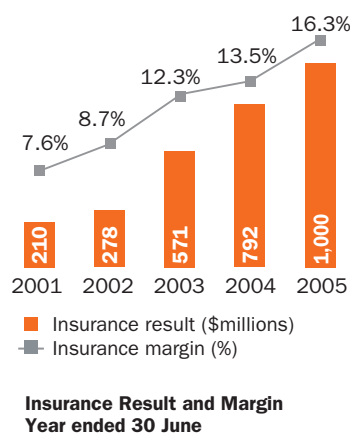
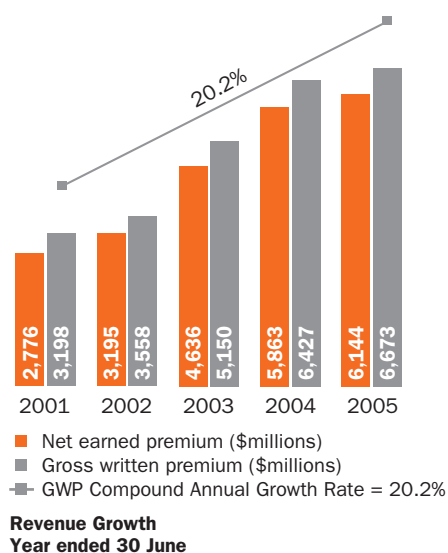


HOW WE'VE PERFORMED

OPERATIONAL HIGHLIGHTS

- **RISK IN THE BUSINESS REDUCED** through increased reinsurance protections and \$550 million of contingent capital raised through the issue of Reset Exchangeable Securities.
- **VERY STRONG CAPITAL POSITION** maintained, with the Group's APRA regulatory capital at 2.0 times the minimum capital requirement at 30 June 2005.
- **HIGH CUSTOMER RETENTION** sustained above 90% across our largest portfolios of directly distributed home and motor insurance in Australia for the past three years, and claims satisfaction above 85%.
- **CASH RETURNED TO HOLDERS OF IAG ORDINARY SHARES** totalled \$422 million for the year.
- **PREMIUMS KEPT AFFORDABLE** with NSW CTP prices as low as they were 10 years ago, comprehensive motor insurance reducing relative to average weekly earnings and the introduction of a cut of more than 10% in commercial public and product liability rates.
- **COMMUNITY INVESTMENT STRONG** at more than \$12 million, plus time invested by our people.
- **RETAIL BRANDS STRONG.** In Australia, the NRMA, SGIO, SGIC, and CGU brands continued to strengthen. In New Zealand, the State brand leads the market for unprompted brand awareness and NZI also maintains a strong presence.



PROGRESS AGAINST MEDIUM TERM FINANCIAL GOALS

GOALS	PROGRESS
Top quartile total shareholder return.	Measured from listing on 8 August 2000 until 30 June 2005, IAG's total shareholder return ranks it in the top 20% of entities in the S&P/ASX 100 index.
Return on equity of at least 1.5 times weighted average cost of capital.	Achieved return on equity greater than 1.5 times weighted average cost of capital.
Establish an Asian foothold.	Added a small Thai general insurance business to the Group's portfolio of Asian assets and continued to pursue further opportunities.
Maintain an 80:20 mix of short-tail:long-tail premiums.	Maintained short-tail:long-tail premium mix of approximately 80:20.
Maintain a 'AA' category rating.	Maintained its very strong 'AA' insurer financial strength ratings from S&P for its key wholly-owned licensed insurers, the highest rating of any Australian-based financial institution.

HOW INSURANCE WORKS



HIGHLIGHTS

	2004	2005
GROSS WRITTEN PREMIUM The total amount we received from customers for the payment of their insurance policies.	\$6,427m	\$6,673m
NET EARNED PREMIUM The portion of premiums written which relates to the financial year minus the reinsurance expense.	\$5,863m	\$6,144m
NET CLAIMS EXPENSE The amount paid out in claims during the year, as well as an estimate of how much we need to pay on unsettled claims, plus claims handling costs such as legal and administrative expenses, less recoveries from reinsurers and other parties.	\$3,815m	\$4,069m
UNDERWRITING EXPENSES The costs associated with researching risk and determining appropriate premiums, underwriting, administering the policy information required to run the business, marketing, commissions, distribution and meeting the Group's compliance requirements.	\$1,500m	\$1,591m
UNDERWRITING RESULT The profit or loss we make from our premium income before we consider related investment income.	\$548m	\$484m
INVESTMENT RETURNS FROM CLAIMS RESERVES The income received from investing reserves held to pay future claims.	\$244m	\$516m
INSURANCE RESULT The addition of our underwriting result and investment returns from claims reserves.	\$792m	\$1,000m
INVESTMENT INCOME ON SHAREHOLDERS' FUNDS The income received from investing our shareholders' funds.	\$434m	\$479m
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS The net result after allowing for income taxes and the share of profit owing to minority shareholders/unitholders within the Group.	\$665m	\$760m

GROUP INSURANCE RATIOS

INSURANCE MARGIN The insurance result as a percentage of net earned premium.	13.5%	16.3%
COMBINED RATIO Our claims and underwriting expenses measured as a percentage of our net earned premium.	90.7%	92.1%

RETURN TO SHAREHOLDERS

RETURN ON EQUITY Net profit attributable to our holders of ordinary shares as a percentage of the average equity of those shareholders.	21.1%	23.1%
TOTAL DIVIDENDS PER ORDINARY SHARE Comprising an interim dividend of 12.0 cents per ordinary share and a final dividend of 14.5 cents per ordinary share for the financial year ended 30 June 2005.	22.0 cents	26.5 cents