FACT SHEET

25 August 2006

Insurance Australia Group results for
the 12 months to 30 June 2006

Summary information

<table>
<thead>
<tr>
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<th>12 months to 30 June 2005*</th>
<th>12 months to 30 June 2006</th>
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<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
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<tr>
<td>Gross written premium (GWP)</td>
<td>6,673</td>
<td>6,435</td>
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<tr>
<td>Net earned premium (NEP)^</td>
<td>6,091</td>
<td>5,970</td>
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<tr>
<td>Underwriting profit^</td>
<td>438</td>
<td>541</td>
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<tr>
<td>Investment income on technical reserves^</td>
<td>508</td>
<td>302</td>
</tr>
<tr>
<td>Insurance profit</td>
<td>946</td>
<td>843</td>
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<tr>
<td>Investment income on shareholders’ funds</td>
<td>455</td>
<td>539</td>
</tr>
<tr>
<td>Net profit after tax attributable to holders of ordinary shares</td>
<td>781</td>
<td>759</td>
</tr>
<tr>
<td>Group combined ratio</td>
<td>92.8%</td>
<td>90.9%</td>
</tr>
<tr>
<td>Immunised Group combined ratio</td>
<td>91.4%</td>
<td>92.7%</td>
</tr>
<tr>
<td>Group insurance margin</td>
<td>15.5%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Dividends per share (cents, fully franked)</td>
<td>26.5</td>
<td>29.5</td>
</tr>
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</table>

*Results have been restated in accordance with Australian equivalents of International Financial Reporting Standards
^These results are reported differently in the Group’s statutory financial statements, due to the reclassification of the Group’s captive insurer’s results from the consolidated operations back to the businesses from which the captive earned profits.

Group highlights

- **Strong profit and insurance margin achieved**, despite the more competitive environment, by maintaining high customer retention, adhering to risk and underwriting disciplines rather than chasing unprofitable market share, and containing operating expenses.

- **Record full year dividends** of 29.5 cents per share (cps), fully franked, up 11.3% on the corresponding period, and in line with the Group’s commitment to deliver 10% dividend growth.

- **$200 million returned to shareholders** via a special fully franked dividend of 12.5 cps.

- **Very strong capital position retained**, with a minimum capital requirement (MCR) multiple of 1.83 times as at 30 June 2006, which remains above the Group’s internal benchmarks.

- **Progressed international expansion strategy**, with Asian operations contributing to the Group’s GWP and profits for the first time. Acquisitions were made in Thailand, Malaysia and Singapore and significant progress was made to acquire a stake in China’s second largest general insurer. Significant progress was also made in building a pipeline of potential acquisitions in Europe.

- **Record investment income on shareholders’ funds generated**, with the pre-tax return having increased 18.5% from $455 million to $539 million.

- **Return on equity exceeded internal benchmark** of at least 1.5x the Group’s weighted average cost of capital.

- **Customer satisfaction** remained high and **employee engagement** increased.

- **Premiums kept affordable**, with NSW comprehensive motor insurance now in its most competitive price position in many years and CTP prices more affordable than they were 10 years ago.
Divisional highlights (for the 12 months ended 30 June 2006)

Australian Personal Insurance
The Group’s Australian personal insurance operations includes motor, home, compulsory third party (CTP) and niche insurance, sold under the NRMA Insurance, SGIO and SGIC brands, as well as business sold through financial institutions and other distribution partners under the CGU and Swann Insurance brands.

- Gross written premium: $3,860 million
- Net earned premium: $3,671 million
- Insurance margin: 12.6%

Australian Commercial Insurance
The Group’s Australian commercial insurance operations includes fire & industrial special risk (ISR), commercial property, commercial motor, rural and horticultural, marine, home warranty, public liability, professional indemnity and workers’ compensation insurance, sold predominantly under the CGU brand.

- Gross written premium: $1,539 million
- Net earned premium: $1,370 million
- Insurance margin: 18.0%

International Operations (New Zealand & Asia)
The Group’s international operations comprise the New Zealand business (which sells personal and commercial insurance under the State, and NZI brands) and the Group’s interests in Asia, including those in Thailand, Malaysia, Singapore and China.

- Gross written premium: $1,036 million
- Net earned premium: $929 million
- Insurance margin: 14.2%

Group Outlook for FY07
- The Group is expected to continue to grow and diversify earnings, and generate gross written premium growth of 5-10%.
- Australian Personal Insurance should grow in line with the market during FY07, growing moderately above market thereafter. The ‘soft cycle’ in the commercial market is expected to improve by the June 2007 renewals.
- The Group is confident of completing the acquisition of a 24.9% stake in China’s second largest insurer, and of further progressing other expansion opportunities in Europe.
- The Group expects to deliver a normalised return on equity of at least 1.5x the weighted average cost of capital.