

FINANCIAL REPORT

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FIVE YEAR FINANCIAL SUMMARY

The financial information for the 2007, 2006 and 2005 years has been prepared under Australian equivalents to International Financial Reporting Standards ("AIFRS"). All financial information prior to 2004 was prepared under previous Australian Accounting Standards.

Insurance Australia Group Five Year Performance	2007 \$m	2006 \$m	2005 \$m	2004 \$m	2003 \$m
Gross written premium	7,381	6,435	6,673	6,427	5,150
Gross earned premium	7,207	6,537	6,561	6,265	4,885
Reinsurance expense	(464)	(405)	(417)	(402)	(249)
Net earned premium	6,743	6,132	6,144	5,863	4,636
Net claims expense	(4,474)	(3,900)	(4,090)	(3,815)	(3,363)
Underwriting expenses	(1,862)	(1,699)	(1,624)	(1,500)	(1,074)
Underwriting profit	407	533	430	548	199
Investment income on asset backing insurance liabilities	360	310	516	244	372
Insurance profit	767	843	946	792	571
Investment income from equity holders' and external funds	319	537	500	508	(76)
Other operating revenue	463	218	179	216	177
Share of net profit of associates	5	2	-	-	-
Finance costs	(119)	(86)	(69)	(57)	(46)
Corporate and administration expenses	(454)	(265)	(258)	(268)	(267)
Amortisation of goodwill and intangibles	(73)	(14)	(13)	(118)	(81)
Financial services and life insurance result (net)	-	-	-	18	19
Non-recurring items ⁽¹⁾	-	-	-	61	-
Profit/(loss) before income tax	908	1,235	1,285	1,152	297
Income tax (expense)/credit	(279)	(373)	(357)	(346)	(80)
Net profit/(loss)	629	862	928	806	217
Net (profit)/loss attributable to minority interests	(77)	(103)	(117)	(141)	(64)
Net profit/(loss) attributable to equity holders of Insurance Australia Group Limited	552	759	811	665	153
Ordinary shareholders' equity (\$ million)	4,660	3,491	3,378	2,999	3,036
Total assets (\$ million)	21,610	16,972	17,102	16,291	16,470
Premium growth					
- gross written	14.7%	(3.6%)	3.8%	24.8%	44.7%
- net earned	10.0%	(0.2%)	4.8%	26.5%	45.1%
Key ratios					
Loss ratio	66.4%	63.6%	66.6%	65.1%	72.5%
Expense ratio	27.6%	27.7%	26.4%	25.6%	23.2%
Combined ratio	94.0%	91.3%	93.0%	90.7%	95.7%
Insurance margin ⁽²⁾	11.4%	13.7%	15.4%	13.5%	12.3%
After-tax return on ordinary equity ⁽³⁾	13.5%	22.1%	24.5%	21.1%	5.1%
Share information					
Dividends per ordinary share – fully franked (cents)	29.50	42.00	26.50	22.00	11.50
Basic earnings per ordinary share (cents)	32.79	47.66	49.31	37.87	8.65
Ordinary share price at 30 June (\$) (ASX code: IAG)	5.70	5.35	6.01	5.00	3.40
5.63% reset preference share price at 30 June (\$) (IAGPA)	99.80	101.80	103.90	104.70	107.94
4.51% reset preference share price at 30 June (\$) (IAGPB)	99.25	98.50	99.05	98.35	100.10
Reset exchangeable securities price at 30 June (\$) (IANG)	100.09	100.00	99.00	n/a	n/a
Issued ordinary share capital (million shares)	1,794	1,595	1,594	1,591	1,683
Issued reset preference share capital (million shares)	6	6	6	6	6
Market capitalisation (ordinary shares) at 30 June (\$ million)	10,226	8,533	9,582	7,954	5,722
Net tangible asset backing per ordinary share (\$)	0.90	1.22	1.18	0.96	0.84

Notes:

(1) This includes profit on disposal of ClearView retirement services businesses of \$61 million in 2004.

(2) Insurance margin is a ratio of insurance profit over net earned premium.

(3) Net profit/(loss) attributable to ordinary equity holders to average ordinary equity holders' equity.