FACT SHEET

26 February 2004

Six months to 31 December 2003
Summary information

The Group’s 1H04 result includes the performance of CGU and NZI, which were acquired on
2 January 2003. The inclusion of these businesses should be considered when comparing the
Group’s key performance indicators and trends from previous corresponding periods.

Highlights of the result:

• Net profit after tax attributable to shareholders increased to $302 million from $62
  million in the previous corresponding period, essentially due to the Group’s increased
  scale and the improvement in equity markets.

• Gross written premium rose to $3.1 billion from $1.9 billion in the previous corresponding
  period, primarily due to the Group’s increased scale following the acquisition of
  CGU/NZI.

• Underwriting profit increased to $277 million from $71 million in the previous
  corresponding period and insurance profit rose to $344 million from $290 million.

• The strength of the underwriting result produced an insurance margin of 11.8%, at the
  upper end of the Group’s full year 9%-12% target range.

• Investment return on shareholders’ funds increased to a profit of $204 million from a
  loss of $129 million in the previous corresponding period, due to the best equity market
  returns in three years. Australian equities rose by 11.3% (S&P/ASX 200 Accumulation
  Index) and international equities increased by 6.6% (MSCI World Index ex Australia)
  during the period, compared to falls of 4.5% and 12.5% respectively in the previous
  corresponding period.

• Strong performances from all major business segments produced a Group result within
  the Group’s stated target operating ranges for the full year. The Group combined
  operating ratio was 90.5%, ahead of 96.0% recorded in the previous corresponding
  period. The immunised combined operating ratio (which takes into consideration the
  effect of discount rate changes to outstanding claims reserves) was 93.8%, in line with
  FY04 target of 93%-96%.
Changes to dividend policy

• The Board has increased the dividend payout ratio from 40%-70% (after goodwill amortisation – currently over $100 million per annum) to 50%-70% of normalised profits before goodwill amortisation. It is anticipated that the annual dividend will now be paid in a 45:55 proportion between the interim and final dividends, compared to the previous 40:60 split. The key drivers for this change included:

  > the increased diversity and scale of the business delivering a far less volatile profit stream from the core operations, providing more confidence that the business can generate the returns to support an increasing dividend each period; and

  > the significant reduction in the size of the investable shareholders’ funds relative to the core business operations.

• Applying the new dividend policy, the Board has declared a fully franked interim dividend of 8 cents per ordinary share, up from 4.5 cents in the previous corresponding period.

Capital position and proposed buy-back

• The Group’s Minimum Capital Requirement (MCR) multiple is 1.90x, ahead of both the previous target range of 1.35x-1.65x and the updated target of 1.60x.

• In view of the Group’s strong capital position and its current phase of consolidating the earnings capacity of its existing businesses, the Board intends to undertake an off-market buy-back in the order of $350 million of ordinary shares by 30 June 2004. Details of the proposed buy-back will be announced when the terms have been finalised.

Operational highlights

• The domestic short-tail portfolio delivered results within FY04 target ranges:

  > a combined operating ratio of 93.4%, in line with the FY04 92%-94% target, and an improvement on the 94.5% achieved in the previous half year; and

  > an insurance margin of 8.6%

• The short tail result includes $20 million of integration expenses.

• Structural improvement in the short-tail portfolio, including more efficient claims and expense management and more rigorous underwriting disciplines, is continuing to support consistent growth in margins.

• The ongoing improvements in car security design and application of security intelligence and policing have contributed to a noticeable decline in the theft rate of vehicles, the second largest factor influencing car claims after collision repair costs. According to industry data, Australia recorded a 19% decrease in theft numbers in 2003, compared with a drop of 11% in the previous year.
• Domestic long-tail operations benefited from continued stability of the key statutory class schemes and a strong performance from long tail commercial lines.

• The international segment, made up of IAG New Zealand and the Group’s captive insurer, delivered a combined operating ratio of 99.6%, falling short of the target FY04 range of 91%-93% due to seasonality in the trend of the New Zealand business and the claims incurred in the captive from the storms in Queensland and Victoria in 1H04 retained in the Captive.

Integration update

• The Group has completed 12 months of the 18-month integration programme for CGU and NZI, acquired in January 2003. The integration has continued to run ahead of schedule and, at 31 December 2003, annualised benefits totaling $117 million had been recorded against a target of $111 million.

<table>
<thead>
<tr>
<th>Synergy realisation schedule</th>
<th>2H03 Actual</th>
<th>1H04 Estimated</th>
<th>1H04 Actual</th>
<th>2H04 Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative run-rate per annum</td>
<td>A$m</td>
<td>A$m</td>
<td>A$m</td>
<td>A$m</td>
</tr>
<tr>
<td>Personal lines</td>
<td>15</td>
<td>49</td>
<td>41</td>
<td>80</td>
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<tr>
<td>Commercial</td>
<td>14</td>
<td>20</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>IT, shared services &amp; overheads</td>
<td>13</td>
<td>25</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>Australia sub-total</td>
<td>42</td>
<td>94</td>
<td>101</td>
<td>140</td>
</tr>
<tr>
<td>International - New Zealand</td>
<td>12</td>
<td>17</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>Total synergies in run-rate</td>
<td>54</td>
<td>111</td>
<td>117</td>
<td>160</td>
</tr>
</tbody>
</table>

Reported income statement

<table>
<thead>
<tr>
<th></th>
<th>2H03 Actual</th>
<th>1H04 Estimated</th>
<th>1H04 Actual</th>
<th>2H04 Estimated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synergy benefits collected</td>
<td>9</td>
<td>38</td>
<td>33</td>
<td>76</td>
</tr>
<tr>
<td>Costs of implementation expensed</td>
<td>(45)</td>
<td>(40)</td>
<td>(25)</td>
<td>(25)</td>
</tr>
<tr>
<td>Net impact on profit for period</td>
<td>(36)</td>
<td>(2)</td>
<td>8</td>
<td>51</td>
</tr>
</tbody>
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