FINANCIAL RESULTS
FULL YEAR
ENDED 30 JUNE 2011

Mike Wilkins
Managing Director and Chief Executive Officer

Nick Hawkins
Chief Financial Officer

25 August 2011
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All amounts are presented in Australian dollars unless otherwise stated. 1H10 refers to the six months ended 31 December 2009, 1H11 to the six months ended 31 December 2010 and 2H11 to the six months ended 30 June 2011. FY10 refers to the year ended 30 June 2010, FY11 to the year ended 30 June 2011 and FY12 to the year ended 30 June 2012.
THE YEAR IN SUMMARY
SOLID PERFORMANCE IN CHALLENGING CONDITIONS

Key financial metrics improved
• Underlying GWP growth of 4.8% (2H11: 6.3%)
• Improved insurance profit of $660m (FY10: $493m) and insurance margin of 9.1% (FY10: 7.0%)
• Cash return on equity of 11.1% (FY10: 8.3%)
• Net profit after tax of $250m (FY10: $91m)
• Final dividend of 7cps, fully franked, giving full year dividend of 16cps (FY10: 13cps)

Outcome influenced by:
• Net natural peril claim costs of $610m (FY10: $463m), compared to allowances of $435m
• Flow-on effect to reinsurance expense of $83m including reinstatement costs
• Higher than expected reserve releases of $328m (FY10: $228m)
• Greater than originally anticipated bodily injury claim inflation in UK

Solid platform established
• Strong underlying performance across Australia and New Zealand, combined margin of 12.9%
• Reduced 2H11 loss in UK, as remediation actions gather traction
• Good progress in Asia – expanded launch of Indian JV, investment in China
FY11 INSURANCE MARGIN
FURTHER IMPROVEMENT IN UNDERLYING PERFORMANCE

1. Incremental reinsurance costs in FY11 include reinstatement costs and accelerated amortisation.
2. United Kingdom insurance margin movement excludes yield and natural peril movements, as well as reserve strengthening in 1H10 ($25m) and FY11 ($20m).
DIVISIONAL PERFORMANCE

Mike Wilkins
Managing Director and
Chief Executive Officer
**DIVISIONAL RESULTS**

**SOLID PERFORMANCE IN HOME MARKETS**

<table>
<thead>
<tr>
<th>Insurance Profit (A$m) and Margin (%)</th>
<th>FY10</th>
<th>FY11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A$m</td>
<td>%</td>
</tr>
<tr>
<td>Australia Direct</td>
<td>569</td>
<td>16.9</td>
</tr>
<tr>
<td>Australia Intermediated</td>
<td>139</td>
<td>6.6</td>
</tr>
<tr>
<td>New Zealand</td>
<td>131</td>
<td>14.7</td>
</tr>
<tr>
<td><strong>Total Australia and New Zealand</strong></td>
<td>839</td>
<td>13.2</td>
</tr>
<tr>
<td>UK</td>
<td>(355)</td>
<td>(65.5)</td>
</tr>
<tr>
<td>Asia</td>
<td>2</td>
<td>1.4</td>
</tr>
<tr>
<td>Corporate &amp; Other</td>
<td>7</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total Insurance Profit / Margin</strong></td>
<td>493</td>
<td>7.0</td>
</tr>
</tbody>
</table>
AUSTRALIA DIRECT
STRONG PERFORMANCE MAINTAINED

KEY POINTS
• GWP growth of 6.5%
  – Volume gains continue
• Increased insurance margin of 19.5%
  – Strong underwriting and cost discipline
  – Natural peril claim expense reduced by reinsurance
  – Higher reserve releases

OUTLOOK
• Further GWP growth
• Strong but lower margin than FY11
  – Timing of recovery of higher reinsurance cost via rate increases
  – Lower reserve releases
**AUSTRALIA INTERMEDIATED**
**UNDERLYING TURNAROUND CONTINUING**

**KEY POINTS**
- Top line growth restored
  - GWP increased by 8.8%
  - Higher rates, new business, acquisitions
- Insurance margin of 6.5%
  - Severe natural peril impact in 2H11 (TC Yasi, Brisbane/Toowoomba)
  - Higher reserve releases
- Underlying improvement of $150m+ since FY08

**OUTLOOK**
- Strong GWP growth
  - Includes HBF acquisition ($100m GWP)
  - Rate increases to recover reinsurance costs
- Further progress towards double digit margin
NEW ZEALAND
EARTHQUAKE IMPACTS IN 2H11 – UNDERLYING PERFORMANCE STRONG

KEY POINTS
- GWP grew by 3.4% in local currency
- Reported insurance margin of 0.4%
  - Significant 2H11 peril impact from earthquakes
  - Associated reinsurance costs
  - Underlying performance remains strong

OUTLOOK
- Strong GWP growth
  - Rate increases to recover reinsurance costs
- Higher margin in FY12
  - More normal net natural peril claim experience

<table>
<thead>
<tr>
<th>Insurance Ratios</th>
<th>1H11</th>
<th>2H11</th>
<th>FY11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>52.1%</td>
<td>91.4%</td>
<td>69.8%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>29.0%</td>
<td>34.6%</td>
<td>31.6%</td>
</tr>
<tr>
<td>Commission ratio</td>
<td>11.9%</td>
<td>13.4%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>17.1%</td>
<td>21.2%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>81.1%</td>
<td>126.0%</td>
<td>101.4%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>19.8%</td>
<td>(23.3%)</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
UNITED KINGDOM
REDUCED 2H11 LOSS, AS REMEDIAL ACTIONS TAKE HOLD

**KEY POINTS**
- 23% decrease in reported GWP
  - Unprofitable business shed
  - Significant rate increases
  - Adverse currency impact
- Reduced 2H11 insurance loss of $60m, in line with expectations
  - Remedial actions gaining traction
  - $36m ADC reinsurance expense
  - No further call on ADC protection

**OUTLOOK**
- Flat GWP – rate increases counter volume loss
- Improved performance, towards breakeven
- Early signs of industry reform

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**GWP / Insurance Profit/(Loss) (A$m)**

<table>
<thead>
<tr>
<th></th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
</tr>
</thead>
<tbody>
<tr>
<td>GWP</td>
<td>806</td>
<td>787</td>
<td>712</td>
<td>546</td>
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<tr>
<td>Profit</td>
<td>53</td>
<td>113</td>
<td>(355)</td>
<td>(181)</td>
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</tbody>
</table>

**Insurance Ratios**

<table>
<thead>
<tr>
<th></th>
<th>1H11</th>
<th>2H11</th>
<th>FY11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>94.5%</td>
<td>104.9%</td>
<td>99.3%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>47.8%</td>
<td>22.8%</td>
<td>36.3%</td>
</tr>
<tr>
<td>Commission ratio</td>
<td>23.9%</td>
<td>9.8%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>23.9%</td>
<td>13.0%</td>
<td>18.9%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>142.3%</td>
<td>127.7%</td>
<td>135.6%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>(41.3%)</td>
<td>(24.4%)</td>
<td>(33.6%)</td>
</tr>
</tbody>
</table>
ASIA
GOOD PROGRESS IN INDIA AND CHINA

IAG ASIA – GWP POOL (A$M)

KEY POINTS
• Regional GWP pool of over $420m (IAG’s share c.$300m)
• Established businesses (Thailand and Malaysia) continue to perform soundly
• Expanded launch of Indian JV in 2H11
• Regional development costs largely covered by existing operations
• Strategic investment in China

OUTLOOK
• Sound growth from established businesses
• Ramp up of Indian business
• Assess new markets – Indonesia, Vietnam
• Targeted 10% of Group GWP on a proportional basis by 2016 (FY11: 3.7%)
CAPITAL, INVESTMENTS AND DIVIDEND
Key part of capital management
• Significant reinsurance protections in both 1H11 and 2H11
• Integrated programme of catastrophe cover on calendar year basis renewed 1 January 2011

Status of catastrophe cover
• Main cover from $250m up to $4.1bn
  – Reinstatements purchased post February 2011 earthquake in Christchurch
• Lower layer covers largely utilised
  – Approximately $25m of aggregate cover remaining
• Maximum event retention (MER) of approximately $150m at 30 June 2011
REGULATORY CAPITAL ABOVE LONG TERM BENCHMARK

- MCR of 1.58 times at 30 June 2011, remains above long term 1.45-1.5 benchmark
- MCR movement since 31 December 2010 reflects temporary impact of 2H11 natural peril events
- Movement expected to unwind over coming periods, as:
  - Claims are settled
  - Reinsurance recoveries are received
  - Deferred tax loss assets are utilised
  - Higher reinsurance costs are fully reflected in pricing
- Modest impact expected from APRA capital review
- Capital management initiatives on hold
Capital mix in line with target

- Debt to total tangible capitalisation of 33.7%, in line with 30–40% target range
- Sterling note terms amended
- ‘AA’ category financial strength ratings for key wholly owned insurers from S&P – reaffirmed in August 2011
**REINSURANCE EXPENSE**
**INCREASING COST, INCLUDING INCREMENTAL ITEMS**

- Increased reinsurance expense, owing to:
  - Reinstatement and accelerated amortisation costs ($83m)
  - Rate increase on catastrophe renewal
  - General business growth
- Rise in FY10 expense mainly due to cost of ADC in UK ($67m)
- Further increase in FY12 reinsurance expense expected
  - Amortisation of balance of reinstatement costs in 1H12
  - Upwards pressure on catastrophe rates
RESERVE RELEASES EXCEEDED EXPECTATIONS

- FY11 releases of $328m exceeded expectations
- Driven by favourable recent experience in following long tail classes:
  - NSW CTP (Australia Direct)
  - Workers’ compensation and professional risks (CGU)
- Majority sourced from central estimate
- Risk margin of 20.6% (FY10: 19.4%)
- FY12 reserve releases will be lower
- Reserve releases of 0.5-1.0% of NEP a recurrent long term feature
INVESTMENT PORTFOLIO
CONSERVATIVE MIX AND HIGH CREDIT QUALITY

TOTAL INVESTMENT PORTFOLIO – $11.9BN

- Two distinct pools with different investment strategies:
  - Technical reserves – backing insurance liabilities
  - Shareholders’ funds

TECHNICAL RESERVES

- Almost 100% fixed interest and cash
- Expect to maintain 100bps of return above risk free rate over medium term

SHAREHOLDERS’ FUNDS

- Steady increase in growth assets
- Approximately 18% of growth assets currently in alternatives, including global convertible bonds
INVESTMENT RETURNS
SOUND PERFORMANCE MAINTAINED

Technical reserve returns
• Higher 2H11 performance, reflecting rallying bond markets
• Continue to target 100bps of return above risk free rate
• Negligible credit spread impact
• Average 3-year duration

Shareholders’ funds returns
• Stronger equity market returns, notably in 1H11
• Absence of $96m RES exchange right reversal
DIVIDEND
FULL YEAR DIVIDEND UP 23%

7cps fully franked final dividend

- Brings full year dividend to 16cps, up 23% from previous year
- Payout ratio of 67% of cash earnings, in line with 50-70% policy
- Cash earnings of $496m (23.97cps), after adjusting for:
  - 2010 UK ADC cost ($36m)
  - Amortisation of intangibles, including 1H11 UK writedown ($176m)
  - UK tax benefit not recognised ($34m)
OUTLOOK

Mike Wilkins
Managing Director and
Chief Executive Officer
## Realising Our Potential

<table>
<thead>
<tr>
<th>Ambition</th>
<th>Strategy</th>
<th>Targets</th>
<th>Priorities</th>
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</thead>
<tbody>
<tr>
<td>To be the world’s most respected group of general insurance companies</td>
<td>Deliver superior performance by actively managing our portfolio and driving operational performance and accountability</td>
<td>Long term financial targets:</td>
<td>Accelerate growth in Australia and New Zealand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• ROE ( \geq 1.5 \times \text{WACC} )</td>
<td>Restore profitability in UK</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Top quartile TSR</td>
<td>Boost Asian footprint – 10% of Group GWP by 2016</td>
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FY12 OUTLOOK
IMPROVED PERFORMANCE EXPECTED

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<thead>
<tr>
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<th>FY12</th>
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<tbody>
<tr>
<td>Insurance margin</td>
<td>10–12%</td>
</tr>
<tr>
<td>GWP growth</td>
<td>6–9%</td>
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</tbody>
</table>

FY12 result expected to contain:
- Further increase in reinsurance expense
- Modest margin impact from delay in recouping higher reinsurance costs via premium rate increases
- Improved performance from UK, towards breakeven
- Stronger 2H12 performance

Guidance for FY12 assumes:
- Net losses from natural perils in line with budgeted allowances of $580m
- Lower reserve releases of up to 2% of NEP
- No material movement in foreign exchange rates or investment markets
### BUSINESS MODEL AND BRANDS

<table>
<thead>
<tr>
<th>DIRECT INSURANCE</th>
<th>INTERMEDIATED INSURANCE</th>
<th>DIRECT INSURANCE</th>
<th>DIRECT INSURANCE</th>
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<tbody>
<tr>
<td>NRMA Insurance</td>
<td>CGU</td>
<td>STATE</td>
<td>AmAssurance</td>
<td>equity Direct Broker</td>
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<td>SGIO</td>
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<td><strong>AUSTRALIA</strong></td>
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<tr>
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<td>2 RACV</td>
<td>3</td>
<td>4</td>
<td>5 SBI General Ins.</td>
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<tr>
<td>2 SGIC</td>
<td>1 RACV</td>
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#### NEW ZEALAND

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#### ASIA

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#### UNITED KINGDOM

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<th>INTERMEDIATED INSURANCE</th>
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<tr>
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### 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.