

MEDIA RELEASE

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IAG raises \$450 million through upsized institutional placement

Insurance Australia Group Limited (IAG) today announced it has raised \$450 million in ordinary equity through an institutional placement at a price of \$3.00 per ordinary share.

As a result of the strong demand for the offer, IAG elected to increase the originally announced offer size of \$400 million to \$450 million.

IAG Managing Director and Chief Executive Officer Mr Michael Wilkins said he was pleased with the strong support the offer received.

“The positive response to the placement reflects support for the sound progress we are making towards improving the Group’s financial performance in the medium to long term.

“The equity raised through the placement, along with the other capital management initiatives outlined earlier today, will improve the Group’s capital mix and provide additional financial flexibility in light of the challenging financial market conditions. Following the initiatives, our regulatory capital position will strengthen, with the MCR multiple expected to increase to 1.67x on a proforma basis as at 31 December 2008,” Mr Wilkins said.

IAG has requested that the current trading halt be lifted prior to the commencement of trading tomorrow morning.

As previously announced, the Group intends to offer shareholders the opportunity to participate in a share purchase plan. This will allow eligible shareholders to increase their investment in IAG at a price which is no more than the price paid by institutional investors in the placement. Details of the share purchase plan are expected to be made available to shareholders shortly.

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About Insurance Australia Group Limited

Insurance Australia Group Limited (IAG) is an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite more than \$7.5 billion of premium per annum. It sells insurance under many leading brands including NRMA Insurance, CGU, SGIO, SGIC and Swann (Australia); NZI and State (NZ); Equity Red Star (UK); and NZI and Safety (Thailand). For further information please visit www.iag.com.au

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