme weather events and volatile investment markets.

Group revenue for the year, measured as gross written premium (GWP), increased 11.7% to almost \$9 billion and our insurance margin improved to 10.6% compared with 9.1% in the prior year.

The Group's reported net profit after tax declined to \$207 million, as a result of the decision to write off all goodwill and intangibles associated with the UK business as at 30 June 2012.

A true indication of how our business has performed year on year is cash earnings, and for the 2012 financial year, our cash earnings increased 17.5% to \$583 million.

The performance of our individual businesses is described in more detail in the Chief Executive Officer's Review on the next page and on pages 10–15 of this annual review.

FOCUS ON STRATEGY

For the Group as a whole, the year was characterised by an absolute focus on our strategy – by the Board, by management, and people working at all levels of IAG.

We continued to enhance our position in Australia and New Zealand, by delivering a world-class service from trusted local brands.

We also see a significant opportunity for growth close to home, in Asia.

The Asian Development Bank has estimated that by 2030, Asia's annual consumption will reach \$32 trillion – almost half of all global consumption. As a result, Asia's middle class population will double, as will their asset ownership and the need to protect those assets through insurance in a region where insurance penetration is low.

Our presence in five of our six targeted markets in Asia means we are well placed to take advantage of this potential. Already, our businesses in Thailand and Malaysia are delivering strong returns.

In the UK, we have made good progress against our remediation programme, and management has initiated a strategic review to determine how best to maximise shareholder value. The outcome of the review is expected to be announced before the end of this calendar year.

We continued to focus on our people, with leadership programmes and succession planning to ensure we have the leaders we need to help us deliver our strategy.

TAKING A LEADERSHIP ROLE

During the year, the Group contributed more broadly to public debate shaping the regulatory landscape in Australia, New Zealand and some of the Asian markets in which we operate. Issues on which we engaged include the role of insurance and mitigation in dealing with natural peril events in Australia; management of the aftermath of earthquakes in New Zealand; and new capital requirements in both these countries.

THE BOARD

During the year, the Board worked closely with management to oversee the implementation of the Group's strategy, and also considered the issue of board renewal, assessing the optimum mix of directors and skills required to continue to support the strategy.

I thank all my fellow Directors for the counsel and insight they provided throughout the year. Additional information about our Directors and the work carried out by the Board this year is set out in the Directors' Report within the 2012 annual report.

DIVIDENDS

In line with our Group policy to pay dividends equivalent to approximately 50–70% of reported cash earnings, the Board has determined to pay a fully franked final dividend of 12 cents per share (cps) on 3 October 2012, resulting in an increased full year payout of 17 cps. The Dividend Reinvestment Plan will operate for the final dividend.

**BRIAN SCHWARTZ (LEFT)
AND MIKE WILKINS**

CASH EARNINGS PER SHARE (CPS)

2012	28.2
2011	24.0
2010	18.5

CASH RETURN ON EQUITY (%)

2012	13.3
2011	11.1
2010	8.3

CAPITAL STRENGTH

Our capital position remained above our long term benchmark of 1.45 to 1.5 times the amount of capital required by our regulator, the Australian Prudential Regulation Authority (APRA). At 30 June 2012, we held capital equivalent to 1.74 times the minimum requirement.

We have maintained this sound position despite over \$400 million of acquisitions completed during the financial year.

OUTLOOK

This year's result demonstrates the effectiveness of our current management team, guided by our Managing Director and Chief Executive Officer, Mike Wilkins, in rebuilding a solid foundation from which we can pursue profitable growth.

We are well positioned to take the next steps to achieve our strategy, and we believe our success will be reflected in continued improvement in our performance in the 2013 financial year.

BRIAN SCHWARTZ
CHAIRMAN



CHIEF EXECUTIVE OFFICER'S REVIEW

Last year, I set out the next phase of our strategy: to accelerate profitable growth in Australia and New Zealand, return the UK business to profitability, and boost our Asian footprint. I'm pleased to report we are delivering on all fronts. We have taken clear steps to deliver on our strategy and are building for the future, developing our Asian franchise and securing our position in our home territories of Australia and New Zealand.

Our GWP grew by 11.7% to nearly \$9 billion, up from \$8.1 billion last year and exceeded our guidance for GWP growth of 8–10%. The result reflects the increase in premiums needed to recover the increased costs of natural perils, including significantly higher reinsurance costs, as well as volume growth in some of our key portfolios.

Our insurance profit increased by 26.1% to \$832 million, compared with \$660 million last year. This translates into an improved insurance margin of 10.6%, up from 9.1% last year, in line with our guidance of 10–12%.

DEALING WITH NATURAL PERILS

In the first half of the year, we faced Christmas Day hailstorms in Melbourne and extreme floods in Thailand.

These events, following an unprecedented number of natural disasters in 2011, continued to test and challenge our industry and our business. Our ability to perform strongly against this backdrop makes me optimistic about the Group's future, and even more so about the insurance industry's place within the community.

The way we rise to meet the challenges presented by these events and support our customers makes me proud of our people and our organisation.

ACCELERATING PROFITABLE GROWTH IN AUSTRALIA AND NEW ZEALAND

It is this passion for customers that helped our businesses in Australia and New Zealand accelerate growth this year.

Australia Direct, our largest business, increased its GWP by 10.5% and achieved a strong insurance margin of 14.3%. It grew its customer base, and the number of policies it issued, by keeping its customers at the centre of everything it does – from pricing, distribution and product development, to the moment of truth at claims time.

Our Australia Intermediated business, CGU, recorded GWP growth of 12.0% and increased its insurance margin to 10.8%. CGU is moving to a new customer-focused operating model with common approaches to account management, underwriting and claims, making it easier for brokers, agents and partners to access our people's knowledge and expertise.

In New Zealand, our business improved its financial performance after the earthquakes of the prior year, achieving an insurance margin of 10.4%, up from 0.4% last year. This year, we further enhanced our position as the country's leading insurer by acquiring AML, one of New Zealand's most iconic brands, with a proud heritage and strong customer loyalty and retention rates. The transaction takes our overall market share in New Zealand to over 40% and our direct motor market share to around 60%.

RETURNING THE UK BUSINESS TO PROFITABILITY

We made progress towards returning the UK business to profitability this year, enabling us to consider our longer term plans for the business, and the best way to maximise shareholder value.

In light of the challenging economic and industry conditions we continue to see in the local market, we reviewed the carrying value of our UK business, and identified a \$297 million writedown of all goodwill and intangible assets as at 30 June 2012. As a result, the Group's reported net profit after tax declined to \$207 million, from \$250 million in the 2011 financial year.

In May 2012 we initiated a strategic review of our UK operations with potential outcomes including a continuing focus on improving the business' performance within the current operating model; refining the business' strategy to a more focused specialist motor offering; and a sale of all or part of the business. We will announce the outcome of the review before the end of this calendar year.

BOOSTING OUR ASIAN FOOTPRINT

Over the past few years, we have quietly gone about our Asian strategy and are now getting real traction. This year, we acquired a 20% strategic interest in Chinese insurer, Bohai Property Insurance, and a 30% strategic interest in Vietnamese insurer, AAA Assurance. We are also expanding our Malaysian operations with our joint venture business, AmG, announcing the acquisition of Kurnia, which will make it the country's leading general and motor insurer.

We are entering an exciting phase of our Asian ambitions as we shift from a market entry focus to driving operational performance. Our established businesses in Thailand and Malaysia produced strong underlying results this year, and our Indian joint venture business, SBI General, continued to grow rapidly.

REALISING OUR AMBITION

Our performance in the past year moves us closer to reaching our ambition to be the world's most respected group of general insurance companies. Realising this ambition means we need to deliver for the benefit of all our stakeholders and we have taken significant steps on all fronts.

For shareholders, we have improved our financial results and delivered a higher dividend. For customers, we have increased our efforts to support the building of more resilient communities. As a leading insurer, we will continue to share the information we have on managing risk and engage with governments and other stakeholders to support a move towards a more comprehensive and sustainable approach to dealing with risk.

For our people, we are creating a Group-wide talent mobility programme to identify and develop our future leaders and ensure they gain diverse experience across our organisation. We are also developing an environment where they can realise their potential and succeed, with an industry-leading parental leave programme in Australia, and refinements to our enterprise agreement which consider various life stages and employees' changing needs.

OUTLOOK AND GUIDANCE

For the 2013 financial year, we expect to achieve GWP growth in the range of 9–11% and deliver an improved insurance margin in the range of 11–13%. This guidance assumes net losses from natural perils are within our allowance of \$640 million for the year; no material movements in investment markets; and reserve releases are 1–2% of net earned premium.

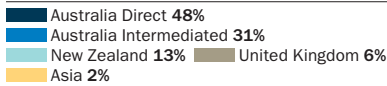
I thank all those who have contributed to our results this year – the Board, our executive team, and all the people at IAG. Our organisation has enormous potential and I am proud of the way we are working together to deliver on that – for our shareholders, our customers, our people and the wider community.

MIKE WILKINS
MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

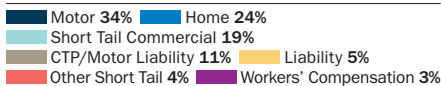
OUR PORTFOLIO

IAG's portfolio of businesses provides a wide range of general insurance products that help protect the homes, lifestyles, possessions and businesses of millions of customers. We have some of the most well recognised and respected brands in the markets in which we operate.

PORTFOLIO MIX BY BUSINESS – % OF GWP BY BUSINESS FOR THE YEAR ENDED 30 JUNE 2012



PORTFOLIO MIX BY PRODUCT – % OF GWP BY PRODUCT FOR THE YEAR ENDED 30 JUNE 2012



16.1M

IAG HAD MORE THAN 16.1 MILLION ACTIVE RISKS IN FORCE OR POLICIES IN FORCE

\$13B

IAG INVESTS AROUND \$13 BILLION OF FUNDS ON BEHALF OF OUR POLICYHOLDERS AND SHAREHOLDERS

\$1,535B

IAG INSURES PROPERTY VALUED AT MORE THAN \$1,535 BILLION

813,000

IAG HAS AUSTRALIA'S SECOND LARGEST NUMBER OF SHAREHOLDERS AT AROUND 813,000

117,099 EMPLOYERS

103,070 FARMS



\$9B

IAG SOLD \$8,992 MILLION WORTH OF POLICIES TO CUSTOMERS DURING THE YEAR

13,650

IAG EMPLOYED 13,650 PEOPLE ON A FULL-TIME EQUIVALENT BASIS

7.7M CARS



\$6.5B

IAG PAID AROUND \$6.5 BILLION IN CLAIMS DURING THE YEAR

2.9M HOMES



398,000 BUSINESSES



CHIEF FINANCIAL OFFICER'S REVIEW



NICK HAWKINS
CHIEF FINANCIAL OFFICER

To support the Group's next phase of growth, we have a sound capital position and a comprehensive reinsurance programme to protect us from catastrophic loss. Capital management plays a significant role in supporting the Group's strategy. In managing our capital, we assess how much we need, where to use it, and the form it takes – such as debt, equity or reinsurance.

PROTECTION FROM CATASTROPHIC LOSS

Given the number and extent of natural peril events in the last few years, reinsurance has been increasingly important in protecting us from catastrophic loss.

We renewed our catastrophe reinsurance cover on 1 January 2012 and achieved a programme that provides comprehensive capital protection for the Group, with some multi-year protection, as well as increased coverage. Our reinsurance programme is described in more detail on pages 53–54 of our 2012 annual report.

By protecting the Group from catastrophic loss, reinsurance contributes to our capital strength, which is central to the responsibility we have to fulfil the promise we make to our customers.

CAPITAL MANAGEMENT

Determining the optimum form of capital for the Group involves us working with a range of stakeholders, such as investors, our local regulator, APRA, and rating agencies.

This year, we completed two capital raisings, to provide funds for general corporate purposes and to retire an existing instrument. In December 2011, we finalised a NZ\$325 million unsecured subordinated bond offer in New Zealand, and in April 2012 we completed an Australian offer of Convertible Preference Shares, raising \$377 million which we used to refinance our \$350 million Reset Preference Share issue when it matured in June 2012.

USING CAPITAL TO CREATE VALUE

Our capital position has enabled us to fund a number of acquisitions that will create value for shareholders over the medium term – AMI in New Zealand, a 20% stake in Bohai Property Insurance in China and a 30% interest in AAA Assurance in Vietnam – without affecting the financial strength of the organisation.

REGULATORY CHANGES

This year has been particularly interesting for capital management, with regulators reviewing capital requirements for insurers in Australia and New Zealand.

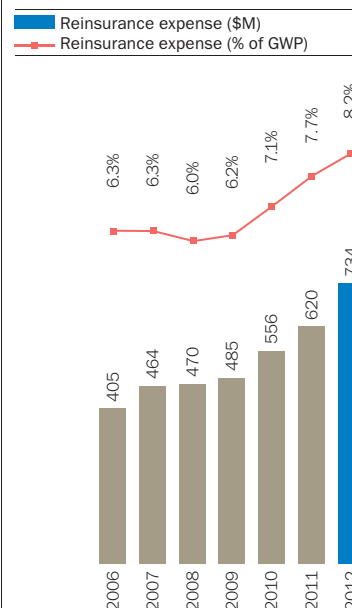
APRA's review of Life and General Insurance Capital (LAGIC) standards requires us to adopt a new method of calculating regulatory capital from January 2013, with a prescribed capital amount (PCA) replacing the current minimum capital requirement (MCR). We will also be required to hold a minimum 60% of our capital in what is now termed Common Equity Tier 1 (CET1).

We have worked closely with APRA as it developed the new requirements, and the overall net impact on the Group is modest. While the Group's risk appetite remains the same, we have revised our benchmarks to reflect the new standards. Our benchmarks are now to hold total capital of between 1.4 to 1.6 times the PCA, and CET1 capital of 0.9 to 1.1 times the PCA.

The Reserve Bank of New Zealand has revised its Solvency Standard so that, from 31 December 2012, insurers must have earthquake reinsurance for a 1:500 year return period. This will progressively increase to a 1:1,000 year return period requirement by July 2017. Our capital strength and reinsurance programme mean that we already comply with the 2017 requirement.

Our active approach to capital management over the year has ensured our regulatory capital position remains robust, and above our long term benchmark. We are comfortably capitalised under the LAGIC proposals; we have a comprehensive reinsurance programme in place; and our investment portfolio remains conservatively positioned.

GROUP REINSURANCE EXPENSE



Increased reinsurance expense for the 2012 financial year included:

- reinstatement costs of \$110 million;
- rate increase on our 2012 catastrophe renewal;
- general business growth; and
- the inclusion of AMI and flood.

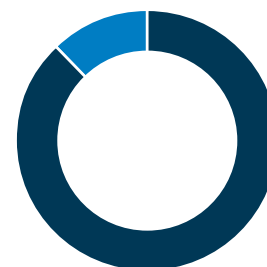
Key elements of our reinsurance programme are locked in until the end of 2014.

We are recovering additional reinsurance costs through rate increases in property classes across Australia and New Zealand.

We expect the reinsurance expense ratio to stabilise in the 2013 financial year.

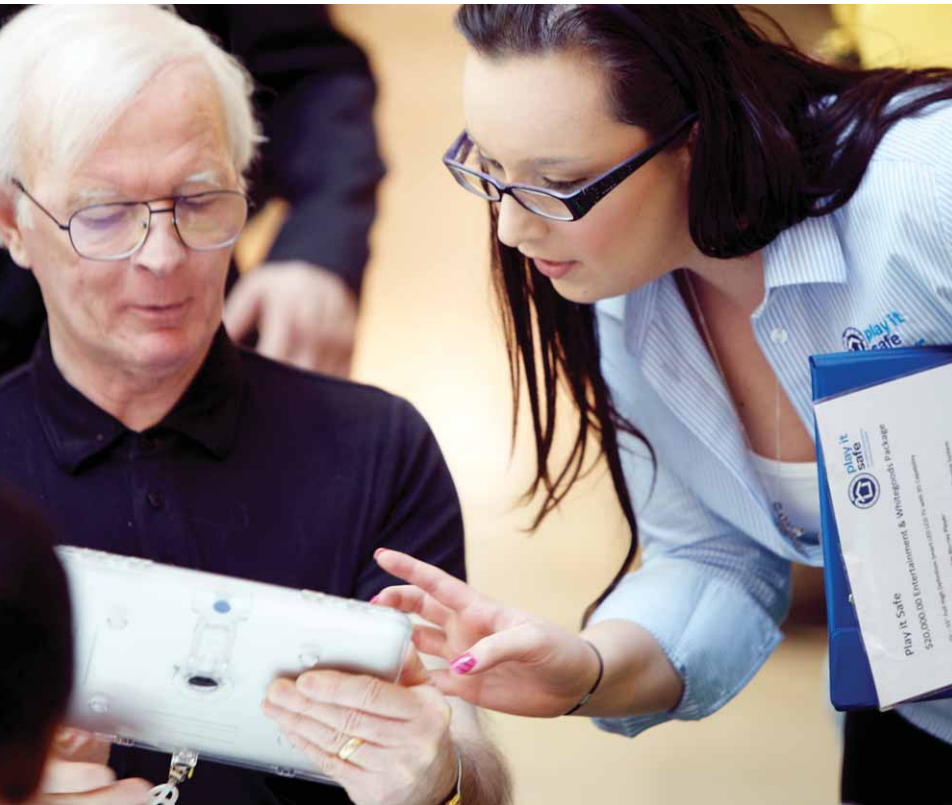
INVESTMENT PORTFOLIO

Fixed interest and cash 88% Growth 12%



At 30 June 2012, our investment portfolio had a value of \$13 billion. It comprises two pools: technical reserves of \$9.4 billion which support our insurance liabilities, and shareholders' funds of \$3.6 billion. Our overall investment allocation remains conservatively positioned, with 88% of the Group's total portfolio in fixed interest and cash.

SUSTAINABLE OPERATIONS



Being sustainable is fundamental to the way we do business at IAG – we see it as an outcome of everything we do. In practice, this means our day-to-day operational decisions consider the interests and long term prosperity of our customers, the community, our people, suppliers, the natural environment and our shareholders. By doing so, we will secure a successful future for our businesses and the many people who rely on us.

During the 2012 financial year, IAG continued to perform well on the majority of the indicators used to measure its sustainability. Performance details are contained in IAG's 2012 sustainability report. A summary follows.

EMBEDDING SUSTAINABLE PRACTICES

During the year, we became a founding signatory to the Principles of Sustainable Insurance, a global, United Nations-backed initiative. As the only Australian insurer among 34 founding signatories, this demonstrates our commitment to drive continuous improvement in our own operations while fostering a more sustainable insurance industry worldwide. The Principles focus on embedding environmental, social and governance issues into decision-making; raising awareness of these issues; managing risk; and promoting solutions.

IAG continued to rank on key global sustainability indices, including the Dow Jones Sustainability Index, FTSE4Good, Global 100 Most Sustainable Corporations and Carbon Disclosure Leadership Index.

BUILDING A SUSTAINABLE WORKFORCE

Ensuring we have the right people in the right roles, with the right capabilities is essential to help address the challenges of the future. During 2012, we piloted a new approach to enhance the way we achieve this, by enabling a greater visibility of our talent base; building a deeper and broader leadership and succession pipeline; and supporting a more mobile workforce.

In addition, a new Enterprise Agreement for employees in Australia became effective during the 2012 financial year, following an overwhelming 89.5% vote in favour. Key improvements include increasing paid parental leave to 14 weeks (up from 12 weeks); and creating a new mid-service leave category to provide people who reach seven, eight and nine years of service with an extra week of paid leave each year.

We introduced a 'welcome back' payment for all Australian-based employees who are primary carers and return to work after having a child. IAG now offers one of the most generous parental leave programmes in the Australian financial services industry supporting our focus on diversity at IAG. The number of women in senior management roles increased to 29%, up from 28% last year, putting us on track to achieve our goal of at least 33% by 2015.

In 2011, our Australia Direct business, under the NRMA Insurance brand, launched 'Play it Safe', a programme to educate communities about safety in their homes and on the roads. Working closely with our community partners – NSW State Emergency Service, NSW Police and Kidsafe NSW – we held a series of live, informative and interactive performances across Sydney metropolitan shopping centres.

Our community partners were available to answer questions and we asked members of the public to complete a quick safety quiz to find out how they rate at home and on the road. The quiz let us give them a rating out of ten and offered some simple tips and hints to improve their safety. Our photo shows Laura Boldizar, Senior Claims Consultant for complex motor claims, at one of the performances.

Our commitment to improve the safety of our work environment led to a reduction of 46.5% in the lost time injury frequency rate for the Australian businesses from 5.7 to 3.05. This reflects a keen focus on improved reporting processes enabling us to understand and address the causes, and better training.

RESPONDING TO CUSTOMERS

Our customers' policies and risks in force remained stable at 16.1 million during the year, and customer retention remained high. This is a pleasing outcome, which reflects our ongoing efforts to ensure we are constantly evolving to meet our customers' changing needs.

Each business adopts individual methods to measure customers' loyalty and actively uses the results to improve processes. IAG's Australia Direct business introduced a significant change to its customer experience survey methodology, with the 2012 financial year marking the first full year of its use. Each business has recorded improvements, but there is still room to do more.

MAKING COMMUNITIES SAFER

During the year our businesses invested more than \$9.7 million in community programmes and partnerships closely aligned with promoting safety and resilience in the home, on the road, in business and in the natural environment.

Under Australia Direct's Community Grants programme, almost \$747,000 was awarded to 124 groups to help realise their goals to make Australian communities safer. Since the inception of this programme in 2003, more than \$5.3 million has been invested into 1,300 projects nationally.

Our sponsorships of partner organisations which share our goal of making communities safer continued during the year, and in Australia, NRMA Insurance entered into a new major partnership with the NSW State Emergency Service.

We formalised a new set of initiatives through the Risk Matters programme. This continues our work in helping to improve the understanding of risk to prevent loss, reduce it, or better insure it.



CHIEF STRATEGY OFFICER'S REVIEW

REDUCING ENVIRONMENTAL RISK

For some years, IAG has advocated the need to develop a resilient built environment to reduce our communities' vulnerability to natural perils. During the past year we accelerated these efforts.

We also continued to reduce our own carbon footprint, in line with our commitment to achieve voluntary carbon neutrality by the end of the 2012 financial year. By focusing on reducing electricity consumption, business travel, vehicle fuel and paper consumption, we are contributing to a more sustainable environment while minimising costs by using fewer resources.

During the past year, excluding new emission sources, CO₂ equivalent emissions were reduced by 6.0%. To achieve carbon neutrality, we purchased 18 months' worth of carbon offsets, via a carefully selected portfolio of four projects. Each project meets IAG's strict purchasing criteria and is measurable, transparent and independently audited.

CO₂ EQUIVALENT (CO₂E) EMISSIONS

2012		65,135
2011		65,386
2010		61,545

These are the CO₂e emissions for our businesses in Australia, New Zealand, the United Kingdom and Thailand. The 2012 result reflects the inclusion of some new emission sources, including waste in Australia and New Zealand; rental cars in Australia; refrigerants from buildings in Australia; and emissions from the Asia head office in Singapore.

COMMUNITY INVESTMENT (\$M)

2012		9.7
2011		8.7
2010		8.3

Our community investment measure includes sponsorships, donations and employee volunteer hours across Australian and New Zealand communities.



LEONA MURPHY
CHIEF STRATEGY OFFICER

The steps we are taking will help us realise our ambition to be the world's most respected group of general insurance companies. Our relentless focus on executing our strategy and delivering a consistent performance is part of this. We believe great strides can also be made by sharing our expertise in risk, because risk matters not only to our business, it matters to our economy, our communities and our way of life.

ENABLING AND PROTECTING TODAY

We have made significant progress and delivered improved results since we reset our strategic priorities. We are taking steps to protect this momentum, through effective governance and risk management, and by ensuring we have the people and capability we need.

We have a robust governance framework that guides our internal monitoring and reporting processes. Our approach to managing risk is outlined in detail in the Corporate Governance report on pages 9–11 of the 2012 annual report.

We also have programmes to identify and develop talented people throughout the organisation, enabling us to harness and leverage skills and expertise. We have succession plans for critical roles and we are building a more mobile workforce to enable us to fulfil our Asian ambitions and offer our people diverse experiences.

SHAPING TOMORROW

However, to achieve our ambition, we must look beyond today for ways to deliver benefits to a range of stakeholders.

As leaders in our industry, we are passionate about helping people manage risk, and recover from the hardship of unexpected loss. Through our Risk Matters programme we are channelling this passion into action.

As foreshadowed in last year's annual review, we recently brought together representatives from community, government and business groups to work with us to determine which areas of risk we should focus on and the actions we should take to help communities understand, prevent, reduce or better insure the risks they face.

As a result, we are focusing on risks in the home, on the road, in business and in the natural environment and have set as priorities:

- raising awareness of, and providing education about, risks such as fires and poor driver behaviour that affect individuals;
- helping small-to-medium sized businesses identify risks they face and how to reduce these through mitigation and risk management strategies; and
- advocating increased investment in mitigation strategies, including improved data and appropriate building codes, to overcome risks in the environment.

Reducing risk in the community will help keep insurance more affordable and accessible for all.

The series of earthquakes in New Zealand's Canterbury region from 2010 devastated many properties and the rebuilding process continues. When the clean-up commenced, IAG's New Zealand business was very mindful that the amount of demolition required would add significantly to claim costs, as well as to landfill.

To minimise this impact, our businesses are working closely with our construction partner, Hawkins, on a large scale recycling programme. In 2012, Hawkins reduced the volume of demolition waste going to landfill to 18.5%, down from 22% in 2011. This means that, overall, nearly 68,000 tonnes of demolition waste is being recycled, while only 15,300 tonnes of general waste has gone to landfill.



PERFORMANCE HIGHLIGHTS

AUSTRALIA DIRECT



Australia Direct is IAG's largest business and contributed nearly 48% of the Group's GWP in financial year 2012. Direct insurance products are sold primarily under the NRMA Insurance brand in NSW, ACT, Queensland and Tasmania; SGIO in Western Australia; and SGIC in South Australia. In Victoria, home, motor and other insurance products are distributed through RACV.

The Group's largest business, Australia Direct, reported a 10.5% increase in GWP, assisted by premium increases introduced to recover the higher cost of natural perils, including reinsurance costs, and volume growth, notably in motor. See page 12 for more detail.

AUSTRALIA DIRECT FINANCIAL RESULTS

GROSS WRITTEN PREMIUM (\$M)

2012	4,299
2011	3,891
2010	3,653

PROFIT BEFORE TAX (\$M)

2012	544
2011	702
2010	569

AUSTRALIA INTERMEDIATED (CGU)



CGU offers commercial, rural and personal insurance products for businesses, farms, individuals and families. Its products are distributed under the CGU and Swann Insurance brands, through a network of over 1,000 insurance brokers and authorised representatives, and over 100 business partners. In financial year 2012, CGU contributed nearly 31% of the Group's GWP.

The underlying performance of CGU has continued to improve. GWP growth of 12% was driven by a blend of acquired business and rate increases. See page 13 for more detail.

AUSTRALIA INTERMEDIATED FINANCIAL RESULTS

GROSS WRITTEN PREMIUM (\$M)

2012	2,759
2011	2,463
2010	2,264

PROFIT BEFORE TAX (\$M)

2012	269
2011	144
2010	148

NEW ZEALAND



IAG is New Zealand's largest general insurer, offering most of its products under the State, AMI and NZI brands through a nationwide network of call centres, and more than 100 branches and sales centres. IAG's New Zealand operations accounted for over 13% of the Group's GWP in financial year 2012.

The underlying performance of New Zealand has remained strong, and the reported outcome has shown substantial improvement over the earthquake-affected result for financial year 2011. See page 14 for more detail.

NEW ZEALAND FINANCIAL RESULTS

GROSS WRITTEN PREMIUM (\$M)

2012	1,210
2011	956
2010	961

PROFIT BEFORE TAX (\$M)

2012	105
2011	4
2010	132

ASIA



The Group has interests in established businesses in five of its six targeted markets, in Thailand, Malaysia, India, China and Vietnam. IAG's Asia business accounted for nearly 4% of the Group's GWP, on a proportional basis, in financial year 2012.

The result from Asia was heavily affected by the Thai floods, which cost the Group a net \$62 million. On an underlying basis, Thailand continued to perform soundly, while the Malaysian joint venture, AmG, reported a strong insurance margin of over 18%. See page 14 for more detail.

ASIA FINANCIAL RESULTS

GROSS WRITTEN PREMIUM (\$M)

2012	219
2011	189
2010	185

UNITED KINGDOM



In the UK, IAG has a specialist motor underwriting operation, Equity Red Star, the largest motor syndicate at Lloyd's, providing insurance to business and personal lines customers. IAG also owns the Equity Insurance Partnerships affinity business and the specialist commercial broking operation, Independent Commercial Brokers. The UK accounted for 6% of Group GWP in financial year 2012.

The UK business has reported a significantly reduced insurance loss of \$13 million, in line with the close to breakeven expectations held. The total divisional result was a loss of \$15 million. See page 15 for more detail.

UNITED KINGDOM FINANCIAL RESULTS






GROSS WRITTEN PREMIUM (\$M)

2012	497
2011	546
2010	712

(LOSS) BEFORE TAX (\$M)

2012	(15)
2011	(179)
2010	(358)

KEY

	Business volume – Risks or policies in force (M)
	Frontline/broker advocacy (%)
	Staff turnover (%)
	Community investment – Includes sponsorships, donations and employee volunteer hours (\$M)
	Greenhouse gas emissions (Tonnes CO ₂ e) – More information about IAG's activities to build sustainable businesses and communities, including the greenhouse gas emissions profile, is available in the 2012 sustainability report on www.iag.com.au .

GREENHOUSE GAS EMISSIONS


- ¹ The increase in 2012 greenhouse gas emissions for Australia reflects the inclusion of some new emission sources, including waste, rental cars and refrigerants from buildings.
- ² An error was identified in the financial year 2011 air travel calculation. This figure has been restated, resulting in an increase in the greenhouse gas emissions.
- ³ Consistent levels of greenhouse gas emissions for New Zealand in 2012 reflect ongoing additional air travel undertaken by our people to Christchurch.
- ⁴ The increase in 2012 greenhouse gas emissions for Asia reflects the inclusion of emissions from the Asia head office in Singapore.

FRONTLINE/BROKER ADVOCACY

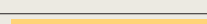


This year, within Australia and New Zealand, a change has been made from a customer satisfaction score to a frontline or broker advocacy measure. The studies are carried out by third parties among IAG customers (direct or intermediated) who have had a recent interaction with IAG. The studies include a question that asks the customers (direct or intermediated) their likelihood of recommending IAG on a scale of 0-10 in Australia and 1-10 in New Zealand. Those who rate the experience as less than six (6), are deemed detractors while those who rate the experience nine (9) or ten (10) are deemed promoters. The advocacy measure is calculated by subtracting the percentage of detractors from the percentage of promoters.

COMBINED AUSTRALIAN NON-FINANCIAL RESULTS

BUSINESS VOLUME (M)

2012		11.6
2011		11.5
2010		11.3




STAFF TURNOVER (%)

2012		17.5
2011		19.0
2010		21.0

GREENHOUSE GAS EMISSIONS (TONNES CO₂E)

2012		54,294 ¹
2011		55,013 ²
2010		53,175

COMMUNITY INVESTMENT (\$M)

2012		7.0
2011		6.4
2010		6.7

AUSTRALIA DIRECT NON-FINANCIAL RESULTS



FRONTLINE ADVOCACY 2012

2012		44
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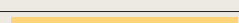

This is a measure of frontline advocacy for our Australia Direct business only.

NEW ZEALAND NON-FINANCIAL RESULTS (EXCLUDING AMI)

BUSINESS VOLUME (M)

2012		2.1
2011		2.1
2010		2.2




STAFF TURNOVER (%)

2012		14.0
2011		14.5
2010		14.8

GREENHOUSE GAS EMISSIONS (TONNES CO₂E)

2012		4,647 ³
2011		4,795
2010		3,941

COMMUNITY INVESTMENT (NZ\$M)

2012		3.4
2011		3.0
2010		2.0




FRONTLINE ADVOCACY 2012

A		34
B		22
C		31

A State B NZI C Business Partners

ASIA NON-FINANCIAL RESULTS




BUSINESS VOLUME (M)

2012		1.0
2011		0.9
2010		1.0

STAFF TURNOVER (%)

2012		15.0
2011		12.8
2010		13.1

GREENHOUSE GAS EMISSIONS (TONNES CO₂E)




2012		3,429 ⁴
2011		2,564
2010		1,955

FRONTLINE ADVOCACY 2012




We do not report on community investment and frontline advocacy for our Asian business.

UNITED KINGDOM NON-FINANCIAL RESULTS

BUSINESS VOLUME (M)

2012		1.4
2011		1.7
2010		1.8

STAFF TURNOVER (%)

2012		20.3
2011		16.3
2010		19.2

GREENHOUSE GAS EMISSIONS (TONNES CO₂E)

2012		2,765
2011		3,013
2010		2,474

BROKER ADVOCACY 2012

We do not report on community investment for our United Kingdom business. Broker advocacy information is contained in the 2012 sustainability report.

NEXT STEPS

Our businesses are building on their achievements from financial year 2012, and taking the next steps to achieve our strategic priorities of accelerating profitable growth in Australia and New Zealand, boosting our Asian footprint and returning the UK business to profitability.



ANDY CORNISH

CHIEF EXECUTIVE OFFICER
AUSTRALIA DIRECT

“Australia Direct continues to contribute materially to the Group’s growth ambitions. We believe that the strength of our business lies in our people and keeping our customers at the centre of everything we do, from pricing, distribution and product development, to the customer’s moment of truth – when they claim. With this philosophy, we will continue to grow.”

RESULTS

In the 2012 financial year, our GWP increased by 10.5% from the prior year to \$4,299 million, driven by a combination of rate increases, to recover higher losses from natural perils and increased reinsurance costs, and volume growth, notably in comprehensive motor. Our insurance profit was \$544 million, compared to \$702 million last year, and our insurance margin was lower at 14.3%. These results were affected by significantly higher reinsurance costs, up nearly 42% or \$77 million, an unfavourable net natural peril claims experience and lower reserve releases.

THIS YEAR

Australia Direct performed strongly, despite headwinds from the significant rise in reinsurance costs following the recent spate of natural disasters and continued weather events.

By improving the delivery and coverage of our products, we grew our customer base, as well as the number of policies we issued, showing the success of our strategy of putting the customer at the centre of everything we do.

We have an industry-leading approach to customer insights and we use these to deliver products and services that meet and exceed customers’ needs.



ANDY CORNISH

After the challenges that followed the natural disasters of early 2011, we redesigned our home and caravan products to include flood cover across all of our state-based brands.

Our recent advertising campaign, 'we automatically insure the extras others do not', highlighted the difference in the products we have developed to meet customers' needs.

We have significantly improved our website so customers can deal with us when they choose. At the same time, we remain committed to improving our branch network because we believe this complements our digital channels.

We continue to improve our understanding of risk and have enhanced our rating factors so we can better tailor the products we offer to customers.

We rolled out a new repairer relationship model in NSW/ACT which we believe will improve the cost, quality and timeliness of repairs.

Above all, everything we do is underpinned by our people and we recognise the commitment they make to us, and the support they provide to our customers. We have continued to develop our people and nurture their growth through training and learning opportunities, including a wide range of leadership development pathways.

NEXT STEPS

While there is intense competition in the market, we are confident we will continue to perform strongly by providing customers with brands they can trust, and products and services that differentiate us from the competition.

In the year ahead, we remain focused on four sources of profitable growth:

- maximising the relationship with our existing customers;
- attracting new customers through effective marketing, multiple distribution channels and sophisticated pricing;
- product and service innovation; and
- reducing expenses through mutually beneficial partnerships in our repair and supply chain networks.

PETER HARMER

CHIEF EXECUTIVE OFFICER
AUSTRALIA INTERMEDIATED (CGU)

"2012 was an exciting year for CGU as we laid the foundation for profitable growth with a new operating model. We are making these changes to help CGU accelerate its performance and move towards its ambition of being Australia's leading intermediated general insurer."

RESULTS

CGU achieved strong GWP growth of 12.0%, to \$2,759 million in the 2012 financial year, primarily through rate increases and recent business acquisitions. Our insurance margin continued to improve, up from 6.5% last year to 10.8%. This reflected the benefits of rate increases, continuing improvement in underwriting discipline, lower net natural peril costs and enhanced control of claims and administration expenses.

THIS YEAR

We launched a new operating model to make us easier to do business with, more efficient and more effective. As part of this change, we implemented common approaches to account management, underwriting and claims, enabling brokers, agents and partners to better access the immense knowledge and expertise in our organisation. The new model will deliver annual savings of around \$65 million pre-tax by the end of the 2015 financial year.

We thank our intermediaries and partners for their ongoing support during this period of transition, and acknowledge the professionalism and support of our people, without whom these changes would not have been possible.

Importantly, the quality and commitment of our people have enabled these internal changes to take place without compromising our focus on our intermediaries and customers.

We continue to operate in a difficult environment. Higher claims costs driven by natural catastrophes and claims inflation have made it necessary to reprice some portfolios so we can continue to provide cover for the long term.

Natural perils have again created challenges for our business from a claims perspective and we are proud of the way our people have supported customers during events such as the Christmas Day hailstorms in Melbourne, which generated over 5,000 claims.

Over the past year, CGU has also actively worked with governments and community stakeholders to incorporate key learnings from recent natural catastrophes. Initiatives include the introduction of flood cover for all home, contents and landlord policies, and improvements to the claims experience for our customers.

NEXT STEPS

We continue to invest in our people's leadership and technical capabilities. Technology also remains a focus for CGU, with an emphasis on improving and simplifying systems. A key pillar of this investment is a new claims management system which will be piloted later this calendar year.

CGU remains on track to deliver a double digit underlying insurance margin in the 2013 financial year, in line with previous guidance. We remain focused on driving profitable growth in our target markets as we work to realise the benefits of our new operating model.



PETER HARMER



JACKI JOHNSON

JACKI JOHNSON
CHIEF EXECUTIVE OFFICER
NEW ZEALAND

“IAG’s New Zealand business results reflect a solid performance in a challenging environment. Our acquisition of AMI enhanced our market position and contributed to the Group’s strategy of accelerating profitable growth.”

RESULTS

GWP increased 24.4% in local currency terms, led by strong growth in NZI and rate increases across all our businesses to offset higher reinsurance costs. Coupled with a strong underlying claims performance, these factors contributed to an insurance result of \$103 million and an insurance margin of 10.4% (up from 0.4% last year).

THIS YEAR

We welcomed AMI into IAG’s New Zealand family of brands, adding nearly 30% to our existing New Zealand premium base on an annualised basis. This strengthens our leading position in a market we know well and demonstrates our commitment to the local community.

We are making good progress on integrating AMI, and expect to generate at least NZ\$30 million per annum in pre-tax synergies within two years.

IAG is well positioned to drive improved underlying performance in spite of challenging market conditions that include increased regulatory requirements, higher reinsurance costs and a trebling of the Earthquake Commission levies.

Progress is being made to support Canterbury’s earthquake recovery. Settlement of commercial claims is progressing in line with expectations although residential claims have been slower

to finalise owing to work being completed on land zoning, land remediation and repair methodologies – all necessary to ensure a sustainable long term solution for residents. At 30 June 2012, more than NZ\$1.3 billion of claim settlements had been paid.

NEXT STEPS

We will continue to improve underlying performance by:

- strengthening our customer focus;
- nurturing a constructive culture that supports achievement;
- ensuring the smooth integration of AMI;
- transforming our direct insurance business by leveraging the best of both the AMI and State businesses;
- NZI continuing to take advantage of growth opportunities as customers choose the security of dealing with a well-established company; and
- continuing to focus on sound underwriting principles, risk selection, claims and pricing disciplines and expense management.



JUSTIN BREHENY

JUSTIN BREHENY
CHIEF EXECUTIVE OFFICER
ASIA

“We are entering an exciting phase of our Asian ambitions as we shift from a market entry focus to one of driving operational performance from our enlarged regional presence.”

RESULTS

Our established businesses continued to perform strongly. In Malaysia, our joint venture business, AmG, further strengthened its insurance margin to 18.1%, up from 13.2% in financial year 2011, on the back of significantly improved claim processes.

In Thailand, our business reported GWP growth of nearly 22% in local currency terms. The reported result included the impact of the catastrophic Thai floods that occurred during the year, which cost the Group a net \$62 million. Excluding the impact of the floods, the Thai business performed soundly, and improved its insurance margin to 9.3%.

In our developing high growth markets, SBI General, our joint venture business in India, registered GWP growth of nearly 300% in local currency; while our new ventures in China and Vietnam offer exciting prospects for the future.

THIS YEAR

We made significant progress in our strategy of achieving long term profitable growth in Asia, through a combination of acquisitions and organic growth:

- we finalised our 20% strategic investment in Bohai Property Insurance in China, giving us access to a network of 265 provincial and sub-branches, with over 3,000 employees;

- in Vietnam, we acquired a 30% strategic interest in AAA Assurance, the country's ninth largest general insurer and sixth largest motor insurer; and
- we announced plans to expand our presence in Malaysia by purchasing 100% of Kurnia Insurans (Malaysia), through our Malaysian joint venture, AmG, which will make AmG the top general insurer in the country with 13.5% market share, and the largest motor insurer, with 22% market share – almost double that of its nearest motor rival. We expect this transaction to be completed in the first half of the 2013 financial year.

We are in five of the six priority markets we have identified in Asia, each at differing stages of development, growth and return:

- our established markets of Thailand and Malaysia are well developed and are already producing strong returns;
- the emerging giants of India and China have very strong growth rates; and
- Vietnam is a younger market, with a very low level of insurance penetration and high GDP growth rate.

This portfolio approach allows us to use the returns from the more mature and profitable businesses in the established markets to support the still developing, currently less profitable, but longer term high potential businesses, in the emerging and developing markets.

NEXT STEPS

To achieve long term profitable growth, our priorities are:

- in Malaysia, to successfully integrate Kurnia and capture the benefits of market leadership in motor;
- in Thailand, to grow the business to be the second largest motor underwriter, and achieve a top three position in the overall market;
- in India, to achieve profitability by the 2015 financial year;
- in China, to achieve profitability by the 2015 financial year;
- in Vietnam, to become a top three motor insurer; and
- achieve market entry in Indonesia, if an appropriate opportunity arises.



IAN FOY

IAN FOY

CHIEF EXECUTIVE OFFICER
UNITED KINGDOM

“The UK business continues to make positive progress towards restoring profitability. Improvement has been achieved in a number of key areas to steer the business towards breakeven, despite continued tough market conditions.”

RESULTS

The full year insurance loss of \$13 million for the UK business is a significant improvement on the insurance loss of \$181 million last year, and reflects the benefits of the extensive programme of remedial actions begun in 2010. However, the performance of the business continued to be affected by:

- the ongoing issue of bodily injury claim inflation, driven by aggressive claim farming activities and exacerbated by prolonged recessionary economic conditions;
- the time taken to re-establish a number of key broker relationships on a financially mutual basis; and
- the highly competitive nature of the UK motor insurance market.

Despite these factors, the business achieved a close to breakeven result in the 2012 financial year, and a modest full year profit is expected in the 2013 financial year.

THIS YEAR

The operating environment for the UK business was extremely challenging with a return to recession, and recovery hampered by the ongoing financial crisis in Europe.

The business experienced a decline in reported GWP for the 2012 financial year, reflecting:

- the impact of the ongoing remediation programme in exiting unprofitable segments and broker relationships; and
- the re-emergence of price-based competition in certain segments, which affected renewal retention and new business volumes.

In this environment, the UK business focused on accelerated recovery initiatives which included improvements to the underwriting portfolio, application of targeted rate increases, and improved claims management and handling, as well as continued development of core capabilities.

Equity Red Star also enhanced its customer offer, introducing some new and enhanced fleet, home and classic car products to the market.

The adverse development covers we acquired in the 2010 and 2011 financial years, in respect of the underwriting years up to and including 31 December 2010, continued to provide considerable reinsurance protection against further deterioration in bodily injury claims.

NEXT STEPS

In the 2013 financial year, we will continue to focus on improving our underwriting, pricing and claims handling processes, and seeking efficiency gains across the business.

STRATEGIC REVIEW

In May 2012, the Group initiated a strategic review of the UK business, to establish the best way to maximise shareholder value.

We are considering options including a continuing focus on improving the business' performance within the current operating model; refining the business' strategy to a more focused specialist motor offering; and a potential sale of all or part of the business.

We expect to announce the outcome of this review before the end of this calendar year.



BRIAN SCHWARTZ



YASMIN ALLEN



PHILLIP COLEBATCH



ANNA HYNES



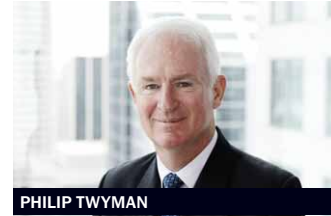
MIKE WILKINS



PETER BUSH



HUGH FLETCHER



PHILIP TWYMAN

IAG's board of directors represents and serves the interests of the shareholders and collectively oversees and appraises the strategies, policies and performance of IAG. The board ensures there is a proper governance framework in place to promote and protect IAG's interests for the benefit of its stakeholders.

THE BOARD

BRIAN SCHWARTZ AM

FCA, FAICD
CHAIRMAN AND INDEPENDENT
NON-EXECUTIVE DIRECTOR

Brian was appointed a director of IAG in January 2005 and became chairman in August 2010. He is a member and former chairman of the IAG Nomination, Remuneration & Sustainability Committee and chairman of Insurance Manufacturers of Australia Pty Limited, a general insurance underwriting joint venture with RACV Limited. Brian is the deputy chairman of Westfield Group Limited and a director of Brambles Limited.

MIKE WILKINS

BCom, MBA, DLi, FCA, FAICD
MANAGING DIRECTOR AND CEO

Mike was appointed managing director and chief executive officer of IAG in May 2008 after joining as chief operating officer and director in November 2007. He is a member of the Australian Government's Financial Sector Advisory Council and non-executive director of Maple-Brown Abbott Limited.

YASMIN ALLEN

BCom, FAICD
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Yasmin was appointed a director of IAG in November 2004 and is chairman of the IAG Nomination, Remuneration & Sustainability Committee and a member of the IAG Audit, Risk Management & Compliance Committee. She is a director of Cochlear Limited and chairman of its Audit Committee; chairman of Macquarie Specialised Asset Management; national director of the Australian Institute of Company Directors; and a member of the Salvation Army advisory board.

PETER BUSH

BA, FAMI
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Peter was appointed a director of IAG in December 2010 and is a member of the IAG Audit, Risk Management & Compliance Committee. He is chairman of Pacific Brands Limited and Nine Entertainment Holdings Pty Ltd and previously served on the boards of McDonald's Australia Limited, Lion Nathan Limited, Miranda Wines Pty Limited (now McGuigan Wines) and Frucor Beverages Group Limited (now Danone).

PHILLIP COLEBATCH

BE (HONS), BSc, DBA, SM
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Phillip was appointed a director of IAG in January 2007 and is a member of the IAG Nomination, Remuneration & Sustainability Committee. He is a non-executive director of Lend Lease Corporation Limited and Man Group plc and also a member of the Boards of Trustees of the LGT Group Foundation and the Prince of Liechtenstein Foundation.

HUGH FLETCHER

BSc/BCom, MCom (Hons), MBA
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Hugh was appointed a director of IAG in September 2007 and is a member of the IAG Audit, Risk Management & Compliance Committee. He is a non-executive director of IAG New Zealand Limited, Fletcher Building Limited, Rubicon Limited and Vector Limited and a trustee of The University of Auckland Foundation.

ANNA HYNES

BSc (Hons), MBA
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Anna was appointed a director of IAG in September 2007 and is a member of the IAG Nomination, Remuneration & Sustainability Committee. She was previously a non-executive director of Promina Limited and Country Road Limited and Adjunct Professor at University of Technology Sydney. She also has over 20 years' international executive experience in general management and marketing roles in financial and consumer companies.

PHILIP TWYMAN

BSc, MBA, FAICD
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Philip was appointed a director of IAG in July 2008 and became chairman of the IAG Audit, Risk Management & Compliance Committee in August 2010. He is a director of Perpetual Limited, Medibank Private Limited, Swiss Re (Australia) advisory board and Tokio Marine Management (Australasia) Pty Ltd.

This page contains brief biographies of the directors who were on the board of IAG in financial year 2012. Detailed biographies of the directors are available on pages 12–14 of the annual report and online at www.iag.com.au/about.



JUSTIN BREHENY



IAN FOY



NICK HAWKINS



LEONA MURPHY



ANDY CORNISH



PETER HARMER



JACKI JOHNSON

EXECUTIVE TEAM

The executive team manages the effective and efficient operation of the Group and is responsible for executing the Group's strategy.

MIKE WILKINS

BCom, MBA, DLI, FCA, FAICD
MANAGING DIRECTOR AND CEO

Mike's biography appears on page 16, where he is listed as a member of the board.

JUSTIN BREHENY

BEC, CPA, F Fin
CEO, ASIA

Justin joined IAG in March 2006 and is responsible for managing IAG's existing and developing business interests in Thailand, Malaysia, India, China and Vietnam, and expansion into new Asian markets including Indonesia. He has over 18 years' experience living and working in Asia, and was previously with ANZ Banking Group's Asian operations.

ANDY CORNISH

MBA
CEO, AUSTRALIA DIRECT

Andy joined IAG in January 2009 and leads IAG's Australia Direct business. He has more than 30 years' experience in the insurance industry, including several managing director roles with the second-largest general insurer in the UK, RBS Insurance, which is part of The Royal Bank of Scotland Group.

IAN FOY

MA, MBA, FCII
CEO, UK

Ian was appointed CEO of IAG's UK business in September 2010, after seven years with IAG's New Zealand business, including over two years as CEO. He has worked extensively in the UK and New Zealand, as well as other areas of Europe. This included five years as head of broker business and strategy at NZI, and several roles within Aviva's insurance business, including director of business operations at NZI and managing director of CGU Bonus in the UK.

PETER HARMER

CEO, CGU

Peter joined IAG in November 2010 as CEO, CGU. He was previously CEO of Aon Limited UK and a member of Aon's global executive board, from 2007, and CEO of Aon's Australian operations for seven years. He has over 30 years' experience in the insurance industry, including managing director of John C. Lloyd Reinsurance Brokers, chairman and chief executive of Aon Re and chairman of the Lloyd's Market Reform Group. Peter also held claims and underwriting positions at C.E. Health Underwriting & Insurance and South British United Insurance.

NICK HAWKINS

BCom, FCA
CHIEF FINANCIAL OFFICER

Nick was appointed IAG's CFO in July 2008. Since joining the company in 2001, he has held senior positions in the Group, including CEO of IAG's New Zealand business, head of Asset Management & Group Strategy, and general manager, Group Finance. Before joining IAG, Nick was a partner with the international accounting firm KPMG, where he specialised in working with financial services clients.

JACKI JOHNSON

BAppSc (OT), EMBA,
GradDip Safety Science
CEO, NEW ZEALAND

Jacki was appointed CEO of IAG's New Zealand business in November 2010. She is also a director of Community First Credit Union, a member of the Community First Corporate Governance Committee and president of the Insurance Council of New Zealand. Jacki joined IAG in 2001, and has held several senior positions in both direct and intermediated insurance, including CEO of IAG's business partnerships division, now part of CGU. She has more than 20 years' industry experience, including roles with Allianz and HIH Insurance.

LEONA MURPHY

BCom
CHIEF STRATEGY OFFICER

Leona joined IAG's executive team in 2007 and has responsibility for the Group's strategy and governance and risk, including corporate strategy, strategic, operational and insurance risk, governance, internal audit, people and culture and enterprise information technology. Previous senior positions within IAG include group executive Corporate Office. Leona has over 20 years' experience in the insurance industry, including seven years with Promina.

Full biographies for executive team members are available at www.iag.com.au/about.

REMUNERATION

These two pages contain extracts from IAG's 2012 remuneration report, which appears on pages 19–35 of the 2012 annual report.

The format and content of the remuneration report are reviewed each year with a view to presenting information consistently, concisely and in a form that complies with the Corporations Act 2001. In line with stakeholder feedback, this year the Group has continued to provide voluntary disclosure of actual remuneration received by the Group's Managing Director and Chief Executive Officer (Group CEO) and the executive team. Actual remuneration is provided in addition to the statutory

reporting of remuneration to increase transparency about what an executive actually received during the year.

IAG delivered an improved performance for the year ended 30 June 2012, meeting both GWP growth and insurance margin guidance. In line with this performance, the short term incentives (STI) awarded to the Group CEO and the executive team are, on average, higher than last year. Each executive's STI outcome is closely linked to the financial performance of the Group, as well as to the execution of his or her division's strategic goals.

In addition the Group CEO and the executive team were rewarded under IAG's long term incentive (LTI). IAG's performance against

its peer group, all entities within the S&P/ASX100 Index, resulted in the total shareholders' return (TSR) performance hurdle being met for executive performance rights (EPR) granted in the year ended 30 June 2009. This resulted in 66% of the rights linked to the TSR hurdle vesting. The portion of EPR granted in the same period subject to the return on equity (ROE) hurdle did not result in any vesting as ROE did not meet the required performance level. The EPR granted under the ROE portion will lapse.

The remuneration structure for IAG's Group CEO and the executive team has not changed over the last year and is summarised below:

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 STI outcome paid as cash in October	– Align reward to shareholder interests – Strike a balance between short and long term results and reward for exceptional performance – Retain high quality people
Deferred STI	– 1/3 of STI outcome is deferred over a period of two years, subject to ongoing employment conditions – Provided as grant of rights in the form of deferred award rights – The actual value of shares will depend on the future share price – The IAG Board has discretion to adjust downwards to protect the financial soundness of the Group or to ensure an appropriate reward outcome	
LTI	– Provided as grant of rights in the form of EPR – 3–5 year period – Subject to performance hurdles of relative TSR and ROE being achieved – The IAG Board has discretion to adjust downwards 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

The IAG Board is confident that IAG's remuneration policies are in line with governance requirements and continue to support the Group's financial and strategic goals and to attract the right people, which ultimately benefits shareholders, customers, employees and the community.

INDEPENDENT NON-EXECUTIVE DIRECTORS	SHORT TERM EMPLOYMENT BENEFITS		POST EMPLOYMENT BENEFITS		OTHER LONG TERM EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENT	TOTAL REMUNERATION
	IAG BOARD FEES RECEIVED AS CASH ^(a)	OTHER BOARDS AND COMMITTEE FEES	SUPER- ANNUATION	RETIREMENT BENEFITS				
2012								
2011								
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Brian Schwartz	523	208	24	–	–	–	–	755
	453	203	24	–	–	–	–	680
Yasmin Allen	166	63	16	–	–	–	–	245
	161	68	15	–	–	–	–	244
Peter Bush	162	28	17	–	–	–	–	207
Director since 7 December 2010	89	15	9	–	–	–	–	113
Phillip Colebatch	162	18	16	–	–	–	–	196
	156	18	16	–	–	–	–	190
Hugh Fletcher	162	109	17	–	–	–	–	288
	156	107	16	–	–	–	–	279
Anna Hynes	162	34	18	–	–	–	–	214
	156	32	17	–	–	–	–	205
Philip Twyman	165	55	16	–	–	–	–	236
	159	50	15	–	–	–	–	224

^(a) This balance included the portion of the company's superannuation contribution that the Directors elected to receive as cash instead of paying it into their nominated superannuation funds.

2012 REMUNERATION SNAPSHOT

The table below shows the actual remuneration that all current executives received during the financial years ended 30 June 2012 and 2011. This voluntary disclosure includes fixed pay, other benefits and leave accruals, cash STI paid as well as any deferred STI or LTI that vested in the relevant financial year.

EXECUTIVES	FIXED PAY ^(a)	OTHER BENEFITS AND LEAVE ACCUALS ^(b)	CASH STI	DEFERRED STI VESTED	LTI VESTED	TOTAL REMUNERATION RECEIVED
2012						
2011	\$000	\$000	\$000	\$000	\$000	\$000
Executives (including executive director) who are Key Management Personnel (KMP)						
Mike Wilkins Managing Director and Chief Executive Officer	1,992 1,915	230 119	1,567 1,104	388 327	746 295	4,923 3,760
Justin Breheny Chief Executive Officer, Asia	877 845	310 18	587 429	185 174	296 116	2,255 1,582
Andy Cornish Chief Executive Officer, Australia Direct	990 936	75 42	600 610	154 132	249 –	2,068 1,720
Ian Foy Chief Executive Officer, United Kingdom	698 666	371 575	287 292	105 63	200 14	1,661 1,610
Peter Harmer Chief Executive Officer, Australia Intermediated (CGU) KMP since 8 November 2010	932 591	62 23	504 275	– –	– –	1,498 889
Nick Hawkins Chief Financial Officer	956 910	93 52	568 460	160 151	305 113	2,082 1,686
Jacki Johnson Chief Executive Officer, New Zealand	863 808	124 23	505 337	172 180	296 117	1,960 1,465
Leona Murphy Chief Strategy Officer	862 801	58 36	512 404	139 110	251 41	1,822 1,392

^(a) Fixed pay (base salary and superannuation) included an average pay increase of 4.1% effective September 2011.

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

- annual and long service leave accruals increased for all executives (except for Mr Foy who is not entitled to carry forward accrued leave based on the UK legislation); and
- for those executives located overseas, other benefits in the year ended 30 June 2012 including:
 - Mr Breheny, relocation costs and accommodation of \$252,000 relating to his relocation to Singapore;
 - Mr Foy, retention payments of \$335,000 (£218,000) and other recurring allowances and benefits of \$36,000; and
 - Ms Johnson, accommodation allowances and other benefits of \$45,000.

For remuneration details provided in accordance with the Accounting Standards, see page 30 of the remuneration report in the 2012 annual report.

FIVE YEAR FINANCIAL SUMMARY

	2012 \$M	2011 \$M	2010 \$M	2009 \$M	2008 ^(a) \$M
Gross written premium	8,992	8,050	7,782	7,842	7,793
Gross written premium growth	11.7%	3.4%	(0.8)%	0.6%	5.6%
Premium revenue	8,577	7,858	7,621	7,718	7,765
Outward reinsurance premium expense	(734)	(620)	(556)	(485)	(470)
Net premium revenue	7,843	7,238	7,065	7,233	7,295
Net claims expense	(5,791)	(5,089)	(5,072)	(5,370)	(5,155)
Underwriting expenses	(2,144)	(1,978)	(2,054)	(2,128)	(2,180)
Underwriting profit/(loss)	(92)	171	(61)	(265)	(40)
Net investment income on assets backing insurance liabilities	924	489	554	780	432
Insurance profit	832	660	493	515	392
Net investment income from equity holders' funds ^(b)	89	213	96	(39)	24
Other income	253	264	256	403	487
Share of net profit/(loss) of associates	(12)	(8)	3	8	(3)
Finance costs	(97)	(86)	(88)	(87)	(101)
Corporate and administration expenses	(297)	(259)	(245)	(423)	(528)
Amortisation expenses and impairment charges of acquired intangible assets and goodwill ^(c)	(325)	(170)	(113)	(65)	(407)
Profit/(loss) before income tax	443	614	402	312	(136)
Income tax expense	(178)	(276)	(212)	(65)	(90)
Net profit/(loss)	265	338	190	247	(226)
Net profit attributable to non-controlling interests	(58)	(88)	(99)	(66)	(35)
Net profit/(loss) attributable to equity holders of Insurance Australia Group Limited	207	250	91	181	(261)
Ordinary equity holders' equity (\$ million)	4,343	4,417	4,486	4,671	4,204
Total assets (\$ million)	25,132	23,029	20,442	19,360	19,380
Key Ratios					
Loss ratio ^(d)	73.8%	70.3%	71.8%	74.2%	70.7%
Expense ratio ^(e)	27.4%	27.3%	29.1%	29.4%	29.9%
Combined ratio ^(f)	101.2%	97.6%	100.9%	103.6%	100.6%
Insurance margin ^(g)	10.6%	9.1%	7.0%	7.1%	5.4%
Share Information					
Dividends per ordinary share – fully franked (cents)	17.00	16.00	13.00	10.00	22.50
Basic earnings per ordinary share (cents)	10.01	12.08	4.39	9.32	(14.11)
Ordinary share price at 30 June (\$) (ASX: IAG)	3.48	3.40	3.41	3.51	3.47
Convertible Preference Share price at 30 June (\$) (ASX: IAGPC)	98.10	–	–	–	–
Reset Exchangeable Securities price at 30 June (\$) (ASX: IANG)	99.30	103.00	100.00	74.75	81.89
Issued ordinary shares (million)	2,079	2,079	2,079	2,071	1,878
Issued convertible preference shares (million)	4	–	–	–	–
Market capitalisation (ordinary shares) at 30 June (\$ million)	7,235	7,069	7,089	7,269	6,517
Net tangible asset backing per ordinary share (\$)	1.20	1.23	1.16	1.16	0.93

(a) The financial information for the 2008 year has been reclassified to provide comparable figures for the segment reporting adopted in 2009. This includes reallocation of corporate expenses and reinsurance to the operating divisions.

(b) This included an unrealised gain/(loss) on embedded derivatives of (\$96 million) for 2010, \$27 million for 2009 and \$69 million for 2008.

(c) This included impairment charges for acquired identifiable intangible assets and goodwill of \$297 million for 2012, \$150 million for 2011, \$87 million for 2010, \$18 million for 2009 and \$342 million for 2008.

(d) The loss ratio refers to the net claims expense as a percentage of net earned premium.

(e) The expense ratio refers to the underwriting expenses as a percentage of net earned premium.

(f) The combined ratio refers to the sum of the loss ratio and expense ratio.

(g) Insurance margin is a ratio of insurance profit over net premium revenue.

SHAREHOLDER INFORMATION

KEY DATES

Full year results and dividend announcement	23 August 2012
Notice of meeting mailing to shareholders commences	4 September 2012
Final dividend for ordinary shares	
■ Record date	5 September 2012
■ Payment date	3 October 2012
Annual general meeting	23 October 2012
Payment date for IAGPC dividend	1 November 2012
Half year end	31 December 2012
Half year results announcement	21 February 2013*
Interim dividend for ordinary shares	
■ Record date	6 March 2013*
■ Payment date	3 April 2013*
Payment date for IAGPC dividend	1 May 2013
2013 financial year end	30 June 2013
Full year results announcement	22 August 2013*

* Please note: Dates are subject to change. Any changes will be published via a notice to the ASX.

2012 ANNUAL GENERAL MEETING

IAG's 2012 annual general meeting will be held on Tuesday, 23 October 2012 at the Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000, commencing at 10.00am. Details of the meeting, including information about how to vote, will be contained in our notice of meeting, which will be mailed to shareholders, and available online at www.iag.com.au from Tuesday, 4 September 2012.

SUSTAINABLE PAPER CHOICE

Because we are committed to minimising our impact on the environment, this review is printed on Revive Laser recycled paper.

Revive Laser is certified carbon neutral by the Department of Climate Change and Energy Efficiency's National Carbon Offset Standard (NCOS), an Australian Government Initiative. Revive Laser is Australian made and Forest Stewardship Council (FSC) Recycled Certified and carries ISO 14001 Environmental Certification. Selection of Revive Laser paper leads to a donation being made to Landcare Australia.

MORE INFORMATION IS AVAILABLE ONLINE

Visit IAG's website at www.iag.com.au to view our 2012 annual report, annual review, financial reports and other important information about IAG, and manage your shareholding online. You can also register on the website to receive email alerts when IAG makes important announcements.

SHAREHOLDER INFORMATION

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GLOSSARY

APRA is the Australian Prudential Regulation Authority.

CREDIT SPREAD is the difference between the average yield to maturity of the portfolio of non-government securities and the average yield to maturity of the liability profile, valued using Commonwealth Government of Australia yields.

GROSS WRITTEN PREMIUM (GWP) is the total amount of insurance premiums that we sold to customers and is our measure for Group revenue.

INSURANCE MARGIN represents our insurance profit as a percentage of our net earned premium.

INSURANCE PROFIT is our underwriting result plus the investment income on assets backing our technical reserves.

LIFE AND GENERAL INSURANCE CAPITAL (LAGIC) is APRA's revised regulatory capital regime, which comes into effect from 1 January 2013.

LONG TAIL classes of insurance are those such as CTP and workers' compensation where the average period is generally greater than 12 months between the time when earned premiums are collected and final settlement of claims occurs.

MCR is the Minimum Capital Requirement as defined by APRA.

NET EARNED PREMIUM (NEP) is gross earned premium less reinsurance expense.

NET PROFIT AFTER TAX is our net result, after allowing for income taxes and the share of profit owing to non-controlling interests.

RISKS IN FORCE refers to the subject matter that an insurance policy or contract protects (for example, number of vehicles, houses, employees). An insurance policy may cover one risk or many risks, depending on the terms of the policy. Risks in force are a measure of the total number of risks covered by an insurance company at a point in time.

SHAREHOLDERS' FUNDS is the investment portfolio of assets we hold in excess of the amount backing technical reserves; it represents shareholders' equity not used in day-to-day operations.

TECHNICAL RESERVES are the investments we hold to back the outstanding claims liability and unearned premium, net of recoveries and premium debtors.

UNDERLYING MARGIN is defined by IAG as the reported insurance margin adjusted for net natural peril claim costs less related allowances; reserve releases in excess of 1% of NEP; and credit spread movements.



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Australia

New Zealand

United Kingdom

Asia

100% owned unless indicated

¹ RACV is via a distribution relationship and underwriting joint venture with RACV Limited.

² IAG holds 98.6% voting rights in Safety Insurance, based in Thailand.

³ IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmG Insurance Berhad (AmG), which trades under the AmAssurance brand.

⁴ IAG owns 26% ownership 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 30% of AAA Assurance Corporation, based in Vietnam.