FACT SHEET

24 February 2005

Insurance Australia Group results for
the six months to 31 December 2004

Profits and dividend up on back of organic growth,
synergy benefits and record investment income

Summary information

<table>
<thead>
<tr>
<th></th>
<th>Six months 31 Dec 2004 $m</th>
<th>Six months 30 Jun 2004 $m</th>
<th>Six months 31 Dec 2003 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross written premium</td>
<td>3,328</td>
<td>3,285</td>
<td>3,142</td>
</tr>
<tr>
<td>Net earned premium (revenue)</td>
<td>3,109</td>
<td>2,951</td>
<td>2,912</td>
</tr>
<tr>
<td>Underwriting profit/loss</td>
<td>255</td>
<td>271</td>
<td>277</td>
</tr>
<tr>
<td>Investment income on technical reserves</td>
<td>263</td>
<td>177</td>
<td>67</td>
</tr>
<tr>
<td>Insurance profit/loss</td>
<td>518</td>
<td>448</td>
<td>344</td>
</tr>
<tr>
<td>Investment income on shareholders’ funds</td>
<td>287</td>
<td>230</td>
<td>204</td>
</tr>
<tr>
<td>Net profit after tax</td>
<td>446</td>
<td>363</td>
<td>302</td>
</tr>
<tr>
<td>Group combined ratio</td>
<td>91.8%</td>
<td>90.8%</td>
<td>90.5%</td>
</tr>
<tr>
<td>Immunised Group combined ratio</td>
<td>89.7%</td>
<td>91.6%</td>
<td>93.8%</td>
</tr>
<tr>
<td>Insurance margin</td>
<td>16.7%</td>
<td>15.2%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Dividends (fully franked)</td>
<td>12 cps</td>
<td>14 cps</td>
<td>8 cps</td>
</tr>
</tbody>
</table>

NOTE: This period is the first half year period to be comparable with the previous corresponding period since the acquisition of CGU and NZI in January 2003.

Operational highlights

• This was the first six month period to include a full share of the annual recurring pre-tax synergies of $160 million committed to at the time IAG acquired CGU and NZI two years ago. The synergies contributed 2.6% to the Group’s insurance margin. This compares with a net benefit of $8 million in the previous corresponding period ($33 million benefit offset by integration expense of $25 million).

• The insurance margin of 16.7% brings the average since listing in 2000 to 11.4%.

Australian personal insurance

The Group’s Australian personal insurance operations includes motor, home, niche and compulsory third party (CTP) 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.
Australian personal insurance (continued)

- Revenue (net earned premium) grew 5.4% from $1,783 million to $1,880 million, compared with the previous corresponding period.
- Customer claims satisfaction and retention levels were above 90% in the direct motor and home portfolio.
- New products and product features were introduced, including landlords’ insurance and home@50.

Australian commercial insurance

The Group’s Australian commercial insurance operations includes fire & 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.

- Revenue (net earned premium) increased 6.1% from $689 million to $731 million, compared with the previous corresponding period.
- Premiums continued to meet the technical price for risks.

International operations

The Group’s international operations comprises the New Zealand business (which sells personal and commercial insurance under the State and NZI brands), as well as the Group’s reinsurance business and Asian interests.

- Revenue (net earned premium) improved, boosted by a 5.7% appreciation in the New Zealand dollar during the period. In local New Zealand currency, revenue grew 4.6% from the previous corresponding period.
- In addition to the benefits of the exchange rate movements, the result was aided by favourable trading conditions in New Zealand and the absence of major catastrophes.

Capital position

- The Group’s Minimum Capital Requirement (MCR) multiple at 31 December 2004 was 1.85 times, which is ahead of the Group’s current benchmark multiple of 1.55 times MCR.
- A wholly-owned subsidiary of IAG, IAG Finance (New Zealand) Limited, issued 5.5 million Reset Exchangeable Securities (RES) in January 2005, raising a total of $550 million in contingent capital. RES provide the Group with certainty of access to capital if needed at any time, particularly in market conditions that are less favourable or less certain than current market conditions. Such circumstances could include a severe fall in equity markets like that experienced in October 1987, or major catastrophes that are beyond the limits of the Group’s reinsurance arrangements. To date, there have been no major catastrophes beyond these limits in Australia or New Zealand.
- If the Group had issued these securities in December 2004 and had exercised its exchange rights, the MCR multiple would increase to 2.17 times.
- The Group maintained its very strong ‘AA’ insurer financial strength ratings from Standard & Poor’s for its wholly-owned licensed insurers, the highest rating of any Australian financial institution.

Corporate goals

The Group’s corporate goals remain unchanged:

- Top quartile total shareholder return;
- Return on equity of at least 1.5 times weighted average cost of capital;
- Establish an Asian foothold;
- Maintain an 80:20 mix of short-tail:long-tail premiums; and
- Maintain a ‘AA’ category rating.