

FINANCIAL RESULTS HALF YEAR ENDED 31 DECEMBER 2010

Mike Wilkins
Managing Director and
Chief Executive Officer

Nick Hawkins
Chief Financial Officer

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ABN 60 090 739 923



1 GROUP RESULTS

Mike Wilkins
Managing Director and
Chief Executive Officer

THE HALF IN SUMMARY

HOME MARKETS CONTINUE TO PERFORM WELL

Insurance margin of 12.7%

- Underlying GWP growth of 3.2%
- Insurance profit of \$470m (1H10: \$488m)
- Net profit of \$161m, after \$150m UK intangibles impairment
- Interim dividend of 9cps, fully franked (1H10: 8.5cps)

Strong performance in Australia and New Zealand

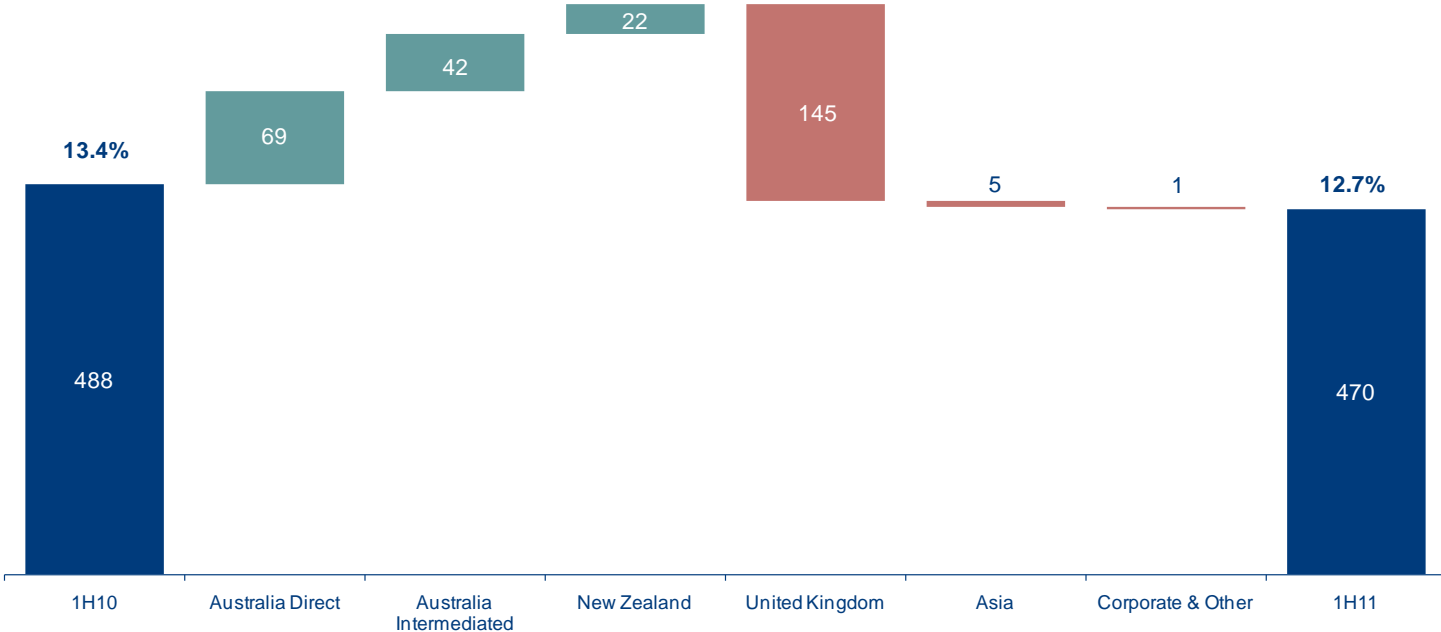
- More than 90% of GWP
- Collective insurance margin of 17.8% (1H10: 14.4%) and underlying GWP growth of 6.3%
- Benefited from reinsurance protections, notably in respect of Christchurch earthquake (Sept 2010)
- CGU turnaround continuing, despite difficult market conditions

Greater than expected loss from UK

- Higher than anticipated bodily injury claim inflation
- Significant protection from adverse development cover for 2009 and prior
- Remediation showing early signs of improvement

1H11 INSURANCE MARGIN

AUSTRALASIAN IMPROVEMENT OFFSET BY UK



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DIVISIONAL PERFORMANCE

Mike Wilkins
Managing Director and
Chief Executive Officer

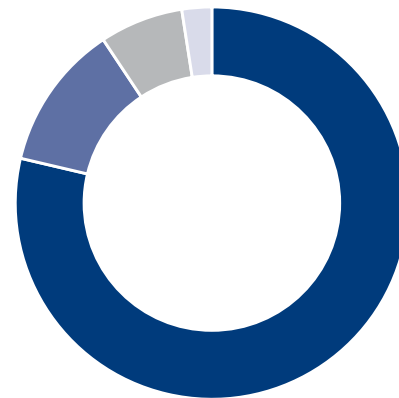


DIVISIONAL RESULTS

HOME MARKETS ARE PERFORMING WELL

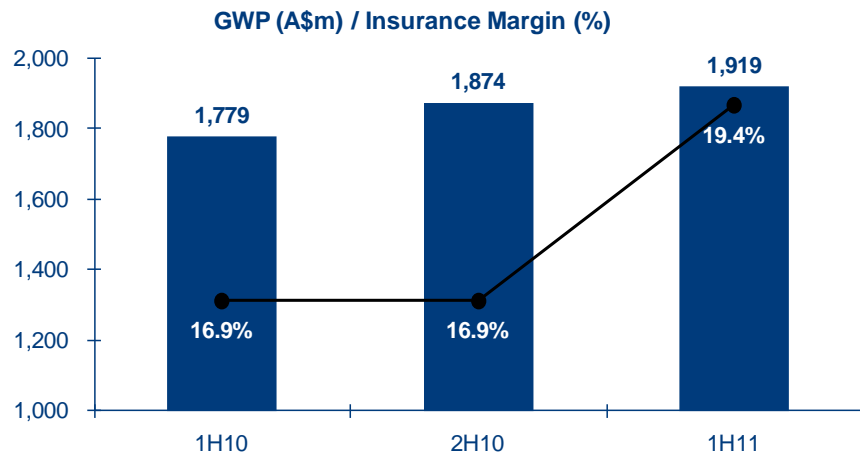
Insurance Profit (A\$m) and Margin (%)	1H10		1H11	
	A\$m	%	A\$m	%
Australia Direct	281	16.9	350	19.4
Australia Intermediated	112	10.2	154	14.3
New Zealand	68	15.0	90	19.8
Total Australia and New Zealand	461	14.4	594	17.8
UK	24	6.6	(121)	(41.3)
Asia	2	2.9	(3)	(3.8)
Corporate & Other	1	n/a	0	n/a
Total Insurance Profit / Margin	488	13.4	470	12.7

1H11 GWP REGIONAL MIX



- Australia
- New Zealand
- UK
- Asia

AUSTRALIA DIRECT PERFORMING WELL



Insurance Ratios	1H10	2H10	1H11
Immunised loss ratio	70.9%	73.3%	69.8%
Expense ratio	20.4%	19.3%	19.0%
Administration ratio	18.2%	17.2%	17.0%
Immunised combined ratio	91.3%	92.6%	88.8%
Insurance margin	16.9%	16.9%	19.4%

KEY POINTS

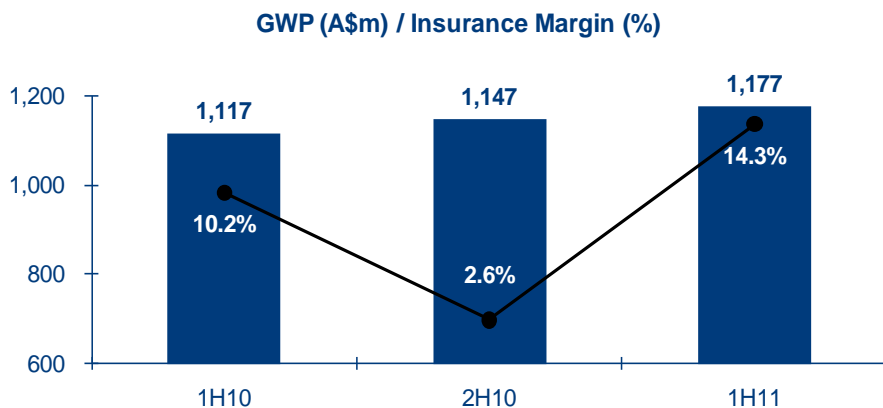
- GWP growth of 7.9%
 - Encouraging volume gains
- Increased insurance margin of 19.4%
 - Improved underwriting and cost disciplines
 - Natural peril claim expense reduced by reinsurance protections
 - Higher reserve releases

OUTLOOK

- Further GWP growth, but at reduced pace
- Lower 2H11 margin than 1H11
 - Impact of January/February peril events

AUSTRALIA INTERMEDIATED

ONGOING IMPROVEMENT IN UNDERLYING PERFORMANCE



Insurance Ratios	1H10	2H10	1H11
Immunised loss ratio	61.3%	70.4%	58.5%
Expense ratio	37.2%	36.7%	35.7%
Commission ratio	15.4%	14.6%	14.8%
Administration ratio	21.8%	22.1%	20.9%
Immunised combined ratio	98.5%	107.1%	94.2%
Insurance margin	10.2%	2.6%	14.3%

KEY POINTS

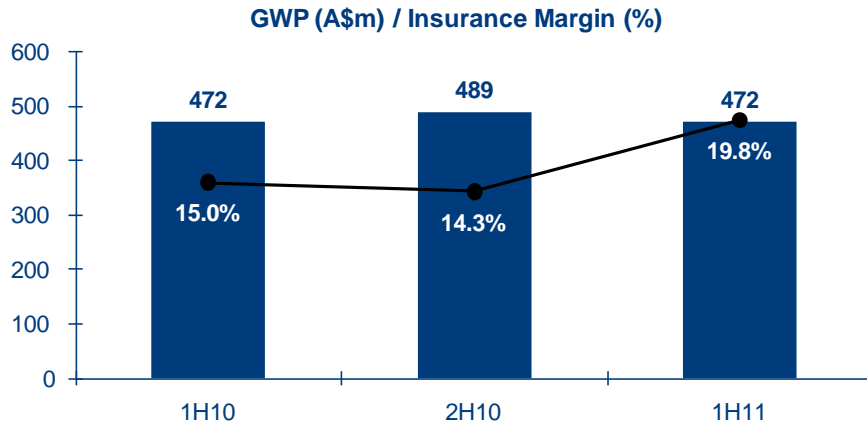
- GWP growth of 5.4%
 - Difficult market conditions
 - Rate increases vary by portfolio
 - Retention remains strong
- Insurance margin of 14.3%
 - Underlying improvement ongoing
 - Natural peril costs lower, assisted by reinsurance protections
 - Higher reserve releases

OUTLOOK

- Continuation of tough market conditions
- Year-on-year underlying improvement
- Lower reported margin in 2H11 (vs. 1H11)

NEW ZEALAND

INCREASED REPORTED MARGIN, AIDED BY REINSURANCE PROTECTIONS



Insurance Ratios	1H10	2H10	1H11
Loss ratio	55.0%	55.7%	52.1%
Expense ratio	31.1%	32.5%	29.0%
Commission ratio	12.1%	12.3%	11.9%
Administration ratio	19.0%	20.2%	17.1%
Combined ratio	86.1%	88.2%	81.1%
Insurance margin	15.0%	14.3%	19.8%

KEY POINTS

- GWP grew by 3% in local currency
 - Flat reported GWP
 - Moderate rate increases offset by reduced volumes from improved risk selection
- Increased insurance margin of 19.8%
 - Underlying performance remains strong
 - Significant reinsurance protection under Group covers
 - Christchurch earthquake (September 2010) fully covered at a Group level

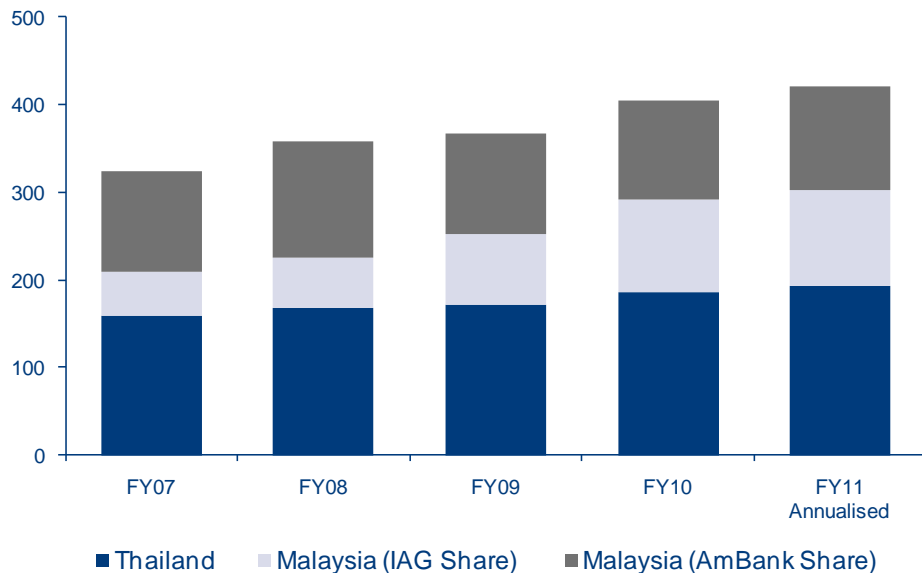
OUTLOOK

- Improved GWP growth
- Lower 2H11 margin (vs. 1H11) owing to second Christchurch earthquake

ASIA

SBI GENERAL MOVING TO FULL LAUNCH IN 2H11

IAG ASIA – GWP POOL (A\$)



KEY POINTS

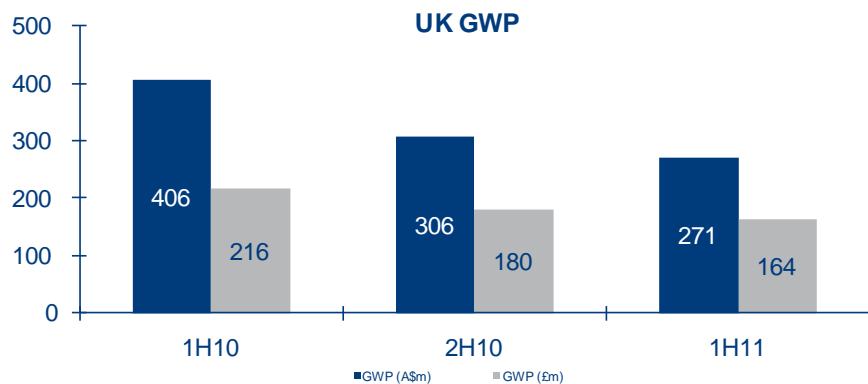
- Participation in regional annual GWP pool of \$420m
- Thai business recorded strong GWP growth, but margin impacted by flood events
- Malaysia continues to perform well
- SBI General in start-up phase
- Self-funding of regional development costs
- Current regional investment approx \$400m

OUTLOOK

- Strong underlying performance from established businesses
- Full launch of SBI General in 2H11
- Assessment of opportunities in other Asian markets

UNITED KINGDOM

HIGHER THAN EXPECTED LOSS OWING TO BODILY INJURY CLAIM INFLATION



Insurance Ratios	1H10	2H10	1H11
Loss ratio	63.7%	229.3%	94.5%
Expense ratio	31.6%	79.6%	47.8%
Commission ratio	18.3%	34.8%	23.9%
Administration ratio	13.3%	44.8%	23.9%
Combined ratio	95.3%	308.9%	142.3%
Insurance margin	6.6%	(209.4%)	(41.3%)

KEY POINTS

- Higher than expected insurance loss of \$121m
 - Ongoing bodily injury claim inflation
 - Non-private motor market more challenging than expected
 - LAT expense of \$40m
 - Prior year reserve strengthening of \$18m
 - Higher natural peril claim cost
- Considerable protection from ADC
- Remediation programme generating early signs of improvement

OUTLOOK

- Further loss in 2H11, but lower than 1H11
- Accelerated remediation actions
- New reinsurance cover – \$40m expense in 2H11

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CAPITAL, INVESTMENTS AND DIVIDENDS

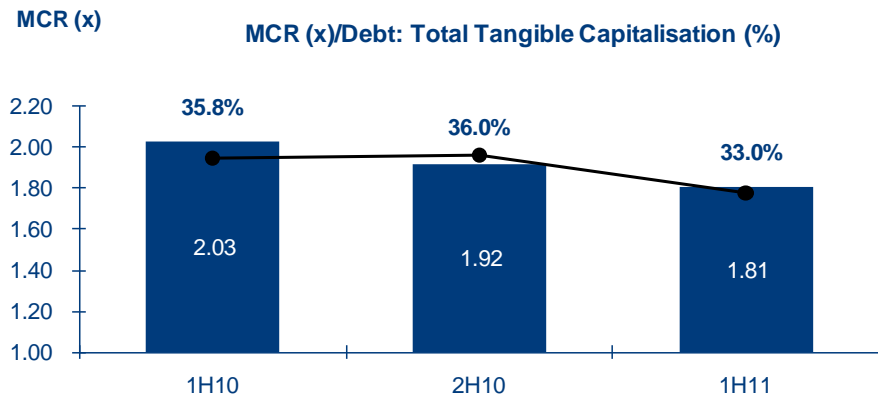
Nick Hawkins

Chief Financial Officer



BALANCE SHEET

STRONG CAPITAL POSITION



MCR remains above benchmark

- MCR of 1.81 times at 31 December 2010
- Debt to total tangible capitalisation of 33%, in line with 30–40% target range
- Capital management initiative options continue to be assessed
- ‘AA’ category financial strength ratings for key wholly owned insurers from S&P

CAPITAL MIX	1H10 A\$m	2H10 A\$m	1H11 A\$m
Shareholder equity	5,040	4,656	4,658
Intangibles and goodwill	(2,195)	(2,083)	(1,853)
Tangible shareholder equity	2,845	2,573	2,805
Interest bearing liabilities	1,586	1,450	1,380
Total tangible capitalisation	4,431	4,023	4,185

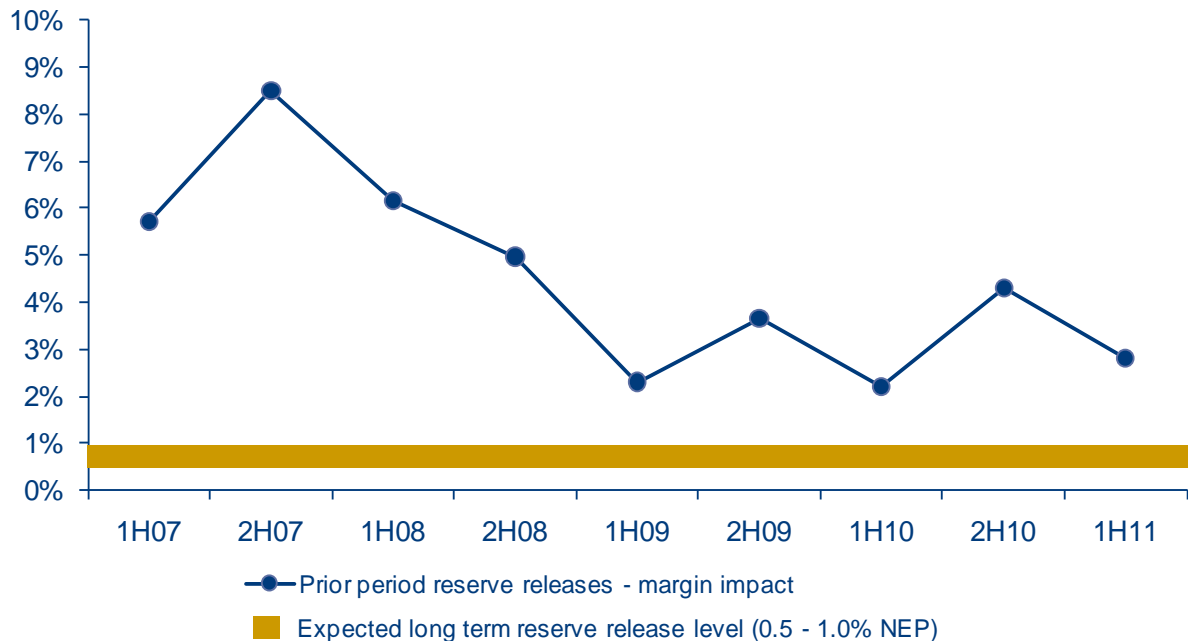
REINSURANCE

SIGNIFICANT PROTECTION PROVIDED

- Significant reinsurance protections in 1H11
- Integrated programme of catastrophe cover on calendar year basis renewed from 1 January 2011:
 - Main cover from \$250m up to \$4.1bn
 - Three-year buy-down below \$250m
 - First event MER of \$150m
 - Second and third event covers
 - Sideways aggregate cover (\$150m excess of \$150m)
- Counterparty credit profile remains strong
- Significant natural peril claim costs early in 2H11:
 - Aggregate cover active
 - Next event (post Christchurch earthquake) maximum cost of \$75m
 - Additional reinstatement costs in 2H11

RESERVE RELEASES

LONG TERM EXPECTATION OF 0.5-1.0% OF NEP

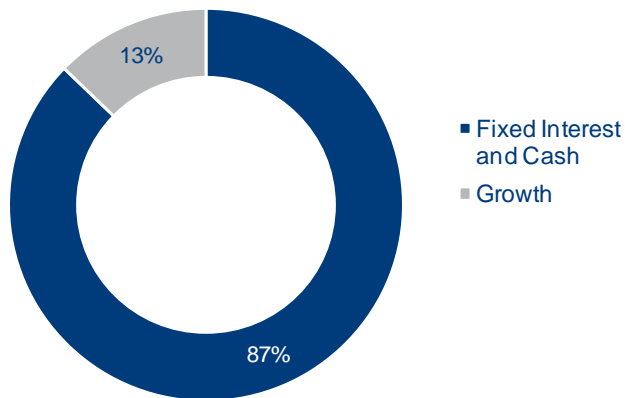


- 1H11 reserve releases of \$103m (net of \$18m UK strengthening)
- Majority sourced from central estimate
- Significant sources in 1H11 were:
 - CTP (Australia Direct)
 - Workers' comp and professional risks (CGU)
- FY11 reserve releases not expected to exceed FY10

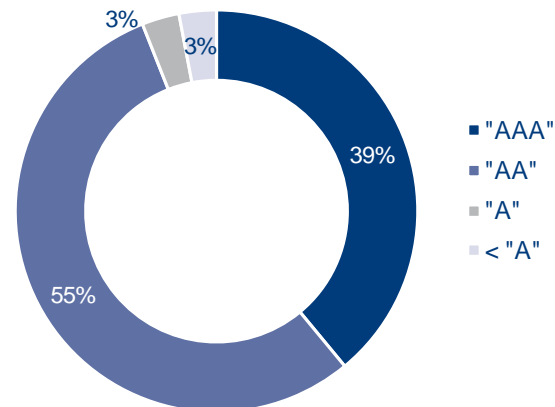
INVESTMENTS

CONSERVATIVE MIX AND HIGH CREDIT QUALITY

INVESTMENT ASSET ALLOCATION – \$11.8B



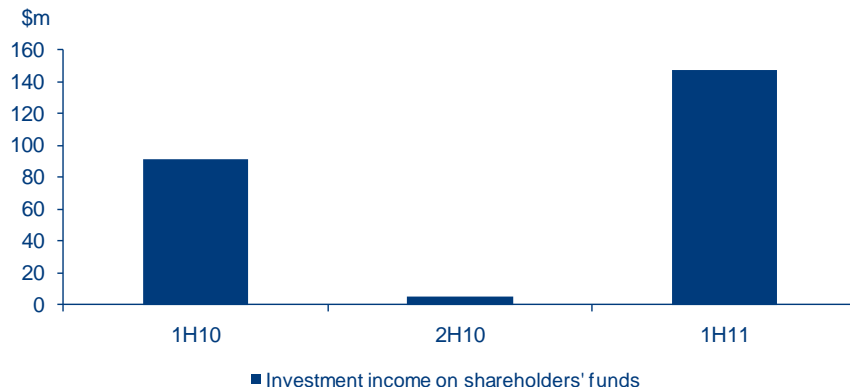
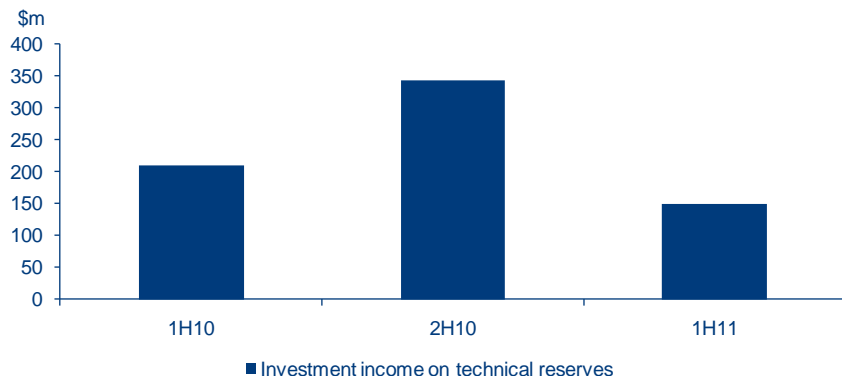
GROUP FIXED INTEREST & CASH – \$10.3B



- 87% of total portfolio in fixed interest and cash
- Growth assets have risen to 40% of shareholders' funds
- Credit quality remains high – 94% of fixed interest and cash rated 'AA' or better

INVESTMENT RETURNS

SOUND PERFORMANCE



Technical reserve returns

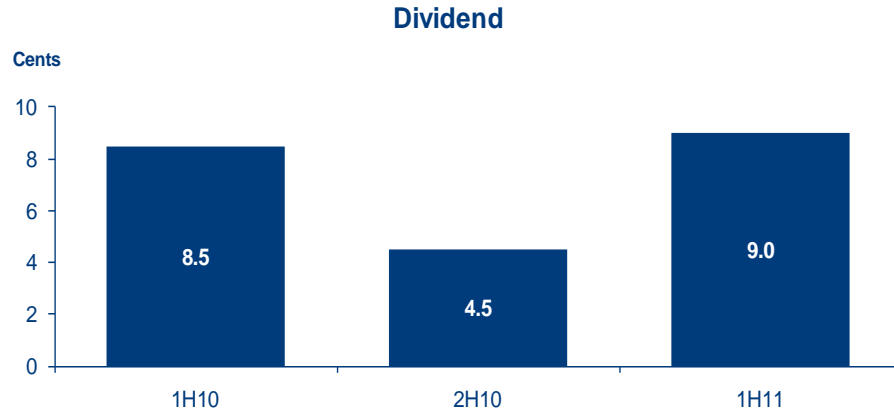
- Lower returns in face of rising yields
- 100bps of return generated above risk free rate
- Credit spread volatility has continued to ease

Shareholders' funds returns

- Improvement reflects recovery in equity markets

DIVIDEND

INCREASED INTERIM DIVIDEND



9.0 cps fully franked interim dividend

- Up from 8.5 cps in 1H10
- Represents 52% of cash earnings
- Policy remains to pay 50%–70% of cash earnings for the full year

4 OUTLOOK

Mike Wilkins
Managing Director and
Chief Executive Officer

FY11 OUTLOOK


















ONGOING STRONG PERFORMANCE FROM AUSTRALIA AND NEW ZEALAND

	FY11
Insurance margin	8%–10%
Underlying GWP growth	3%–5%

Guidance for FY11 assumes:

- Ongoing strong underlying performance from the Australian and New Zealand businesses
- Second half loss from the UK operation, albeit lower than 1H11
- Full year losses from natural perils of \$540m, post second Christchurch earthquake
- Increased reinsurance expense in 2H11, from new UK reinsurance cover and catastrophe reinstatements
- Reserve releases not exceeding FY10
- No material movement in foreign exchange rates or investment markets

BUSINESS MODEL AND BRANDS

	DIRECT INSURANCE	INTERMEDIATED INSURANCE	ONLINE INSURANCE		DIRECT INSURANCE	DIRECT INSURANCE	INTERMEDIATED INSURANCE	
AUSTRALIA			 2	NEW ZEALAND		 3		
						 5		
						INTERMEDIATED INSURANCE		
							OTHER	
	 1						 大陆汽车俱乐部 China Automobile Association	
							UNITED KINGDOM	

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 Group, AmG Insurance Berhad, 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.