

FACT SHEET

19 August 2004

12 months to 30 June 2004 - Summary information

IAG increases profit and dividend on the back of a full 12 months of CGU/NZI acquisition, increasing sales and efficiencies, and a \$434 million boost from investment income

Group highlights

Note: The 12 months ended 30 June 2004 is the first time a full year's performance of CGU and NZI has been included in IAG's results. IAG's previous year's result only included six months of the acquisition as CGU and NZI were acquired in January 2003. CGU and NZI added more than \$2.5 billion to IAG's annual revenue.

- Net profit after tax attributable to shareholders increased to \$665 million from \$153 million in the previous year, driven by a strong performance by the underlying business, delivery of integration benefits from the acquisition of CGU/NZI, investment income of \$434 million, and profits from the sale of non-core assets.
- Gross written premium rose to \$6,427 million from \$5,150 million.
- Underwriting profit increased to \$548 million from \$199 million and insurance profit increased to \$792 million from \$571 million.
- The strength of the underwriting result produced an insurance margin of 13.5%, in line with guidance that the Group expected to exceed its target range of 9-12% in the short term. The momentum in the business is reflected in the insurance margin of 15.2% during the second half.
- The Group combined operating ratio was 90.7%, ahead of the FY04 target range of 93-96%.
- Investment returns on shareholders' funds generated a profit of \$434 million, compared with a loss of \$120 million last year, representing a \$554 million turnaround. Australian equities rose by 21.3% (ASX 200) and international equities increased by 19.4% (MSCI World Index ex Australia) during the period.
- The sale of ClearView Retirement Solutions during the year contributed around \$57 million to after tax profits.
- The final fully franked dividend of 14 cents brings the total dividend for the year to 22 cents per share, representing an increase of 91% from 2003, and reflecting the new dividend policy announced in February 2004. The Group is targeting growth of at least 10% per annum in dividends per share moving forward.

Operational highlights

- Customer retention levels across the Group's largest portfolios (directly distributed motor and home insurance) remained high at above 90%.

Note: Reporting of the Australian operations now reflects the Group's new business structure, with Australian operations aligned along product lines (personal and commercial insurance) rather than short tail and long tail insurance classes.

Australian personal insurance

- Australian personal insurance, which includes motor, home and contents, niche and compulsory third party (CTP) insurance, generally sold either direct to individuals or through financial institutions, continued to perform strongly during the year.
- The combination of favourable weather conditions and continued efficiencies in claims management were the key drivers of a \$64 million improvement in the insurance margin to \$329 million for 2H04 compared with \$212 million in 1H04. Lower trends in claims frequency due to drier weather conditions benefited the motor portfolio, however the increased severity of storm events had an adverse impact on the home portfolio.
- In addition, continuing stability in the NSW CTP scheme enabled an improved result in this portfolio, while delivering two reductions in premiums in the past six months. NRMA Insurance's best price for metropolitan CTP insurance is now \$328.90, which is at 1995 levels.

Australian commercial insurance

- Australian commercial insurance, which includes Fire & ISR, commercial property, commercial motor, rural and horticultural insurance, marine insurance, public liability, professional indemnity, home warranty and workers' compensation, reported a 10% increase in GWP from 1H04 to 2H04 mainly due to the seasonality of renewals in the second half.
- Consistent with industry experience, the June 2004 renewal season was challenging, with the Group's largest portfolio, SME commercial, experiencing price reductions on non-renewal business of about 10% on average. The Group has limited exposure to the large corporate segment of the commercial market.

International

- The international segment, made up of IAG New Zealand and the Group's captive, delivered a combined operating ratio of 94.8%, compared with 95.3% last year. This was achieved despite experiencing severe storms in the lower North Island during the period, and the Captive bearing some of the cost of the severe storms that occurred in Australia.

Integration essentially complete

- The Group has completed the 18-month CGU/NZI integration programme to deliver the \$160 million annual synergy benefits promised at the time of the acquisition. Integration costs are expected to total \$145 million, in line with original targets.
- The following table summarises the overall financial picture of the integration programme:

Synergy realisation schedule	Half-year ended Jun-03	Half-year ended Dec-03	Half-year ended Jun-04	Half-year ended Jun-04	Terminal
All amounts are pre-tax (A\$m)	Actual	Actual	Target	Actual	Estimated
Cumulative run-rate per annum					
Personal lines	15	41	80	80	80
Commercial	14	27	27	27	31
IT, shared services & overheads	13	33	33	33	33
Australia sub-total	42	101	140	140	144
International - New Zealand	12	16	20	16	16
Total synergies in run-rate	54	117	160	156	160
Reported income statement					
Synergy benefits collected	9	33	76	37	160
Costs of implementation expensed	(45)	(25)	(25)	(27)	-
Net impact on profit for period	(36)	8	19	10	160

Capital position

- The Group completed an off-market share buy-back in June 2004. A total of 94.1 million shares were bought back (5.6% of the Group's ordinary shares on issue) at \$4.40 per share, for a total of \$414 million. The buy-back price of \$4.40 included a fully franked dividend of \$2.62.
- The Group's Minimum Capital Requirement (MCR) multiple at 30 June 2004 was 1.75 times, which is ahead of the Group's target of 1.6 times MCR.
- The Group maintained its 'AA' insurer financial strength ratings for key entities from Standard & Poor's, the highest rating of any Australian financial institution.
- The Group expects to generate excess capital during the coming year if the performance of both the underlying business and investment market continues.

Strategy

- In February 2004, the Group confirmed it had effectively achieved the five-year goals announced in May 2002. These goals have now been updated and are set out below.

5 Year Goals – May 2002	Updated Goals – August 2004
Top quartile total shareholder return	Top quartile total shareholder return
ROE 13% – 15%	Return on equity of at least 1.5 times weighted average cost of capital
Double gross written premium by FY 2007 to \$6.6bn	Establish an Asian foothold
Maintain combined ratio <100%	Maintain an 80:20 mix of short-tail:long-tail premiums
Maintain an 'AA' category rating	Maintain an 'AA' category rating

Media Relations

Name Carolyn McCann
Telephone 02 9292 9557
Mobile 0411 014 126

Investor Relations

Name Anne O'Driscoll
Telephone 02 9292 3169
Mobile 0411 012 675