

FINANCIAL RESULTS FULL YEAR ENDED 30 JUNE 2010

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Managing Director and
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All amounts are presented in Australian dollars unless otherwise stated. 1H09 refers to the six months ended 31 December 2008, 1H10 to the six months ended 31 December 2009 and 2H10 to the six months ended 30 June 2010. FY09 refers to the year ended 30 June 2009, FY10 to the year ended 30 June 2010 and FY11 to the year ended 30 June 2011.

1 GROUP RESULTS

Mike Wilkins
Managing Director and
Chief Executive Officer



THE YEAR IN SUMMARY

STRONG UNDERLYING IMPROVEMENT IN HOME MARKETS

Result in line with 2 June 2010 guidance

- Underlying GWP grew 3.8%
- Insurance profit of \$493m (FY09: \$515m)
- Insurance margin of 7.0% (FY09: 7.1%)

Improved performance in home markets (88% of Group GWP)

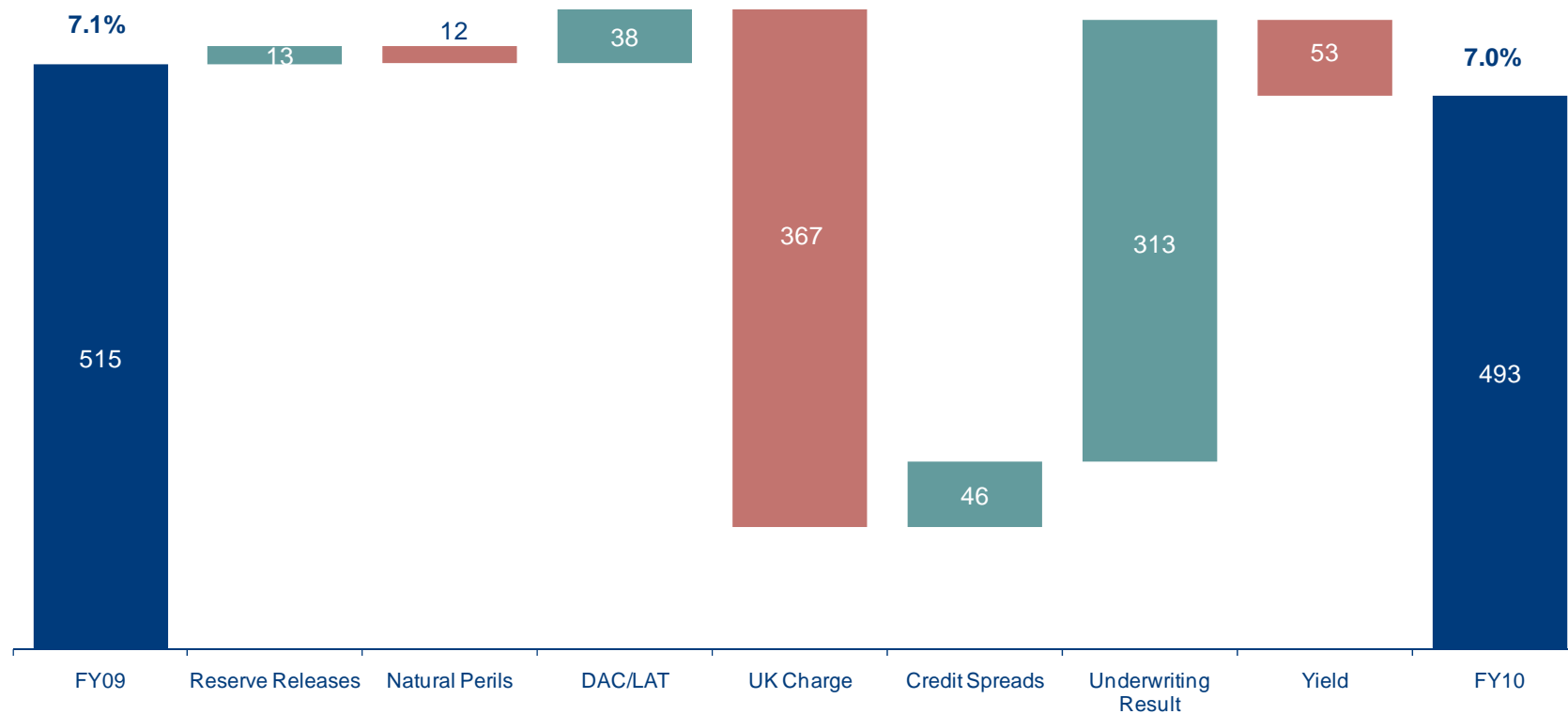
- Australia Direct GWP up 8.1% and insurance margin of 16.9% (FY09: 12.0%)
- CGU insurance margin of 6.6% (FY09: 2.2%)
- New Zealand insurance margin of 14.7% (FY09: nil)
- Collective insurance margin of 13.2% (FY09: 6.8%)

Adverse developments in second half

- Two severe weather events in Australia incurring \$210m in claim cost (March 2010)
- One-off charge of \$367m in UK business (June 2010)

FY10 INSURANCE MARGIN

CLEAR OPERATIONAL IMPROVEMENT DELIVERED



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DIVISIONAL PERFORMANCE

Mike Wilkins
Managing Director and
Chief Executive Officer



DIVISIONAL RESULTS

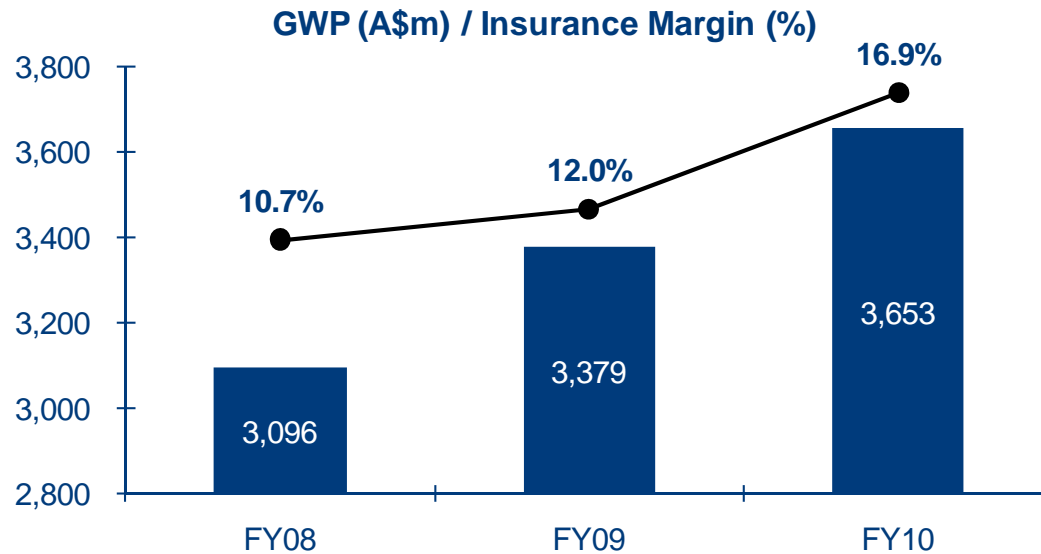
IMPROVEMENT IN HOME MARKETS

Insurance margin	FY09 %	FY10 %
Australia Direct	12.0	16.9
Australia Intermediated	2.2	6.6
New Zealand	-	14.7
United Kingdom	15.2	(65.5)
Asia ¹	5.9	1.4
Total retained	7.7	6.9
Discontinued operations	(19.2)	-
Total insurance margin	7.1	7.0

¹Asia margin in FY09 inflated by one-off benefit from introduction of DAC accounting in Thailand.

AUSTRALIA DIRECT

STRONG PERFORMANCE, WITH IMPROVED INSURANCE MARGIN



KEY POINTS

- GWP growth of 8.1%
 - Across all States and products
 - Driven by rate increases, volume growth and product initiatives
- Insurance margin of 16.9%
 - Improved underwriting performance
 - Benefit of cost saving initiatives
 - Favourable credit spread impact

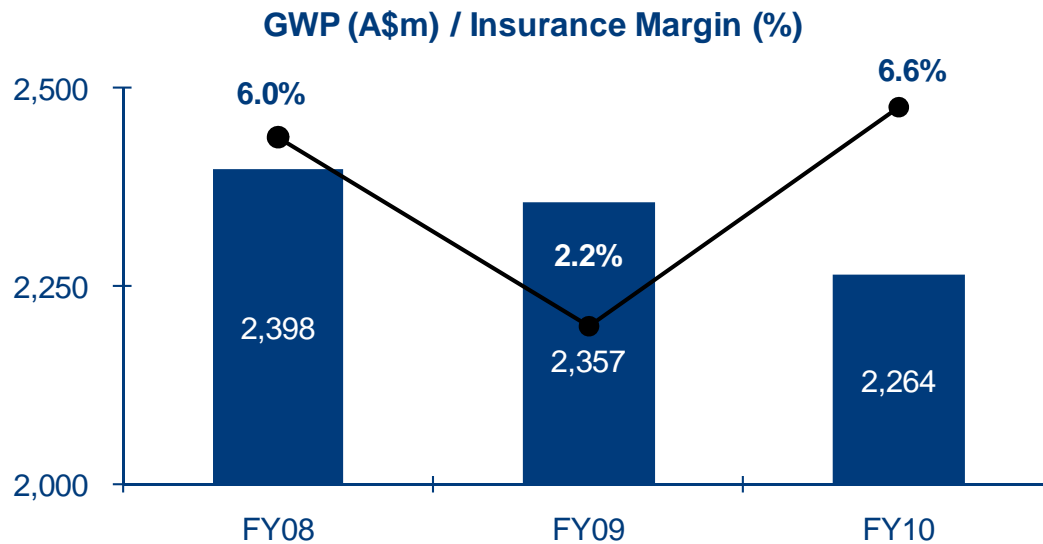
Insurance Ratios	1H10	2H10	FY10
Immunised loss ratio	70.9%	73.3%	72.1%
Expense ratio	20.4%	19.3%	19.8%
Administration ratio	18.2%	17.2%	17.7%
Immunised combined ratio	91.3%	92.6%	91.9%
Insurance margin	16.9%	16.9%	16.9%

OUTLOOK

- Further GWP growth, but more subdued than FY10
- Strong, but lower insurance margin
- Market expected to remain competitive

AUSTRALIA INTERMEDIATED

CONTINUED IMPROVEMENT IN UNDERLYING PERFORMANCE



Insurance Ratios	1H10	2H10	FY10
Immunised loss ratio	61.3%	70.4%	65.7%
Expense ratio	37.2%	36.7%	36.9%
Commission ratio	15.4%	14.6%	15.0%
Administration ratio	21.8%	22.1%	21.9%
Immunised combined ratio	98.5%	107.1%	102.6%
Insurance margin	10.2%	2.6%	6.6%

KEY POINTS

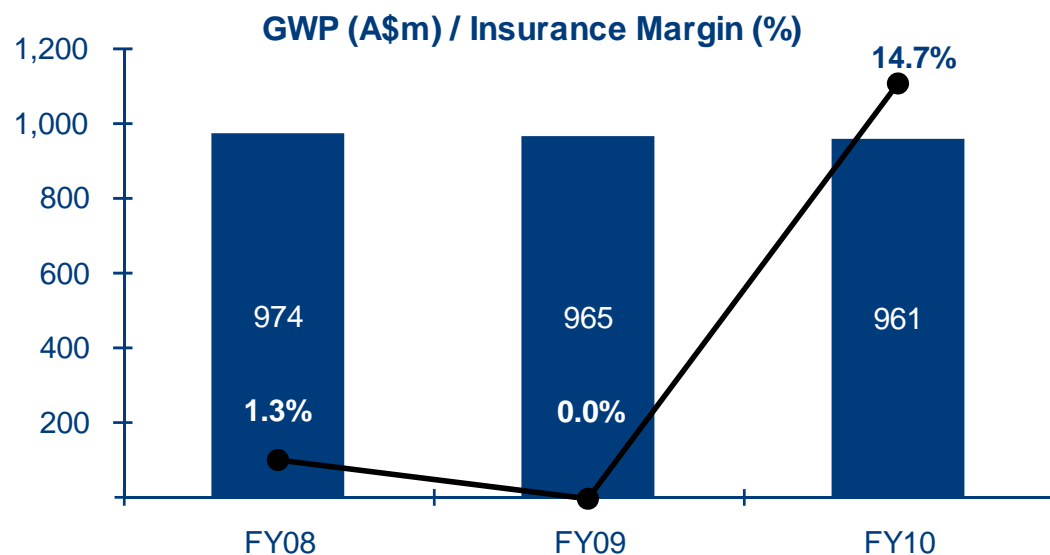
- Reported GWP down 3.9%
 - ING withdrawal and St George transition
- Modest underlying GWP growth
 - Underwriting discipline
 - Average rate increases of 6%
 - Strong retention
- Insurance margin of 6.6%
 - Improved underwriting result
 - Absence of LAT failure
 - Favourable credit spread impact
 - Higher natural perils

OUTLOOK

- Continued underlying improvement
- Premium growth expected

NEW ZEALAND

MARKED IMPROVEMENT, AIDED BY BENIGN WEATHER



Insurance Ratios	1H10	2H10	FY10
Loss ratio	55.0%	55.7%	55.3%
Expense ratio	31.1%	32.5%	31.8%
Commission ratio	12.1%	12.3%	12.2%
Administration ratio	19.0%	20.2%	19.6%
Combined ratio	86.1%	88.2%	87.1%
Insurance margin	15.0%	14.3%	14.7%

KEY POINTS

- GWP up 3.6% in local currency
 - Rate increases and high retention
 - Some unprofitable volume shed
- Strong insurance margin of 14.7%
 - Improved underwriting, claims and cost control
 - Improved claims management practices
 - Favourable natural peril and large loss experience

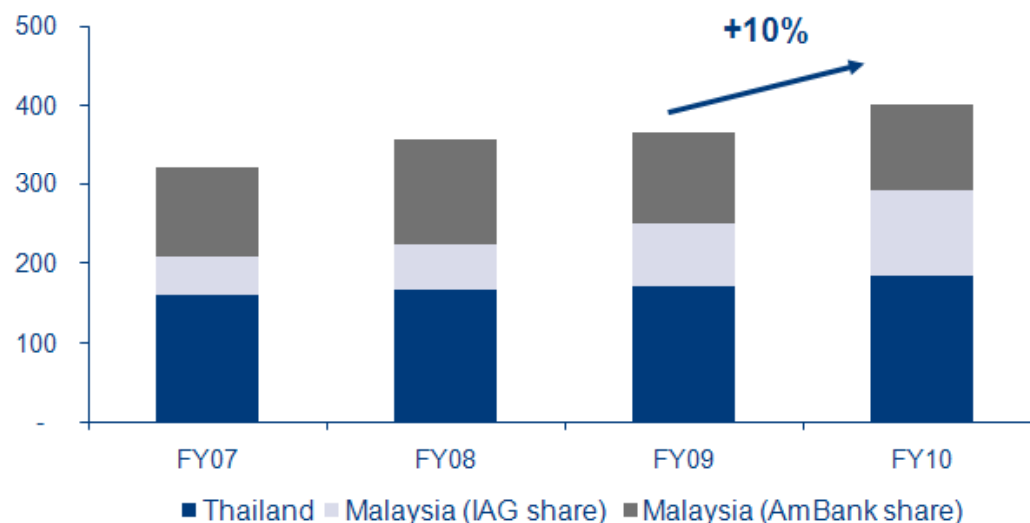
OUTLOOK

- Modest improvement in GWP
- Strong, but lower, insurance margin
 - Natural perils reverting to more normal levels

ASIA

ESTABLISHED BUSINESSES PERFORMING WELL

IAG Asia - GWP Pool (A\$m)



KEY POINTS

- GWP up 8.1% in local currency
- Participating in a regional GWP pool of around \$400m
- Thai and Malaysian businesses performing well
- SBI General commenced limited underwriting
- Reported insurance margin lower
 - Absence of previous DAC benefit

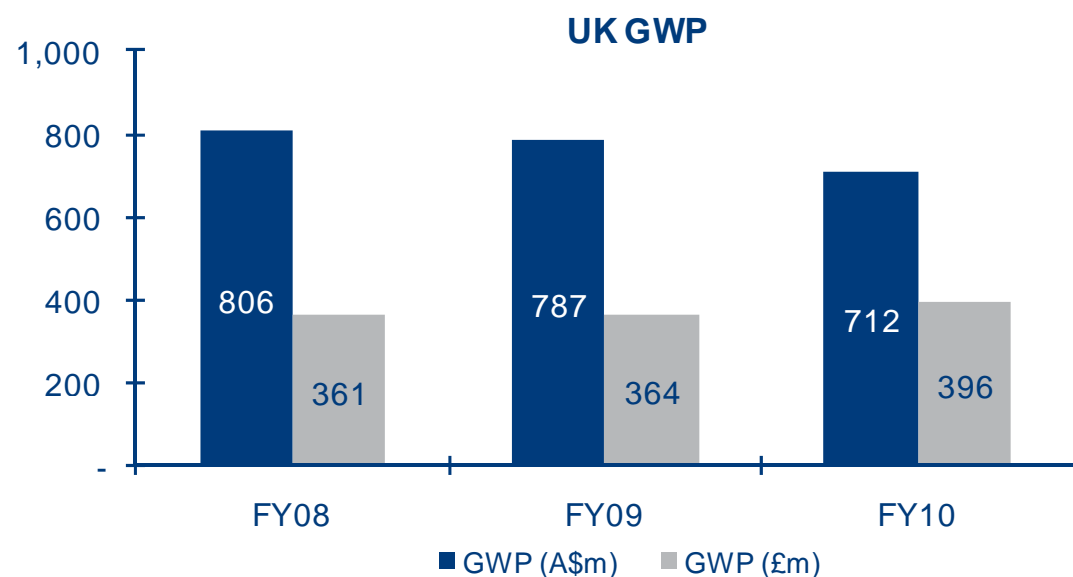
Insurance Ratios	1H10	2H10	FY10
Loss ratio	58.0%	64.9%	61.5%
Expense ratio	40.5%	40.5%	40.6%
Commission ratio	21.7%	18.9%	20.3%
Administration ratio	18.8%	21.6%	20.3%
Combined ratio	98.5%	105.4%	102.1%
Insurance margin	2.9%	-	1.4%

OUTLOOK

- Continued strong underlying performance in established businesses
- SBI General full launch
- Pursuit of growth options in emerging markets

UNITED KINGDOM

SIGNIFICANT RESERVE STRENGTHENING



Insurance Ratios	1H10	2H10	FY10
Loss ratio	63.7%	229.3%	119.0%
Expense ratio	31.6%	79.6%	47.6%
Commission ratio	18.3%	34.8%	23.8%
Administration ratio	13.3%	44.8%	23.8%
Combined ratio	95.3%	308.9%	166.6%

KEY POINTS

- Reported GWP impacted by adverse FX movement
- GWP growth in local currency terms
- Substantial second half loss
 - Significant reserve strengthening following deterioration in bodily injury claims
 - One-off \$367m charge, including new reinsurance cover
 - Remedial actions underway

OUTLOOK

- Remedial actions to restore profitability
- Low single-digit insurance margin in FY11

UNITED KINGDOM

UPDATE ON REMEDIAL ACTIONS

Remedial action underway

- Aggressive rating action taken
 - Implementation of further rate increases of up to 20% commenced
 - Across most classes
- Exiting unprofitable broker relationships
 - 2,900 broker relationships, over 8% already notified of cancellation
 - Others identified for specific underwriting action
- Cessation of external aggregator sourced business of a non-bike nature
 - No longer writing private car or van business with four largest aggregator brokers
 - Cession criteria include private car, van and household business
- Claim practices reviewed and changes being implemented
- Additional resources being added to underwriting and actuarial teams

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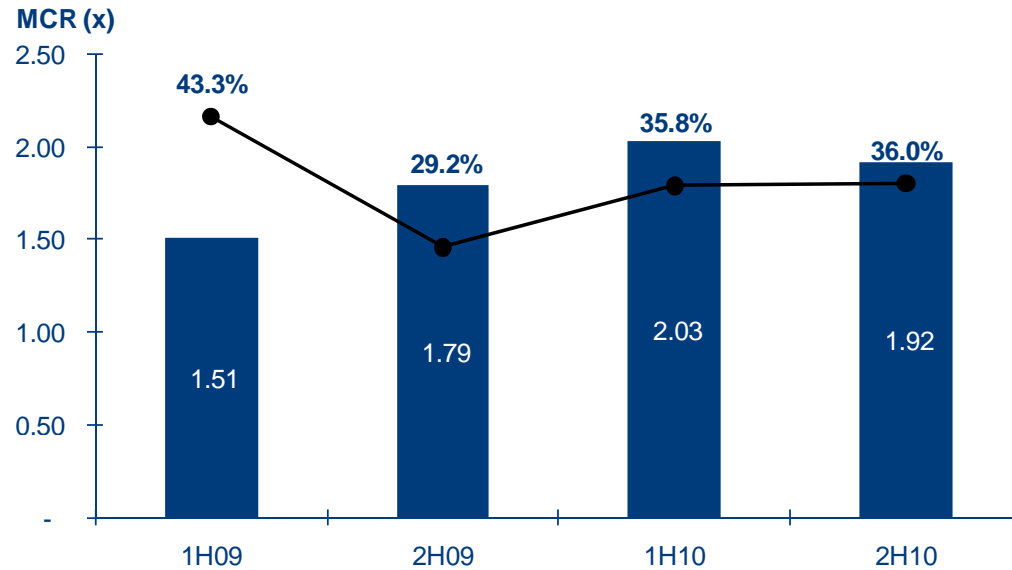
CAPITAL, INVESTMENTS AND DIVIDEND

Nick Hawkins
Chief Financial Officer



BALANCE SHEET

STRONG CAPITAL POSITION



CAPITAL MIX	1H09 A\$m	2H09 A\$m	1H10 A\$m	2H10 A\$m
Shareholder equity	4,135	4,836	5,040	4,656
Intangibles and goodwill	(2,353)	(2,278)	(2,195)	(2,083)
Tangible shareholder equity	1,782	2,558	2,845	2,573
Interest bearing liabilities	1,360	1,053	1,586	1,450
Total tangible capitalisation	3,142	3,611	4,431	4,023

MCR remains above benchmark

- MCR multiple of 1.92 at 30 June 2010, above long term benchmark of 1.45-1.50
- Retain strong capital position over short to medium term
- Debt to total tangible capitalisation of 36%, near mid-point of target range
- 'Very strong' 'AA-' ratings for key wholly owned insurers reaffirmed

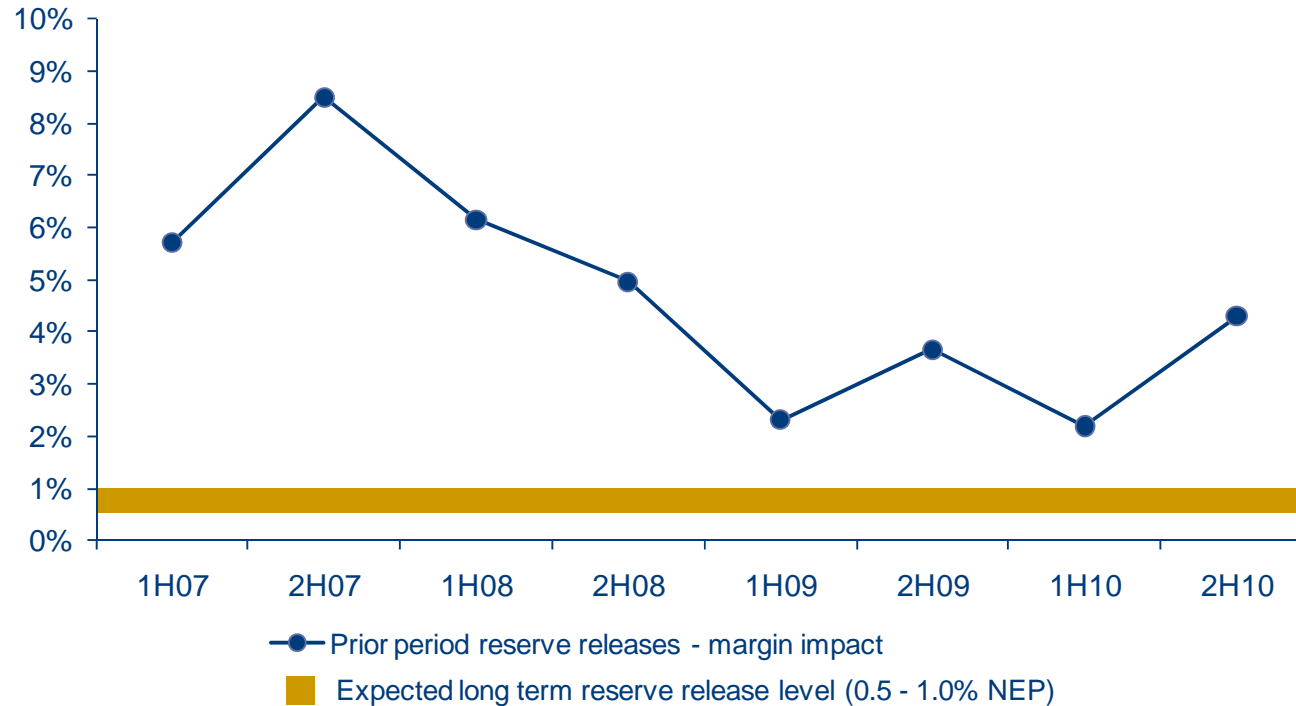
REINSURANCE

REDUCING EARNINGS VOLATILITY

- **A key part of our approach to capital management**
- **Integrated programme of catastrophe cover on calendar year basis**
 - Main cover from \$200m up to \$4.1bn
 - Buy-down below \$200m as well as second and third event covers
 - First event triggered by Melbourne hailstorm (March 2010) – loss capped at \$135m
 - Subsequent Perth storm event (March 2010) – loss capped at \$75m
 - Sideways aggregate cover (\$150m excess of \$150m) now active
 - At 1 July 2010, exposure to a subsequent catastrophe event limited to a maximum of \$15m
- **Counterparty credit profile remains strong**

RESERVE RELEASES

LONG TERM EXPECTATION OF 0.5-1.0% OF NEP

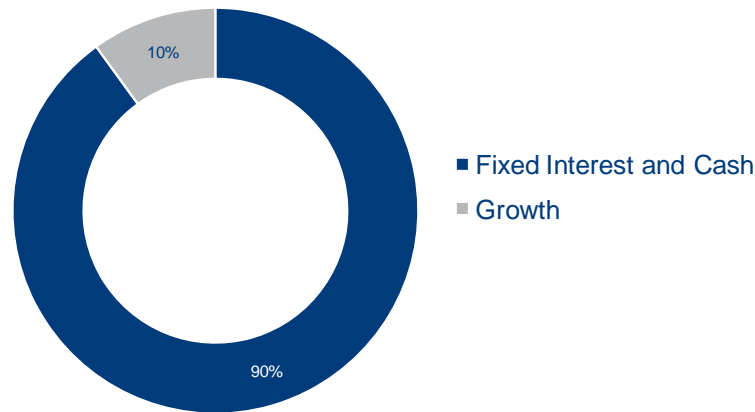


- FY10 reserve releases higher than expected:
 - Impact of improved economic conditions on underlying assumptions
 - Favourable experience in classes incl. workers' compensation and professional risks
- Majority sourced from central estimate
- Reserve releases of 0.5-1.0% of NEP a recurring feature over the long term

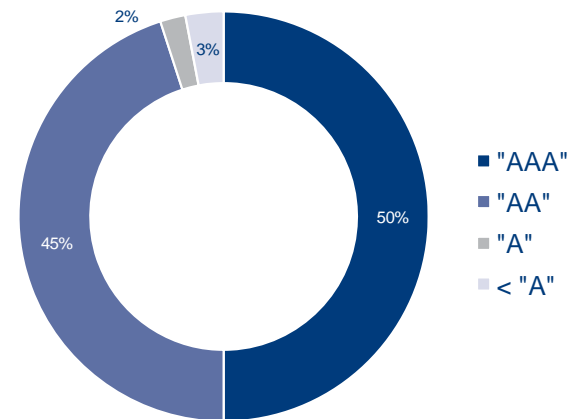
INVESTMENTS

CONSERVATIVE MIX AND HIGH CREDIT QUALITY

INVESTMENT ASSET ALLOCATION – \$11.7B



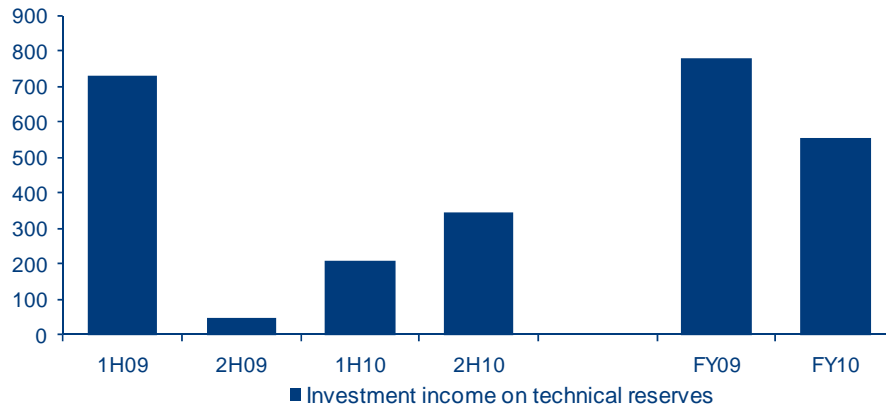
GROUP FIXED INTEREST & CASH – \$10.5B



- 90% of investments in fixed interest and cash
 - 95% of fixed interest and cash rated 'AA' or better
- Credit quality remains high
- Growth asset allocation in shareholders' funds increased to 37% at 30 June 2010

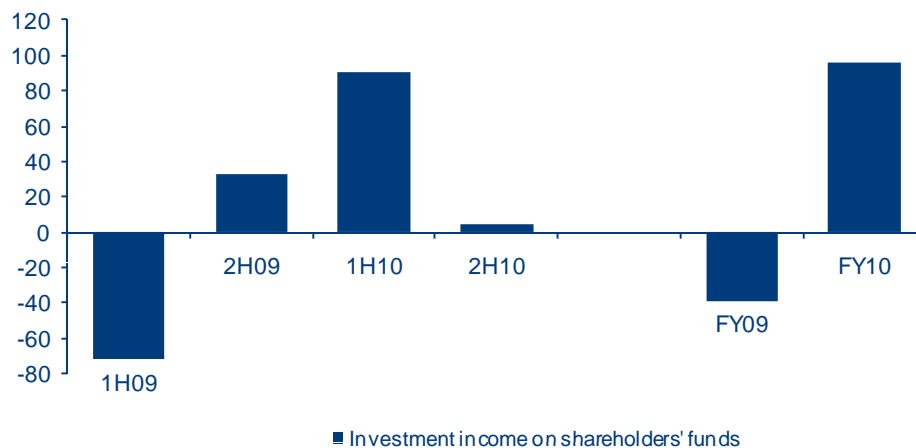
INVESTMENT RETURNS

SOUND PERFORMANCE



Technical reserve returns

- Income of \$554m (FY09: \$780m)
- Fall influenced by risk free discount rate adjustments
- \$53m impact from lower running yield

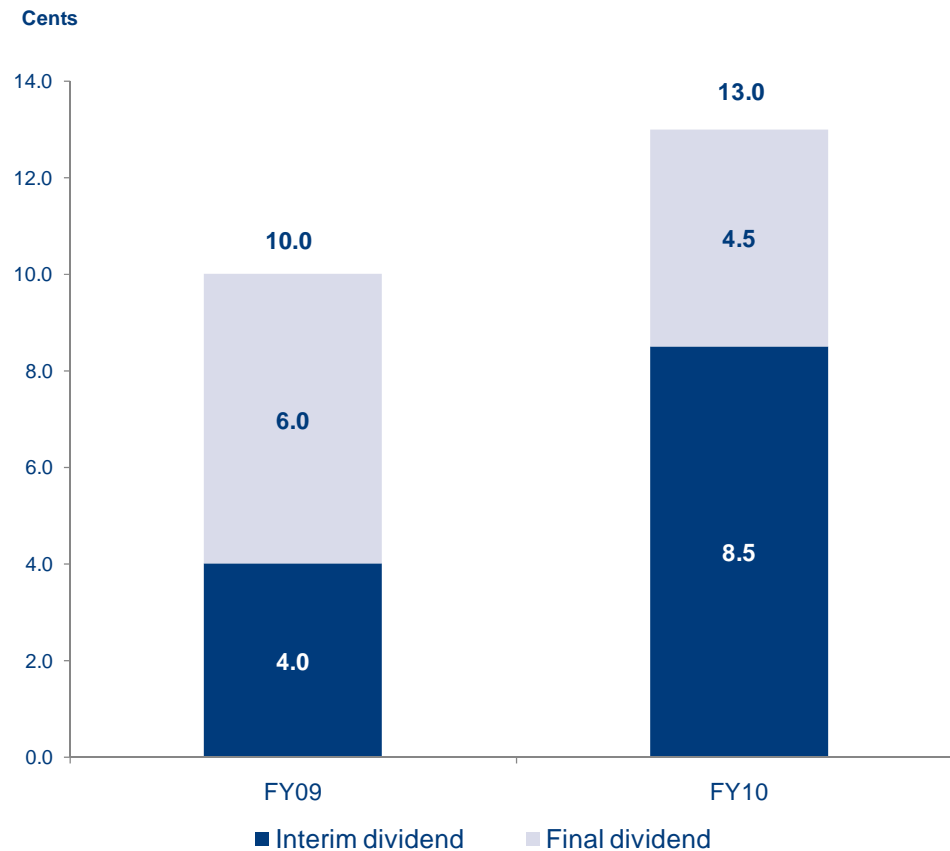


Shareholders' funds returns

- Income of \$96m (FY09: -\$39m)
- Improved equity market returns
- Reversal of \$96m RES exchange right

DIVIDEND

FULL YEAR DIVIDEND UP 30%



4.5cps fully franked final dividend

- Brings full year dividend to 13cps, up 30% from previous year
- Equates to a payout ratio at top end of 50-70% range of cash earnings
- Cash earnings of \$382m (18.5cps)

4 OUTLOOK

Mike Wilkins
Managing Director and
Chief Executive Officer



FY11 OUTLOOK

SIGNIFICANT MARGIN IMPROVEMENT

	FY11
Insurance margin	10.5-12.5%
Underlying GWP growth	3-5%

- Strong performances from Australia Direct and New Zealand
- An improved performance from CGU
- A modest full year contribution from the UK

Guidance for FY11 assumes:

- Losses from natural perils in line with budgeted allowances of \$435m
- No material movement in foreign exchange rates or investment markets
- Lower net reserve releases than FY10 (excluding the UK strengthening)

BUSINESS MODEL AND BRANDS

	DIRECT INSURANCE	INTERMEDIATED INSURANCE	ONLINE INSURANCE		DIRECT INSURANCE		DIRECT INSURANCE		INTERMEDIATED INSURANCE
AUSTRALIA			²	NEW ZEALAND		ASIA	³	UNITED KINGDOM	
							⁴		
					INTERMEDIATED INSURANCE		⁵		
							INTERMEDIATED INSURANCE		
	¹						OTHER		

ACTIVE PORTFOLIO MANAGEMENT & GOVERNANCE (CORPORATE OFFICE)

1. RACV is via a distribution relationship and underwriting joint venture with RACV Limited. 2. RACV has a 30% interest in The Buzz. 3. 49% ownership of the general insurance arm of AmBank, AmG Insurance, trading under the AmAssurance brand. 4. 98% voting rights in Safety Insurance, based in Thailand. 5. 26% ownership of SBI General Insurance Company, a joint venture with the State Bank of India