
STRATEGIC RELATIONSHIP WITH BERKSHIRE HATHAWAY

16 JUNE 2015

Mike Wilkins, Managing Director and Chief Executive Officer

Nick Hawkins, Chief Financial Officer

IMPORTANT INFORMATION

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Local currencies have been used where possible. Prevailing exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate.

All references starting with "1H" refer to the six months ended 31 December, being the first half of IAG's financial year. For example, "1H15" refers to the six months ended 31 December 2014. All references starting with "2H" refer to the six months ended 30 June, being the second half of IAG's financial year. For example, "2H15" refers to the six months ended 30 June 2015. All references starting with "FY" refer to the financial year ended 30 June. For example, "FY15" refers to the year ended 30 June 2015.

STRATEGIC PARTNERSHIP¹ WITH BERKSHIRE HATHAWAY SUPPORTS 15% ROE TARGET

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KEY ELEMENTS

Exclusive relationship in Australia and New Zealand

10-year, 20% quota share

\$500m equity placement (~3.7% of expanded capital)

COMPELLING STRATEGIC RATIONALE

Complementary operating capabilities

Reduced volatility of earnings

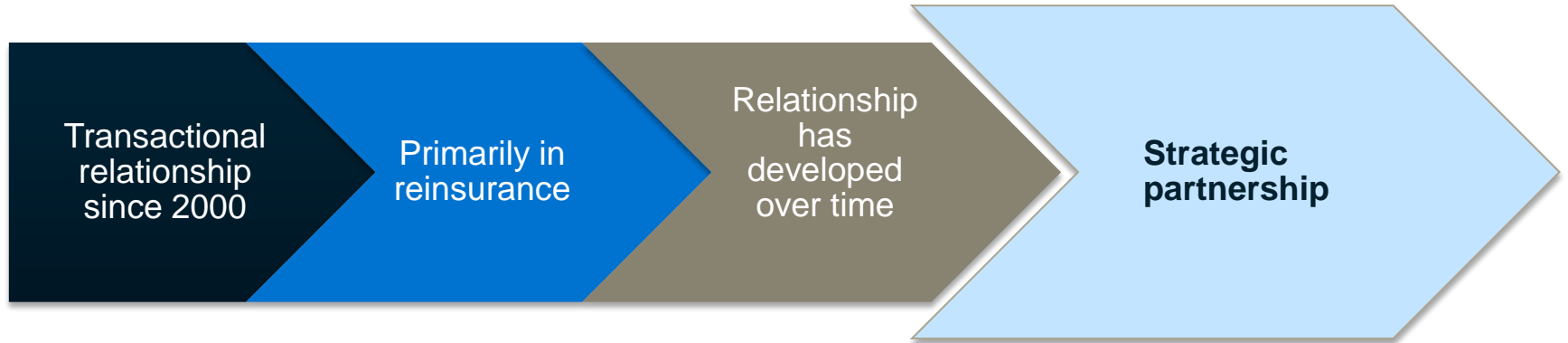
Increased capital flexibility and diversification

SUPPORTS THROUGH-THE-CYCLE 15% ROE TARGET

¹The partnership is in the nature of a long term strategic relationship comprising the elements described above, and is not a legal-form partnership under the Partnership Act or equivalent laws.

IAG'S RELATIONSHIP WITH BERKSHIRE HATHAWAY COMMENCED 2000, EVOLVED OVER TIME

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Video message

Warren E Buffett, Chairman & CEO, Berkshire Hathaway Inc



ABN 60 090 739 923

STRATEGIC RELATIONSHIP WITH BERKSHIRE HATHAWAY

AUSTRALIA AND NEW ZEALAND OPERATIONS COMPLEMENTARY STRENGTHS AND CAPABILITIES

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IAG

PERSONAL LINES & SME

Local market knowledge and customer insights

Leading brands in Australia and New Zealand

Market-leading scale

Strong distribution

Supply chain expertise

BERKSHIRE HATHAWAY

LARGE CORPORATE & SPECIALTY

Global market knowledge and expertise

Leading global brands

Niche position

BETTER CUSTOMER SERVICE AND SUPERIOR BUSINESS OUTCOMES

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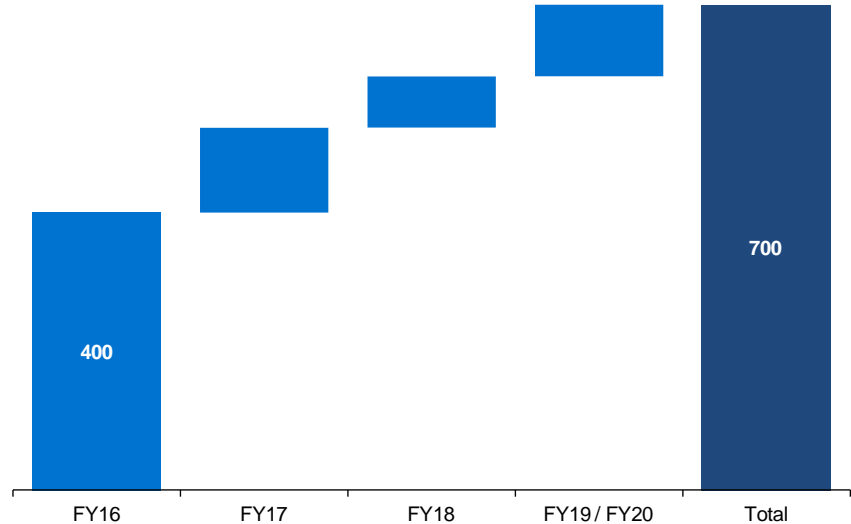
Nick Hawkins, Chief Financial Officer

QUOTA SHARE AGREEMENT REDUCES CAPITAL REQUIREMENT BY ~\$700M

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- 20% whole of account, across all IAG consolidated entities
- Initial 10-year agreement
- Increases capital flexibility and diversification:
 - Cumulative reduction in capital requirement of ~\$700m (~\$400m in FY16)
 - Reduced catastrophe cover requirement
- Reduced earnings volatility:
 - Increased commission income component
 - Lower exposure to reinsurance rates

QUOTA SHARE – REDUCED CAPITAL REQUIREMENT



\$500M EQUITY PLACEMENT CEMENTS STRATEGIC PARTNERSHIP

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\$500M EQUITY PLACEMENT TO BERKSHIRE HATHAWAY

~ 3.7% of IAG's expanded share capital (89.77m shares)

Priced at \$5.57 per share – closing price on 15 June 2015

A SIGNIFICANT COMPONENT OF OVERALL AGREEMENT

Cements strategic and long term nature of partnership

KEY ELEMENTS OF SUBSCRIPTION AGREEMENT

IAG option to place up to an additional 5% within 24 months

Berkshire Hathaway can move to maximum 14.9% stake

Berkshire Hathaway to at least maintain initial stake over the term of the quota share

STRONG PRO FORMA CAPITAL POSITION CONSIDERABLE FLEXIBILITY

CAPITAL POSITION	31 DEC 2014 ACTUAL	EQUITY PLACEMENT	QUOTA SHARE YEAR 1	31 DEC 2014 PRO FORMA	QUOTA SHARE YEARS 2-5	31 DEC 2014 PRO FORMA
CET1 capital (\$m)	3,041	500		3,541		3,541
Tier 1 capital (\$m)	3,858	500		4,358		4,358
Tier 2 capital (\$m)	876	-		876		876
Total regulatory capital (\$m)	4,734	500		5,234		5,234
PCA (\$m)	2,918		(270)	2,648	(200)	2,448
PCA (x)	1.62			1.98		2.14
CET1 (x)	1.04			1.34		1.45

- Equity raising immediately and materially strengthens pro forma capital position
- Further strengthening from quota share
- Pro forma position well above long term benchmarks (PCA 1.4-1.6, CET1 0.9-1.1)
- Short term dilutionary EPS impact

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Mike Wilkins, Managing Director & Chief Executive Officer

LONG TERM STRATEGY

STRATEGIC PRIORITIES UNCHANGED

OUR STRATEGY

IAG leverages market leadership in general insurance and risk management to create superior value for our customers, partners, employees, shareholders and the community

OUR LONG TERM FINANCIAL TARGETS

ROE \geq 1.5 x WACC

Top quartile TSR

OUR STRATEGIC PRIORITIES

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

Drive customer centricity

Embed shared value strategy and create alignment across IAG

Secure and grow our businesses in Asia

Explore long term growth opportunities

ASIAN STRATEGY

FURTHER GROWTH OPPORTUNITIES

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PREVIOUSLY HIGHLIGHTED INITIATIVES

Dial-up of interest in SBI General (India) from 26% to 49% following increase in FDI limit

Indonesian market entry – first stage complete, distribution partner sought

OTHER POTENTIAL OPPORTUNITIES

Thai market consolidation

Increased presence in Malaysia

Greater participation in China, at a national level

FY15 OUTLOOK

UNCHANGED SINCE PERILS UPDATE IN APRIL

FY15 GUIDANCE

GWP growth	Lower end of 17-20% range
Reported insurance margin	10.5-12.5%

- FY15 GWP growth at lower end of 17-20% range (as updated in February 2015)
- Reported insurance margin guidance updated to 10.5-12.5% (previously 13.5-15.5%) on 29 April 2015 to reflect severe peril activity in 2H15

FY15 ASSUMPTIONS

- Net losses from natural perils of \$1bn
- Reserve releases of around 2% of NEP
- No material movement in foreign exchange rates or investment markets in 2H15

FY16 GUIDANCE

STRONG PROFITABILITY EXPECTED

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FY16 GUIDANCE

GWP growth	0-3%
Reported insurance margin	14.0-16.0%

- Quota share reduces NEP by ~20%
- Further realisation of Wesfarmers integration / new operating model benefits
- Favourable reported margin effect from quota share of ~200bps

FY16 ASSUMPTIONS

- Net losses from natural perils of \$600m (after allowance for the quota share effect)
- Reserve releases of at least 1% of NEP
- No material movement in foreign exchange rates or investment markets

SUMMARY

STRATEGIC PARTNERSHIP DELIVERS LONG TERM BENEFITS

A SIGNIFICANT DEVELOPMENT FOR IAG

Recognises quality of IAG's franchise and strategy

Improved customer service / offering

Reduced earnings volatility

Increased financial flexibility

Diversifies capital funding

Enhanced ability to deliver on through-the-cycle target of 15% ROE

We help make your world a safer place

AUSTRALIA



SGIO



NEW ZEALAND



ASIA



100% owned unless indicated.

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

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, 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.