

FINANCIAL REPORT

RELATIONSHIP OF THE CONCISE FINANCIAL REPORT TO THE FULL FINANCIAL REPORT

The concise financial report is an extract from the full financial report for the year ended 30 June 2006. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Insurance Australia Group Limited and its subsidiaries as the full financial report. Further financial information can be obtained from the full financial report.

The full financial report and independent audit report will be sent to members on request, free of charge. Please call 1300 360 688 (free call) and a copy will be forwarded to you. Alternatively, you can access both the full financial report and the concise financial report via the internet at our Shareholders' Centre on our website: www.iag.com.au.

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FIVE YEAR FINANCIAL SUMMARY

for the year ended 30 June

The financial information for the 2006 and 2005 years has been prepared under Australian equivalents to International Financial Reporting Standards ("AIFRS"). All financial information prior to 2005 was prepared under previous Australian Accounting Standards.

Insurance Australia Group Five Year Performance	2006 \$m	2005 \$m	2004 \$m	2003 \$m	2002 \$m
Gross written premium	6,435	6,673	6,427	5,150	3,558
Gross earned premium	6,537	6,561	6,265	4,885	3,448
Reinsurance expense	(405)	(417)	(402)	(249)	(253)
Net earned premium	6,132	6,144	5,863	4,636	3,195
Net claims expense	(3,900)	(4,090)	(3,815)	(3,363)	(2,425)
Underwriting expenses	(1,699)	(1,624)	(1,500)	(1,074)	(628)
Underwriting profit	533	430	548	199	142
Investment income on asset backing insurance liabilities	310	516	244	372	136
Insurance profit	843	946	792	571	278
Investment income from equity holders and external funds	537	500	508	(76)	(291)
Financial services revenue	–	–	70	30	37
Other operating revenue	218	179	216	177	173
Share of net profit of associate	2	–	–	–	–
Life insurance business expenses	–	–	(52)	(11)	–
Finance costs	(86)	(69)	(57)	(46)	(46)
Corporate and administration expenses	(265)	(258)	(268)	(267)	(242)
Amortisation of goodwill and intangibles	(14)	(13)	(118)	(81)	(43)
Non-recurring items ²	–	–	61	–	33
Profit / (loss) before income tax	1,235	1,285	1,152	297	(101)
Income tax (expense) / credit	(373)	(357)	(346)	(80)	18
Net profit / (loss)	862	928	806	217	(83)
Net (profit) / loss attributable to minority interests	(103)	(117)	(141)	(64)	58
Net profit / (loss) attributable to equity holders of Insurance Australia Group Limited	759	811	665	153	(25)
Ordinary equity holders' equity (\$ million)	3,491	3,378	2,999	3,036	2,133
Total assets (\$ million)	16,972	17,102	16,291	16,470	11,307
Business volume (in thousands)	13,891	14,204	14,052	13,334	8,671
Premium growth					
– Gross written	(3.6%)	3.8%	24.8%	44.7%	11.3%
– Net earned	(0.2%)	4.8%	26.5%	45.1%	15.1%
Key ratios¹					
Loss ratio	62.9%	66.5%	65.1%	72.5%	75.9%
Expense ratio	28.0%	26.3%	25.6%	23.2%	19.7%
Combined ratio	90.9%	92.8%	90.7%	95.7%	95.6%
Insurance margin ³	14.1%	15.5%	13.5%	12.3%	8.7%
After tax return on ordinary equity ⁴	22.1%	24.5%	21.1%	5.1%	(1.2%)
Share information					
Dividends per ordinary share – fully franked (cents)	42.00	26.50	22.00	11.50	10.50
Basic earnings per ordinary share (cents)	47.87	49.31	37.87	8.65	(1.78)
Ordinary share price at 30 June (\$) (ASX code: IAG)	5.35	6.01	5.00	3.40	3.15
5.80% Reset preference share price at 30 June (\$) (IAGPA)	101.80	103.90	104.70	107.94	100.10
4.51% Reset preference share price at 30 June (\$) (IAGPB)	98.50	99.05	98.35	100.10	n/a
Reset exchangeable securities price at 30 June (\$) (IANG)	100.00	99.00	n/a	n/a	n/a
Issued ordinary share capital (million shares)	1,595	1,594	1,591	1,683	1,301
Issued reset preference share capital (million shares)	6	6	6	6	4
Market capitalisation (ordinary shares) at 30 June (\$ million)	8,533	9,582	7,954	5,722	4,100
Net tangible asset backing per ordinary share (\$)	1.22	1.18	0.96	0.84	1.15

1 The key insurance ratios for 2005 and 2006 are based on a reclassification of the underwriting result. This involved the reclassification of the financial performance of the IAG Group's captive insurer by allocating the result of the captive from reinsuring the IAG Group's consolidated operations back to those businesses on a basis which reflects the profit or loss it earned from those businesses. The adjustments are summarised in the "Operating and financial review" section of the Directors' Report.

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 equity holders to average ordinary equity holders' equity.