

FINANCIAL REPORT

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Independent
Audit Report

FIVE YEAR FINANCIAL SUMMARY

For the year ended 30 June

	2001 ¹	2002	2003	2004	2005
	\$m	\$m	\$m	\$m	\$m
Insurance Australia Group Five Year Performance					
Gross written premium	3,198	3,558	5,150	6,427	6,673
Gross earned premium	3,036	3,448	4,885	6,265	6,561
Reinsurance expense	(260)	(253)	(249)	(402)	(417)
Net earned premium	2,776	3,195	4,636	5,863	6,144
Net claims expense	(2,234)	(2,425)	(3,363)	(3,815)	(4,069)
Underwriting expenses	(564)	(628)	(1,074)	(1,500)	(1,591)
Underwriting profit/(loss)	(22)	142	199	548	484
Investment income from technical reserves	232	136	372	244	516
Insurance profit	210	278	571	792	1,000
Investment income from shareholders' and external funds	204	(291)	(76)	508	501
Financial services revenue	182	37	30	70	-
Other operating revenue	164	173	177	216	178
Life insurance business expenses	(72)	-	(11)	(52)	-
Borrowing costs expense	(88)	(46)	(46)	(57)	(69)
Corporate and administration expenses	(317)	(242)	(267)	(268)	(247)
Amortisation of goodwill and intangibles	(28)	(43)	(81)	(118)	(105)
Non-recurring items ²	-	33	-	61	-
Profit/(loss) before income tax	255	(101)	297	1,152	1,258
Income tax (expense)/credit	(44)	18	(80)	(346)	(379)
Net profit/(loss)	211	(83)	217	806	879
Net (profit)/loss attributable to outside equity interests	(68)	58	(64)	(141)	(119)
Net profit/(loss) attributable to shareholders of Insurance Australia Group Limited	143	(25)	153	665	760
Shareholders' or members' equity (\$ million)	2,523	2,476	3,575	3,538	3,855
Total assets (\$ million)	12,586	11,307	16,470	16,291	17,147
Business volume (thousands)	8,619	8,671	13,334	14,052	14,204
Premium growth					
- gross written	21.0%	11.3%	44.7%	24.8%	3.8%
- net earned	16.4%	15.1%	45.1%	26.5%	4.8%
Key ratios					
Loss ratio	80.5%	75.9%	72.5%	65.1%	66.2%
Expense ratio	20.3%	19.7%	23.2%	25.6%	25.9%
Combined ratio	100.8%	95.6%	95.7%	90.7%	92.1%
Insurance margin ³	7.6%	8.7%	12.3%	13.5%	16.3%
After tax return on ordinary equity ⁴	5.3%	(1.2%)	5.1%	21.1%	23.1%
Share information					
Dividends per ordinary share – fully franked (cents)	10.00	10.50	11.50	22.00	26.50
Basic earnings per ordinary share (cents) ⁵	9.40	(1.78)	8.65	37.87	45.89
Ordinary share price at 30 June (\$) (ASX code: IAG)	3.40	3.15	3.40	5.00	6.01
5.80% reset preference share price at 30 June (\$) (ASX code: IAGPA)	n/a	100.10	107.94	104.70	103.90
4.51% reset preference share price at 30 June (\$) (ASX code: IAGPB)	n/a	n/a	100.10	98.35	99.05
Reset exchangeable securities price at 30 June (\$) (ASX code: IANG)	n/a	n/a	n/a	n/a	99.00
Issued ordinary share capital (million shares)	1,399	1,301	1,683	1,591	1,594
Issued reset preference share capital (million shares)	n/a	4	6	6	6
Market capitalisation (ordinary shares) at 30 June (\$ million)	4,761	4,100	5,722	7,954	9,582
Net tangible asset backing per ordinary share (\$)	1.33	1.15	0.84	0.96	1.22

1 The 2001 disclosure represents the consolidated result of Insurance Australia Group Limited assuming it acquired Insurance Australia Limited and its controlled entities on 1 July 2000. This will differ to the reported statutory result that is based on the date of acquisition, 22 July 2000.

2 This includes profit on disposal of NRMA Building Society Limited of \$45 million and "Share the Future" litigation expenses of \$12 million in 2002 and the profit on disposal of ClearView retirement services businesses of \$61 million in 2004.

3 Insurance margin is a ratio of insurance profit over net earned premium.

4 Net profit/(loss) attributable to ordinary shareholders to average ordinary shareholders' equity.

5 The 2001 figure reflects a full year operating period assuming the acquisition of Insurance Australia Limited occurred on 1 July 2000. The reported statutory figure is 8.62 cents.