FINANCIAL RESULTS
FULL YEAR
ENDED 30 JUNE 2010

Mike Wilkins
Managing Director and
Chief Executive Officer

Nick Hawkins
Chief Financial Officer

26 August 2010
ABN 60 090 739 923
The information in this presentation is an overview and does not contain all information necessary to an investment decision. It should be read in conjunction with IAG’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange which are available at www.iag.com.au.

No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation. To the maximum extent permitted by law, IAG, its subsidiaries and their respective directors, officers, employees and agents disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence on the part of IAG, its directors, officers, employees and agents) for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in or omitted from this presentation. No recommendation is made as to how investors should make an investment decision. Investors must rely on their own examination of IAG, including the merits and risks involved. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any acquisition of securities.

Certain statements contained in this presentation may constitute “forward-looking statements” or statements about “future matters” for the purposes of the Corporations Act 2001 (Cth) and/or “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. IAG gives no undertaking to update this information over time. The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause IAG’s actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Any forward-looking statements, opinions and estimates in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Neither IAG, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. In addition, please note that past performance is no guarantee or indication of future performance.

This presentation is for information purposes only and is not a prospectus nor an offer to issue or sell securities or other financial products in any jurisdiction. The distribution of this presentation outside Australia may be restricted by law. Any recipient of this document outside Australia must seek advice on and observe any such restrictions. This presentation may not be reproduced or published, in whole or in part, for any purpose without the prior written permission of IAG.

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
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

FY09 | Reserve Releases | Natural Perils | DAC/LAT | UK Charge | Credit Spreads | Underwriting Result | Yield | FY10
---|-----------------|----------------|--------|-----------|----------------|-------------------|-------|---
515 | 13              | 12             | 38     | 367       | 46             | 313               | 53    | 493

FY09 Reserve Releases Natural Perils DAC/LAT UK Charge Credit Spreads Underwriting Result Yield FY10

7.1% 13 12 38 367 46 313 53 493 7.0%
2
DIVISIONAL PERFORMANCE

Mike Wilkins
Managing Director and Chief Executive Officer
## DIVISIONAL RESULTS
### IMPROVEMENT IN HOME MARKETS

<table>
<thead>
<tr>
<th>Insurance margin</th>
<th>FY09 %</th>
<th>FY10 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia Direct</td>
<td>12.0</td>
<td>16.9</td>
</tr>
<tr>
<td>Australia Intermediated</td>
<td>2.2</td>
<td>6.6</td>
</tr>
<tr>
<td>New Zealand</td>
<td>-</td>
<td>14.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>15.2</td>
<td>(65.5)</td>
</tr>
<tr>
<td>Asia (^1)</td>
<td>5.9</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Total retained</strong></td>
<td>7.7</td>
<td>6.9</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>(19.2)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total insurance margin</strong></td>
<td>7.1</td>
<td>7.0</td>
</tr>
</tbody>
</table>

\(^1\)Asia 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

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

<table>
<thead>
<tr>
<th>Insurance Ratios</th>
<th>1H10</th>
<th>2H10</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immunised loss ratio</td>
<td>70.9%</td>
<td>73.3%</td>
<td>72.1%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>20.4%</td>
<td>19.3%</td>
<td>19.8%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>18.2%</td>
<td>17.2%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Immunised combined ratio</td>
<td>91.3%</td>
<td>92.6%</td>
<td>91.9%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>16.9%</td>
<td>16.9%</td>
<td>16.9%</td>
</tr>
</tbody>
</table>
AUSTRALIA INTERMEDIATED
CONTINUED IMPROVEMENT IN UNDERLYING PERFORMANCE

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

<table>
<thead>
<tr>
<th>Insurance Ratios</th>
<th>1H10</th>
<th>2H10</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immunised loss ratio</td>
<td>61.3%</td>
<td>70.4%</td>
<td>65.7%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>37.2%</td>
<td>36.7%</td>
<td>36.9%</td>
</tr>
<tr>
<td>Commission ratio</td>
<td>15.4%</td>
<td>14.6%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>21.8%</td>
<td>22.1%</td>
<td>21.9%</td>
</tr>
<tr>
<td>Immunised combined ratio</td>
<td>98.5%</td>
<td>107.1%</td>
<td>102.6%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>10.2%</td>
<td>2.6%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>
NEW ZEALAND
MARKED IMPROVEMENT, AIDED BY BENIGN WEATHER

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

Insurance Ratios

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>2H10</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>55.0%</td>
<td>55.7%</td>
<td>55.3%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>31.1%</td>
<td>32.5%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Commission ratio</td>
<td>12.1%</td>
<td>12.3%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>19.0%</td>
<td>20.2%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>86.1%</td>
<td>88.2%</td>
<td>87.1%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>15.0%</td>
<td>14.3%</td>
<td>14.7%</td>
</tr>
</tbody>
</table>
Established Businesses Performing Well

**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

**OUTLOOK**

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

### Insurance Ratios

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>2H10</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>58.0%</td>
<td>64.9%</td>
<td>61.5%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>40.5%</td>
<td>40.5%</td>
<td>40.6%</td>
</tr>
<tr>
<td>Commission ratio</td>
<td>21.7%</td>
<td>18.9%</td>
<td>20.3%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>18.8%</td>
<td>21.6%</td>
<td>20.3%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>98.5%</td>
<td>105.4%</td>
<td>102.1%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>2.9%</td>
<td>-</td>
<td>1.4%</td>
</tr>
</tbody>
</table>
**UNITED KINGDOM**
**SIGNIFICANT RESERVE STRENGTHENING**

**UK GWP**

**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

### Insurance Ratios

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>2H10</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>63.7%</td>
<td>229.3%</td>
<td>119.0%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>31.6%</td>
<td>79.6%</td>
<td>47.6%</td>
</tr>
<tr>
<td>Commission ratio</td>
<td>18.3%</td>
<td>34.8%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>13.3%</td>
<td>44.8%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>95.3%</td>
<td>308.9%</td>
<td>166.6%</td>
</tr>
</tbody>
</table>

### GWP (A$m) vs GWP (£m)

- **FY08**: 806 A$m, 361 £m
- **FY09**: 787 A$m, 364 £m
- **FY10**: 712 A$m, 396 £m
**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
3
CAPITAL, INVESTMENTS AND DIVIDEND

Nick Hawkins
Chief Financial Officer
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

<table>
<thead>
<tr>
<th>CAPITAL MIX</th>
<th>1H09</th>
<th>2H09</th>
<th>1H10</th>
<th>2H10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder equity</td>
<td>4,135</td>
<td>4,836</td>
<td>5,040</td>
<td>4,656</td>
</tr>
<tr>
<td>Intangibles and goodwill</td>
<td>(2,353)</td>
<td>(2,278)</td>
<td>(2,195)</td>
<td>(2,083)</td>
</tr>
<tr>
<td>Tangible shareholder equity</td>
<td>1,782</td>
<td>2,558</td>
<td>2,845</td>
<td>2,573</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>1,360</td>
<td>1,053</td>
<td>1,586</td>
<td>1,450</td>
</tr>
<tr>
<td>Total tangible capitalisation</td>
<td>3,142</td>
<td>3,611</td>
<td>4,431</td>
<td>4,023</td>
</tr>
</tbody>
</table>
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
• 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
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
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
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)
FY11 OUTLOOK
SIGNIFICANT MARGIN IMPROVEMENT

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance margin</td>
<td>10.5-12.5%</td>
</tr>
<tr>
<td>Underlying GWP growth</td>
<td>3-5%</td>
</tr>
</tbody>
</table>

- 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)
**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.