FACT SHEET

23 February 2006

Insurance Australia Group results for the six months to 31 December 2005

Record half-year profit in a competitive market

Summary information

<table>
<thead>
<tr>
<th></th>
<th>6 months to 31 Dec 2004* $m</th>
<th>6 months to 30 June 2005* $m</th>
<th>6 months to 31 Dec 2005 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross written premium (GWP)</td>
<td>3,328</td>
<td>3,345</td>
<td>3,206</td>
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<tr>
<td>Net earned premium (NEP)</td>
<td>3,084</td>
<td>3,007</td>
<td>3,085</td>
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<tr>
<td>Underwriting profit</td>
<td>219</td>
<td>219</td>
<td>277</td>
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<tr>
<td>Investment income on technical reserves</td>
<td>263</td>
<td>246</td>
<td>192</td>
</tr>
<tr>
<td>Insurance profit</td>
<td>482</td>
<td>465</td>
<td>469</td>
</tr>
<tr>
<td>Investment income on shareholders’ funds</td>
<td>285</td>
<td>170</td>
<td>345</td>
</tr>
<tr>
<td>Net profit after tax attributable to holders of ordinary shares</td>
<td>452</td>
<td>328</td>
<td>461</td>
</tr>
<tr>
<td>Group combined ratio</td>
<td>92.9%</td>
<td>92.7%</td>
<td>91.0%</td>
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<tr>
<td>Immunised Group combined ratio</td>
<td>90.8%</td>
<td>91.9%</td>
<td>91.5%</td>
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<tr>
<td>Group insurance margin</td>
<td>15.6%</td>
<td>15.5%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Dividends per share (cents, fully franked)</td>
<td>12.00</td>
<td>14.50</td>
<td>13.50</td>
</tr>
</tbody>
</table>

*Results have been restated in accordance with Australian equivalents of International Financial Reporting Standards.

Group highlights

- **Record half year profit achieved**, confirming the soundness of the Group’s strategy to strike a balance between risk-based pricing, maintaining our leading market position and keeping premiums affordable for customers, despite a challenging operating environment.

- **Record interim dividend** of 13.5 cents per share, up 12.5% on the corresponding period, and above the Group’s commitment to deliver 10% dividend growth for the financial year.

- **$200 million capital return to shareholders** planned by 30 June 2006, based on the strength of the Group’s financial position. At 31 December 2005, the Group had around $870 million in capital surplus to that required to maintain its internal benchmark of 1.55x APRA’s minimum capital requirement.

- **Progressed international expansion strategy**, allowing the Group to further diversify its risk portfolio geographically and generate new revenue streams in some of the world’s fastest growing insurance markets. Successful completion of current initiatives will enable IAG to participate in companies with annual gross written premium of more than $3 billion, of which the Group would have an interest in more than $800 million.

- **Record revenue generated from investment income**: the pre-tax return on shareholders’ funds increased 21% from $285 million to $345 million. The Group’s portfolios outperformed the benchmark by 55 basis points, contributing an additional $52 million to the Group’s pre-tax result.

- **Premiums kept affordable**, with NSW CTP prices more affordable than they were 10 years ago and motor insurance premiums just over half of one week’s average earnings.
**Divisional highlights** (for the six months ended 31 December 2005)

**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: $1,936 million
- Net earned premium: $1,880 million
- Insurance margin: 13.1%

**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: $761 million
- Net earned premium: $738 million
- Insurance margin: 18.6%

**International operations**
The Group’s international operations comprised the New Zealand business (which sells personal and
commercial insurance under the State, and NZI brands) and Asian interests.

- Gross written premium: $509 million
- Net earned premium: $467 million
- Insurance margin: 18.4%

**Outlook and sustainable returns**
For the full year, the Group expects to:
- Deliver an insurance margin of between 14%-16%;
- Deliver 10% dividend growth; and
- Work to complete the Asian investments currently underway and pursue other international
  expansion opportunities.

Longer term, the Group expects to be able to generate a return on equity from its Australian and New
Zealand businesses of about 2%-3% above the insurance market average, given the Group’s position
relative to other major participants in these markets. In offshore markets, the Group remains committed
to generating attractive, sustainable returns for shareholders.