FINANCIAL RESULTS
HALF YEAR
ENDED 31 DECEMBER 2011

Mike Wilkins
Managing Director and Chief Executive Officer

Nick Hawkins
Chief Financial Officer
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All amounts are presented in Australian dollars unless otherwise stated. 1H11 refers to the six months ended 31 December 2010, 1H12 to the six months ended 31 December 2011 and 2H12 to the six months ended 30 June 2012. FY11 refers to the year ended 30 June 2011, FY12 to the year ended 30 June 2012 and FY13 to the year ended 30 June 2013.
GROUP RESULTS

Mike Wilkins
Managing Director and
Chief Executive Officer
KEY HIGHLIGHTS
ON TRACK FOR IMPROVED FULL YEAR RESULT

IMPROVED UNDERLYING PERFORMANCE

- Higher underlying margin, in line with expectations, comprising:
  - Strong performance by Australia Direct
  - Further improvement by CGU
  - A solid result in New Zealand
  - Significant strides towards profitability in the UK

PROGRESS AGAINST STRATEGY

- Strong GWP growth in Australia and New Zealand – rate increases, volume gains, bolt-on acquisitions
- Acquisitions in New Zealand and Asia announced
- Remediation programme in the UK delivering clear improvement

FULL YEAR INSURANCE MARGIN WITHIN GUIDANCE

- GWP growth guidance up from 6-9% to 8-10%
- Insurance margin at lower end of 10-12% guidance, reflecting 1H12 credit spread impact (100bps full year margin effect)
  - Increased net natural peril assumption of $630m (previously $580m)
  - Offsetting higher reserve release assumption slightly above 2% of NEP
## FINANCIAL SUMMARY
### IMPROVED UNDERLYING PERFORMANCE

| **GWP GROWTH OF 9.7%** | **NEP of $3,839m (1H11: $3,710m), up 3.5%**  
|                       | Impacted by 56% increase in reinsurance costs to $356m  
|                       | **Insurance profit of $271m (1H11: $470m)**  
|                       | **Insurance margin of 7.1% (1H11: 12.7%)**  
|                       | **Net natural perils $396m (1H11: $134m), $130m higher than allowance**  
|                       | **Widening credit spread effect of $80m**  

| **HIGHER REINSURANCE COSTS**  
| **LIMITED NEP GROWTH** | **Insurance profit of $271m (1H11: $470m)**  
|                       | **Insurance margin of 7.1% (1H11: 12.7%)**  
|                       | **Net natural perils $396m (1H11: $134m), $130m higher than allowance**  
|                       | **Widening credit spread effect of $80m**  

| **MARGIN OF 7.1%, AFTER 500BPS REDUCTION FROM PERILS AND SPREADS** | **Insurance profit of $271m (1H11: $470m)**  
|                                                               | **Insurance margin of 7.1% (1H11: 12.7%)**  
|                                                               | **Net natural perils $396m (1H11: $134m), $130m higher than allowance**  
|                                                               | **Widening credit spread effect of $80m**  

| **UNDERLYING INSURANCE MARGIN IMPROVED TO 10.7%** | **Compared to 9.4% in 1H11**  
| **Excludes natural perils above allowance and credit spread impact, as well as reserve releases above recurring level of 1% of NEP**  

- GWP of $4,318m (1H11: $3,936m)  
- GWP growth in Australia and New Zealand of 10.7%  
- Driven by rate increases, volume gains and bolt-on acquisitions
1H12 INSURANCE MARGIN
IMPROVED UNDERLYING PERFORMANCE

1H12 INSURANCE MARGIN – REPORTED VS UNDERLYING

- Underlying margin is reported margin adjusted for:
  - Reserve releases in excess of 1% of NEP
  - Net natural peril claim costs less allowances
  - Credit spread movements
- Improvement to 10.7% (1H11: 9.4%)
## FINANCIAL SUMMARY

**BOTTOM LINE AFFECTED BY INVESTMENT MARKET VOLATILITY**

<table>
<thead>
<tr>
<th>SHAREHOLDERS’ FUNDS INCOME</th>
<th>Shareholders’ funds loss of $30m (1H11: profit of $147m)</th>
<th>Reflects weaker equity markets - broader Australian index down 12%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>NPAT AIDED BY LOWER TAX RATE</th>
<th>NPAT $144m (1H11: $161m)</th>
<th>Benefit from lower tax rate on increased reinsurance recoveries</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>INTERIM DIVIDEND OF 5 CPS</th>
<th>Represents 67% of cash earnings</th>
<th>Policy remains to pay 50-70% of cash earnings for full year</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>ROBUST CAPITAL POSITION</th>
<th>MCR of 1.69 times</th>
<th>Ahead of benchmark of 1.45-1.50 times</th>
</tr>
</thead>
</table>
## DELIVERING ON STRATEGIC PRIORITIES
CLEAR PROGRESS MADE

| ACCELERATE GROWTH IN AUSTRALIA AND NEW ZEALAND | ▪ Continued strong performance by Australia Direct, volume gain in motor  
▪ Strong top line growth and continued improvement in performance from CGU - ready for next phase of development with revised operating model  
▪ Agreement to acquire AMI’s insurance business (subject to approvals) in New Zealand |
| BOOST ASIAN FOOTPRINT – 10% OF GROUP GWP BY 2016 | ▪ Indian joint venture growing rapidly  
▪ Investment in Bohai Insurance in China  
▪ Proposal to acquire Kurnia – would make AmG #1 in general and motor insurance in Malaysia |
| RESTORE PROFITABILITY IN THE UK | ▪ UK close to breakeven as remediation programme brings further benefits |
DIVISIONAL PERFORMANCE
1H12 INSURANCE PROFIT
UNDERLYING IMPROVEMENT IN MOST DIVISIONS

REPORTED INSURANCE PROFIT – 1H12 VS 1H11

1H11 Reported Insurance Profit: 12.7%
1H12 Reported Insurance Profit: 7.1%

Reserve Releases: 9
Natural Perils: 262
Credit Spreads: 80
Australia Direct: 37
Australia Intermediated: 54
New Zealand: 11
United Kingdom: 58
Asia: 4
1H12 Reported Insurance Profit: 271
AUSTRALIA DIRECT
STRONG PERFORMANCE, AFFECTED BY PERILS AND SPREADS

KEY POINTS

- GWP growth of 8.4%
  - Motor up 5.7%; home up 16.7%
  - Rate and volume gains continue
- Insurance margin of 12.3%
  - Higher net natural peril claim costs
  - $48m impact from credit spreads
  - Timing effect in recouping reinsurance costs (up over 80%), as predicted
- Strong underwriting and cost discipline

OUTLOOK

- Review of NSW CTP
- Further GWP growth
- Continuation of strong underlying performance

GWP (A$M) / INSURANCE MARGIN (%)

<table>
<thead>
<tr>
<th></th>
<th>1H11</th>
<th>2H11</th>
<th>1H12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immunised loss ratio</td>
<td>69.8%</td>
<td>68.9%</td>
<td>74.6%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>19.0%</td>
<td>19.8%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>17.0%</td>
<td>17.7%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Immunised combined ratio</td>
<td>88.8%</td>
<td>88.7%</td>
<td>93.6%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>19.4%</td>
<td>19.7%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>
AUSTRALIA INTERMEDIATED
IMPROVED UNDERLYING PERFORMANCE

1H11 RESULTS 23 FEBRUARY 2012

KEY POINTS
- GWP growth of 13.0%
  - Higher rates and acquisitions
- Insurance margin of 6.7%
  - Higher net natural peril claim costs
  - $32m impact from credit spreads
  - Lower reserve releases
- Annualised underlying improvement of approximately $160m since FY08

OUTLOOK
- Strong GWP growth including HBF acquisition
- Improved FY12 underlying performance
- Revised operating model

### INSURANCE RATIOS

<table>
<thead>
<tr>
<th></th>
<th>1H11</th>
<th>2H11</th>
<th>1H12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immunised loss ratio</td>
<td>58.5%</td>
<td>74.4%</td>
<td>61.2%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>35.7%</td>
<td>35.9%</td>
<td>36.7%</td>
</tr>
<tr>
<td>Commission ratio</td>
<td>14.8%</td>
<td>16.1%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>20.9%</td>
<td>19.8%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Immunised combined ratio</td>
<td>94.2%</td>
<td>110.3%</td>
<td>97.9%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>14.3%</td>
<td>(1.3%)</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

### GWP (A$M) / INSURANCE MARGIN (%)
AUSTRALIA INTERMEDIATED
ACCELERATING PERFORMANCE

- Building a more integrated, function-based organisation
  - Common approaches to account management, underwriting and claims
  - Removing areas of duplication, providing more efficient and consistent service

- Expected to reduce operating costs
  - Annual run rate benefits of $65m pre-tax by the end of FY15 – initial $25m delivered in FY13
  - Implementation cost estimated at $75m pre-tax, to be recognised as corporate cost: $35m in 2H12, balance in FY13

- Detailed briefing on CGU on 9 March 2012

CGU’S REPORTED VS UNDERLYING INSURANCE MARGIN (%)

- 1H08: 11.8%
- 2H08: 2.7%
- 1H09: 0.1%
- 2H09: (0.6%)
- 1H10: 5.0%
- 2H10: 1.9%
- 1H11: 14.3%
- 2H11: 6.7%
- 1H12: 5.0%

Reported Margin
Underlying Margin
NEW ZEALAND
UNDERLYING PERFORMANCE REMAINS STRONG

KEY POINTS
- GWP growth of 14.0%
- Insurance margin of 7.3%
  - Return to profitability from 2H11
  - Absorbed more than 100% increase in reinsurance costs
  - Consistently strong underlying performance

OUTLOOK
- Further GWP growth
- Acquisition of AMI, subject to regulatory approval
- Solid FY12 insurance margin

<table>
<thead>
<tr>
<th>INSURANCE RATIOS</th>
<th>1H11</th>
<th>2H11</th>
<th>1H12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>52.1%</td>
<td>91.4%</td>
<td>65.6%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>29.0%</td>
<td>34.6%</td>
<td>30.1%</td>
</tr>
<tr>
<td>Commission ratio</td>
<td>11.9%</td>
<td>13.4%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>17.1%</td>
<td>21.2%</td>
<td>17.8%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>81.1%</td>
<td>126.0%</td>
<td>95.7%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>19.8%</td>
<td>(23.3%)</td>
<td>7.3%</td>
</tr>
</tbody>
</table>
UNITED KINGDOM
SIGNIFICANT IMPROVEMENT CONTINUES

KEY POINTS

- Reported GWP flat
  - Significant rate increases
  - Reduced volumes, in line with expectations
  - Adverse currency impact
- Reduced insurance loss of $5m
  - Remedial actions delivering benefits
  - ADC protection broadly unchanged
  - Modest reserve releases

OUTLOOK

- Flat GWP – rate increases countered by volume loss, both at a reduced level
- Full year close to breakeven
- Early signs of industry reform

<table>
<thead>
<tr>
<th>INSURANCE RATIOS</th>
<th>1H11</th>
<th>2H11</th>
<th>1H12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>94.5%</td>
<td>104.9%</td>
<td>72.9%</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>47.8%</td>
<td>22.8%</td>
<td>29.9%</td>
</tr>
<tr>
<td>Commission ratio</td>
<td>23.9%</td>
<td>9.8%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Administration ratio</td>
<td>23.9%</td>
<td>13.0%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>142.3%</td>
<td>127.7%</td>
<td>102.8%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>(41.3%)</td>
<td>(24.4%)</td>
<td>(1.9%)</td>
</tr>
</tbody>
</table>
ASIA
GOOD PROGRESS EXPANDING FOOTPRINT

KEY POINTS

- Regional annualised GWP pool of over $435m (IAG’s share c.$300m)
- Thai business affected by extreme floods
- Strong performance from Malaysian JV
- Continued rapid growth in Indian JV
- Strategic investment in China and proposal to expand Malaysian JV

OUTLOOK

- Sound growth from established businesses
- Very strong growth in India, off small base

1 20% investment in Bohai Property Insurance Company Ltd remains subject to regulatory approval
CAPITAL AND INVESTMENTS

Nick Hawkins
Chief Financial Officer
REGULATORY CAPITAL
ROBUST POSITION, ABOVE LONG TERM BENCHMARK

- MCR of 1.69 times
  - Above long term benchmark of 1.45–1.50
  - Pro forma 1.57, allowing for AMI and Bohai

- Strengthened position since 30 June 2011
  - New Zealand retail bond issue

- Unwind of natural peril effect to accelerate in future periods
REGULATORY CAPITAL IMPACT OF APRA’S LAGIC REVIEW

REGULATORY CAPITAL – CURRENT VS LAGIC 31 DECEMBER 2011

MINIMUM CAPITAL REQUIREMENT

- New methodology of prescribed capital amount (PCA):
  - Modest net impact to Group
  - 2012 reinsurance programme aligned to LAGIC proposals

CAPITAL BASE

- Quantum impacted by:
  - Allowance for dividends
  - Treatment of JV investments

- More onerous draft composition requirements
  - Hold at least 70% in Common Equity Tier 1

*Estimate based on draft regulations and subject to amendment upon issue of final Prudential Standards
## CAPITAL MIX IN LINE WITH TARGET RANGE

<table>
<thead>
<tr>
<th>CAPITAL MIX</th>
<th>1H11 A$m</th>
<th>2H11 A$m</th>
<th>1H12 A$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder equity</td>
<td>4,658</td>
<td>4,580</td>
<td>4,513</td>
</tr>
<tr>
<td>Intangibles and goodwill</td>
<td>(1,853)</td>
<td>(1,869)</td>
<td>(1,887)</td>
</tr>
<tr>
<td><strong>Tangible shareholder equity</strong></td>
<td><strong>2,805</strong></td>
<td><strong>2,711</strong></td>
<td><strong>2,626</strong></td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>1,380</td>
<td>1,377</td>
<td>1,627</td>
</tr>
<tr>
<td><strong>Total tangible capitalisation</strong></td>
<td><strong>4,185</strong></td>
<td><strong>4,088</strong></td>
<td><strong>4,253</strong></td>
</tr>
</tbody>
</table>

### CAPITAL MIX IN LINE WITH TARGET

- Debt to total tangible capitalisation of 38.3%, within 30–40% target range
- NZ$325 million of unsecured subordinated bonds issued December 2011
- Considering refinancing options for $350m RPS issue (reset date June 2012), including potential new hybrid
- ‘AA’ category financial strength ratings for key wholly owned insurers from S&P – reaffirmed in February 2012
**REINSURANCE**

**COMPREHENSIVE CATASTROPHE PROGRAMME IN PLACE**

- **Earthquake (Australia & New Zealand)**
- **Main Catastrophe Programme**
- **Buydown**
- **Subsequent Event Covers**
- **Aggregate Cover ($250m x $300m)**

- 3-year deal for additional earthquake cover
- Main catastrophe cover for loss up to $4.2bn (2011: $4.1bn)
- Lower layer of $250m excess of $250m, year 1 of 3-year deal
- Buydown arrangement reduces maximum cost of first event to $150m
- Qualifying events capped at $125m excess of $25m per event
Increased 1H12 reinsurance expense of $356m (1H11:$228m), includes:
- Reinstatement costs of $110m
- Rate increase on 2011 catastrophe renewal
- General business growth

Expected FY12 total reinsurance expense of $700–720m (FY11: $620m)
- Includes flood cover in Australia
- Excludes reinsurance expense related to AMI acquisition

Recovering additional costs through rate increases of up to 30% in property classes across Australia and New Zealand

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**GROUP REINSURANCE EXPENSE**

- FY04: 6.3%
- FY05: 6.2%
- FY06: 6.3%
- FY07: 6.3%
- FY08: 6.0%
- FY09: 6.2%
- FY10: 7.1%
- FY11: 7.7%
- FY12F¹: 8.1%

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¹ FY12F based on mid-point of GWP growth guidance of 8-10% and reinsurance expense guidance of $700-720m
RESERVE RELEASES
RECURRING ELEMENT EQUIVALENT TO 1% OF NEP

- 1H12 releases of $112m (1H11: $103m) – equivalent to 2.9% of NEP
- Driven by favourable experience in Australian long tail classes
- Predominantly from central estimates
- Recurring reserve releases expected to be 1% of NEP
- FY12 reserve release expectation slightly above 2% of NEP
INVESTMENT PORTFOLIO
CONSERVATIVE MIX AND HIGH CREDIT QUALITY

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

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

- 35% in growth assets, including Australian equities and alternatives
- Exited international equities

TOTAL INVESTMENT PORTFOLIO – $12.7BN

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Technical Reserves</th>
<th>Shareholders’ Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed interest</td>
<td>$3.7bn</td>
<td>99.2%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Cash</td>
<td>$9.0bn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SHAREHOLDERS’ FUNDS

- Australian equities: 17.2%
- International equities: 0.4%
- Alternatives: 17.2%
- Fixed interest and cash: 65.2%
INVESTMENT INCOME (A$M)

INVESTMENT RETURNS
AFFECTED BY VOLATILE MARKETS

TECHNICAL RESERVE RETURNS
- Higher 1H12 performance, reflecting rallying bond market
- Widening credit spread impact of $80m
- Continue to target 100bps of return above risk free rate
- Average 3-year duration

SHAREHOLDERS’ FUNDS RETURNS
- Loss of $30m due to weaker equity markets
OUTLOOK

Mike Wilkins
Managing Director and
Chief Executive Officer
FY12 OUTLOOK
IMPROVED INSURANCE MARGIN EXPECTED

GUIDANCE

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
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<tbody>
<tr>
<td><strong>GWP growth</strong></td>
<td>8–10%</td>
</tr>
<tr>
<td>Updated from previous</td>
<td></td>
</tr>
<tr>
<td>guidance of 6-9%</td>
<td></td>
</tr>
<tr>
<td><strong>Insurance margin</strong></td>
<td>10–12%</td>
</tr>
<tr>
<td>Now expect to be</td>
<td></td>
</tr>
<tr>
<td>lower end of range</td>
<td></td>
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</tbody>
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GUIDANCE FOR FY12 ASSUMES:

- Net losses from natural perils of $630m (FY11: $610m)
  - Increased from original allowance of $580m
- Reserve releases slightly above 2% of NEP
- No material movement in foreign exchange rates or investment markets in 2H12
- Costs associated with implementation of CGU’s operating model included in corporate expense line
- AMI not included
QUESTIONS
100% owned unless indicated. 1 RACV is via a distribution relationship and underwriting joint venture with RACV Limited. 2 RACV has a 30% interest in Buzz Insurance. 3 IAG holds 98.6% voting rights in Safety Insurance, based in Thailand. 4 IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmG Insurance Berhad, which trades under the AmAssurance brand. 5 IAG has 26% ownership of SBI General Insurance Company, a joint venture with State Bank of India.