This release has been authorised by the IAG Board

Financial results

Half year ended **31 December 2020**

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1H21 results overview

- Stable and resilient underlying business performance in 1H21
- Moved quickly to reset IAG’s operating model to improve shareholder value
- Decisive action to address an unusual and complex challenge
- Capital strength maintained, supported by $776m capital raise
- Progress on our 3-5 year aspirations for delivery of IAG’s potential

1H21 highlights

Sound performance, challenges being addressed

Stable and resilient underlying business performance

- 3.8% GWP growth, largely rate driven
- Improved underlying margin of 15.9% vs. 2H20
  - Normalised underlying margin in-line with 2H20
- Stable underlying margins in Australia, while New Zealand maintained strong performance

Reported margin recovered to 17.9%

- Modest net reserve strengthening
- Perils below allowance
- Positive credit spread impact

Business interruption adverse ruling

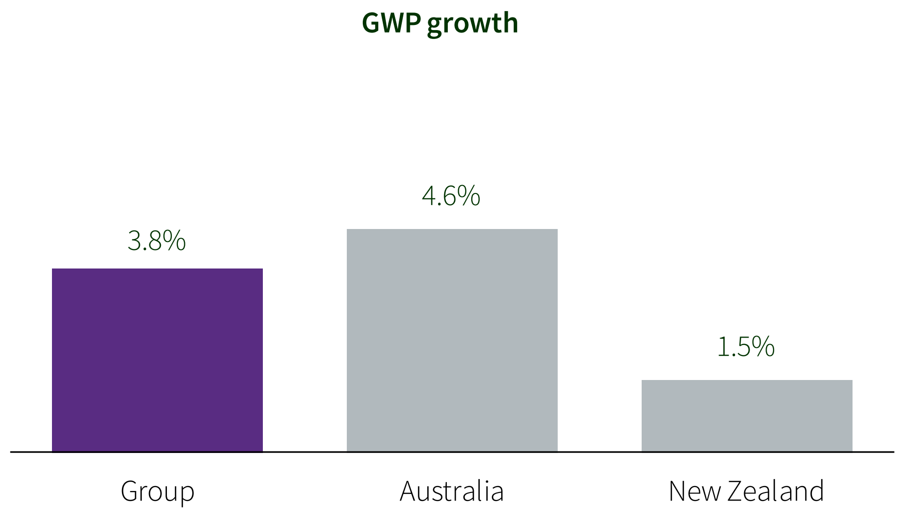
- 1H21 post-tax earnings impact of $805m announced on 20 November 2020
  - $1.15bn pre-tax charge included in net corporate expense
  - No change to provision at 31 December 2020

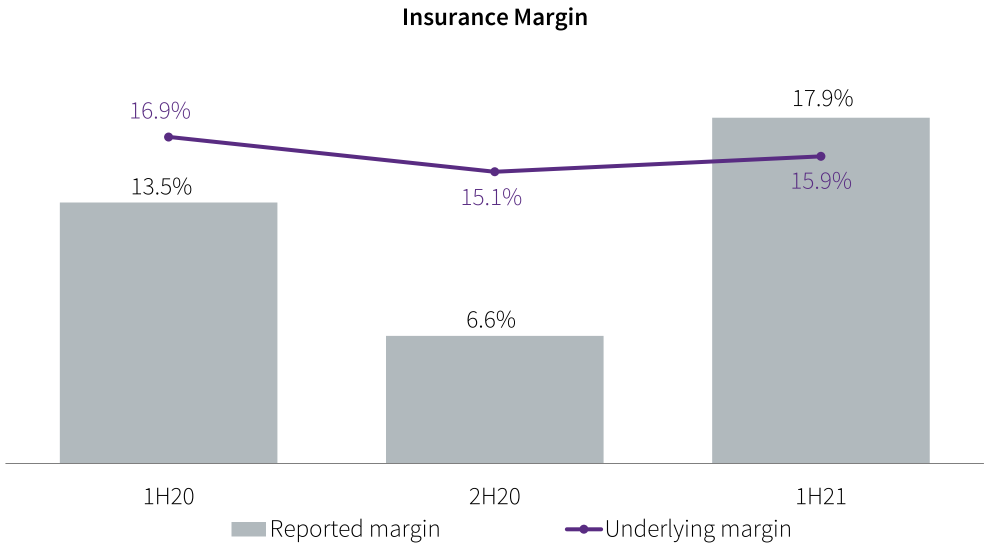
Customer refunds provision

- Predominantly from multi-year pricing issues with discounts
- Additional $75m pre-tax charge

Strong capital position

- CET1 ratio 1.19 comfortably above top end of targeted benchmark range
- 1H21 dividend of 7c





Divisional highlights

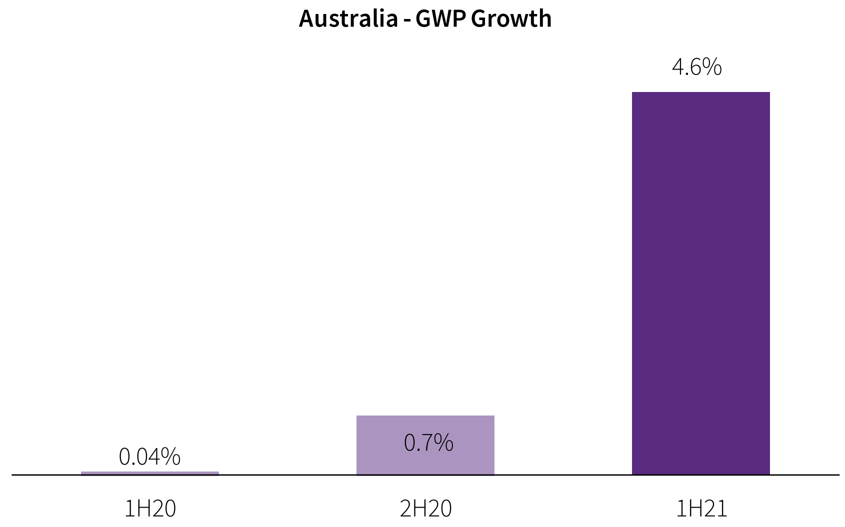
Growth momentum recovers

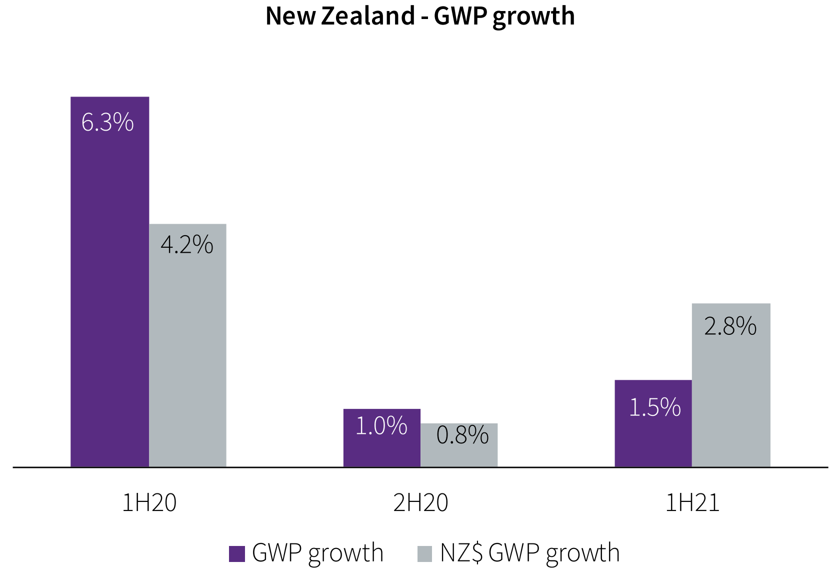
Australia

- GWP growth ~5%
  - Rate driven growth of 3.1% in short tail personal lines, increases in line with claims inflation
  - Robust commercial growth of 8%. ~7% rate increases, with significant rating actions across liability, property and agri portfolios
- Increase in underlying margin over 2H20 to 15.3%
  - ~$60-$70m (~2.2% of NEP) COVID-19 benefit
  - Earn through of higher rates
  - Deterioration in long tail commercial
- Higher reported margin of 17.3%
- Reset of operating model well advanced

New Zealand

- NZ$ GWP growth of 2.8%
  - Largely influenced by rate
  - Solid 3.1% Business growth
  - 2.6% growth in Consumer assisted by modest volume growth
- Improved underlying margin compared to 2H20 of 18.6% and strong reported margin of 20.4%
  - Negligible COVID-19 impact
  - Increase in home and motor claim frequency
  - Lower large commercial claims
- Canterbury earthquake settlements
  - Settled claims against the EQC
  - No net P&L impact





Financial summary

	1H20	1H21	Change
GWP ($m)	5,962	6,188	3.8%
Insurance profit[1] ($m)	501	667	33.1%
Underlying insurance margin[2] (%)	16.9	15.9	100bps
Reported insurance margin (%)	13.5	17.9	440bps
Shareholders' funds income ($m)	50	138	nm
Net profit/(loss) after tax ($m)	283	(460)	nm
Cash earnings ($m)	380	462	21.6%
Diluted cash EPS (cps)	15.98	17.88	11.9%
Dividend (cps)	10.0	7.0	-30.0%
Cash ROE (%)	12.1	15.5	340bps
CET1 multiple	1.15	1.19	4bps

(1) The 1H21 reported insurance profit in this document is presented on a management reported (non-IFRS) basis which is not directly comparable to the equivalent statutory (IFRS) figure in IAG's 1H21 Financial Report (Appendix 4D). A reconciliation between the two is provided on page 8 of the 1H21 Investor Report and on page 3 of the Financial Report to comply with the Australian Securities and Investments Commission's Regulatory Guide 230. IAG's 1H21 net loss after tax is the same in this document and in the Financial Report
(2) IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural peril claim costs less the related allowance; reserve releases or strengthening and credit spread movements. Prior to FY21, the definition adjusted for reserve releases in excess of 1% of net earned premium. Comparative periods have not been restated to incorporate the definition from FY21.

GWP growth

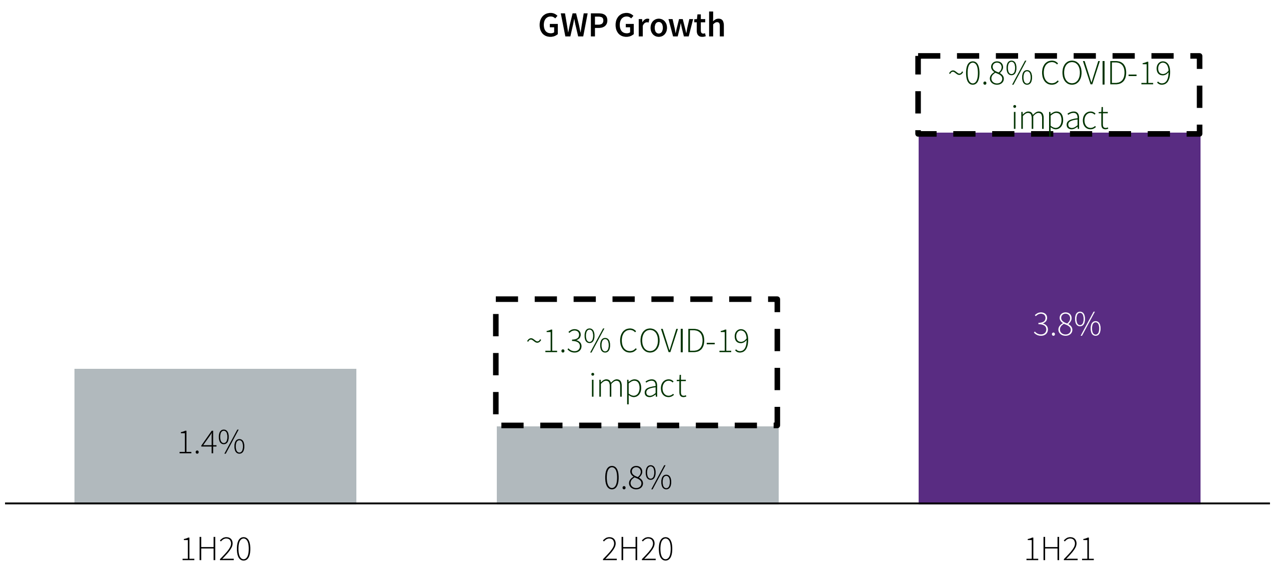
Positive momentum

Underlying growth around 5%

- ~$50m adverse COVID-19 impact in 1H21 (compared to 1H20) mainly in Australian personal lines, in contrast to ~$80m in 2H20

Recent trends

- Rate increases matching claims inflation in Australia short tail personal lines
- Australia commercial rate increases ~7% with less pressure on volumes
- Positive impact from premium rates, retention and volumes in New Zealand
- Application of price increases to counter:
  - Lower underlying investment returns
  - Underperforming portfolios
  - Medium-term trend of higher peril allowance



Underlying margin

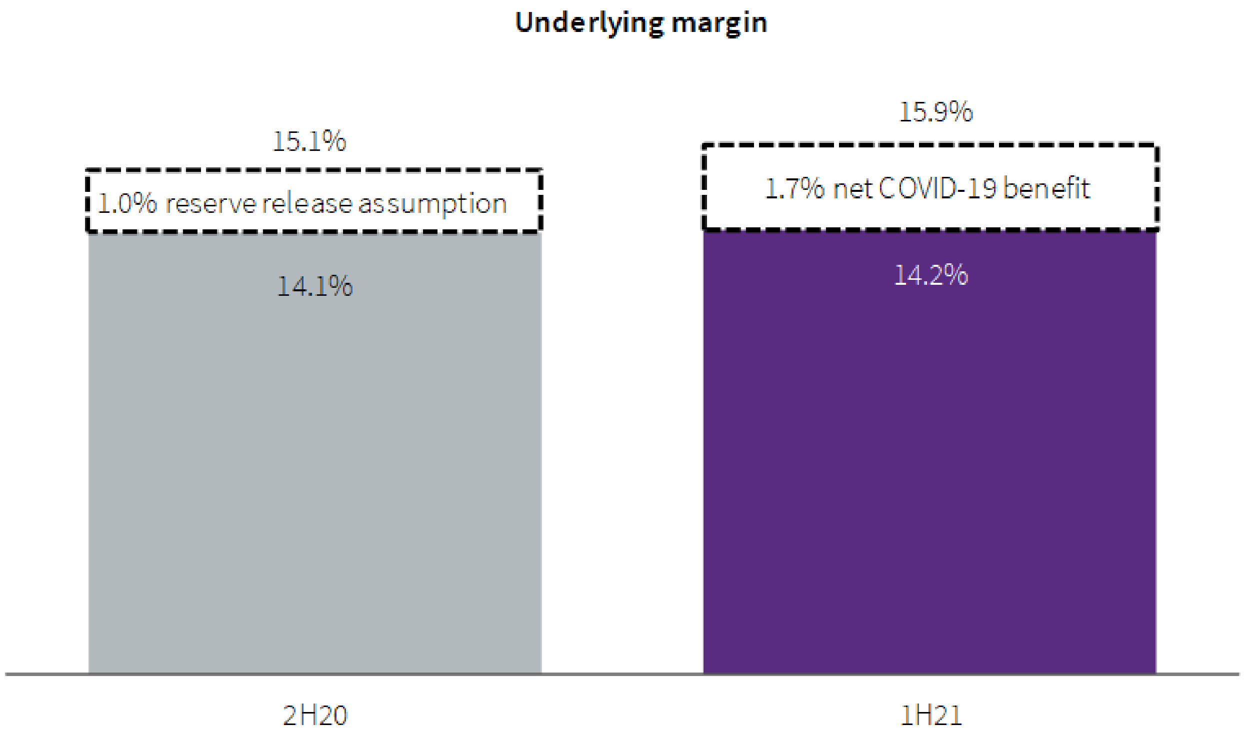
Benefit from lower motor claim frequency

Improvement in underlying margin to 15.9% in 1H21

- ~1.7% net COVID-19 benefit
- Nil reserve release assumption (vs. 1% in 2H20)
- Normalised underlying margin in-line with 2H20

1H21 net COVID-19 benefit of ~1.7%

- ~$100m from lower motor claim frequency, largely from lockdown in Victoria
- ~$25m offset from claims in other COVID-19 affected classes and the earn through of lower GWP
- Increased operating expenses relative to 1H20 of around $10m



Underlying claims and expenses

Stable trends, offsetting factors

Underlying claims ratio improved by ~100bps vs. 2H20 to 52.8%

- Represents working claims
  - Excludes peril costs, prior year reserve changes and discount rate effects
- Stable trend excluding COVID-19 impacts

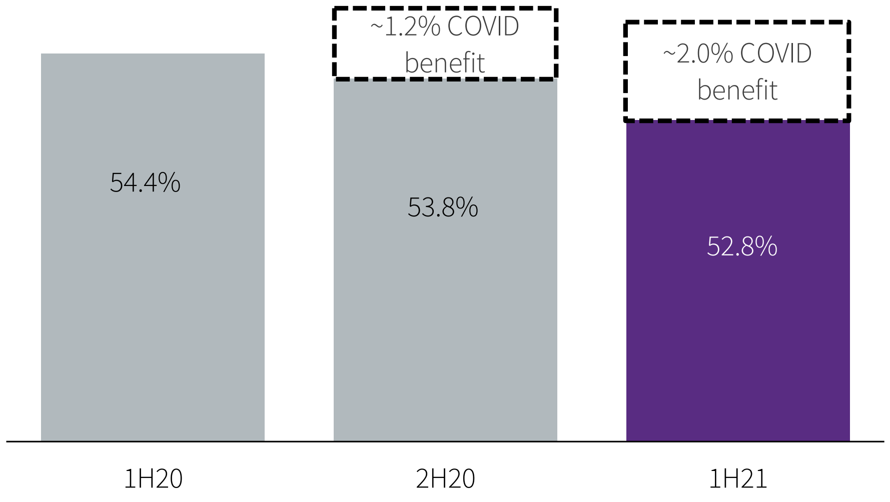
Offsetting influences driving improvement

- Lower claim frequency across motor mainly in Victoria
- Deterioration in Australia commercial long tail
- Increased average home claim costs
- Positive earn-through effect of higher rates

Expenses

- Gross underwriting expenses ex levies +7.1% vs 1H20
  - COVID-19 expenses $10m in 1H21 compared to $50m in 2H20 (post-quota share)
- Mid-single digit growth excl. COVID-19
  - Compliance and governance costs, corporate insurance and higher annual leave provisions

Group adjusted underlying claims ratio



EXPENSES	1H20 A$m	2H20 A$m	1H21 A$m
Gross underwriting expense ex levies	761	801	815
Levies	169	199	92
Total gross underwriting expenses	**930**	**1,000**	**907**
Gross commission expense	506	503	502
Total gross expenses	**1,436**	**1,503**	**1,409**
Reinsurance commission revenue	(580)	(602)	(533)
Total net expenses	**856**	**901**	**876**

Prior period reserving

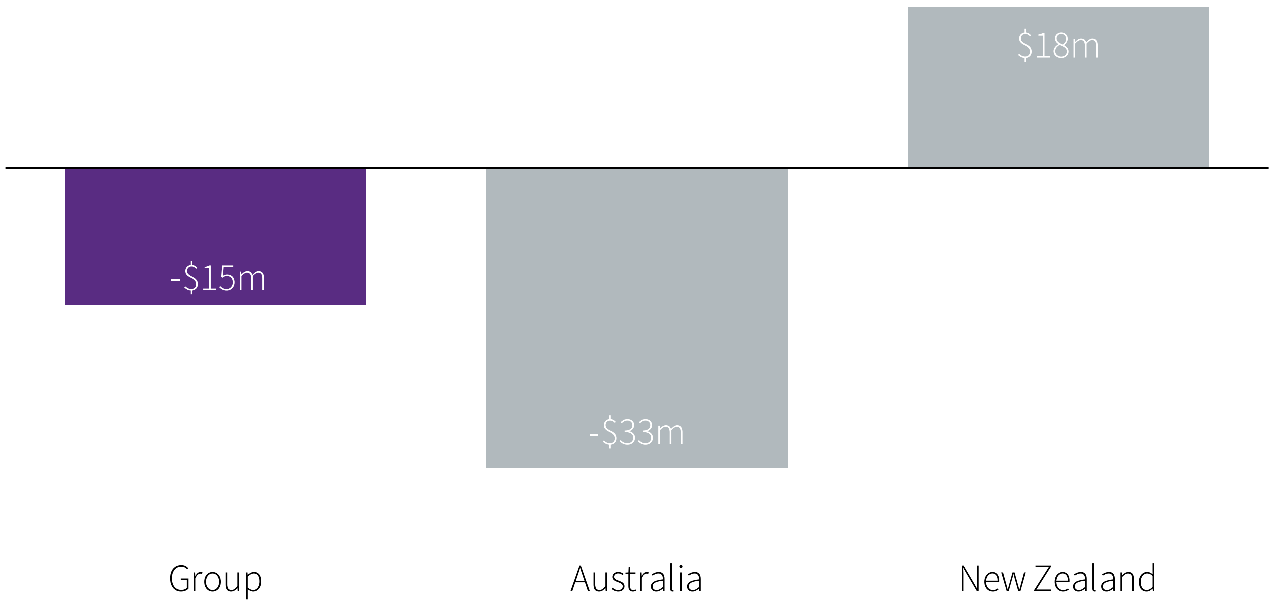
Modest net reserve strengthening

$15m net strengthening (0.4% of NEP)

- Prior period strengthening flagged on 20 November 2020
- Deterioration in Australia driven by commercial classes
  - ~$15m related to workers' compensation
  - ~$30m from professional risks
  - ~$25m in liability classes
  - Offset by positive short tail claim settlements of ~$30m
- ~$7m release in personal lines in Australia
- New Zealand releases attributable to favourable working claims development including those related to COVID-19

Normalised assumption of no releases from FY21 versus 1% of NEP in previous years

Prior period reserve movements



Natural perils & reinsurance

Favourable 1H21 perils outcome

1H21 net perils cost of $290m

- $39m below allowance
  - Favourable outcome in Australia, with New Zealand perils slightly above allowance
- Assisted by ~$90m of recoveries under the calendar 2020 aggregate cover

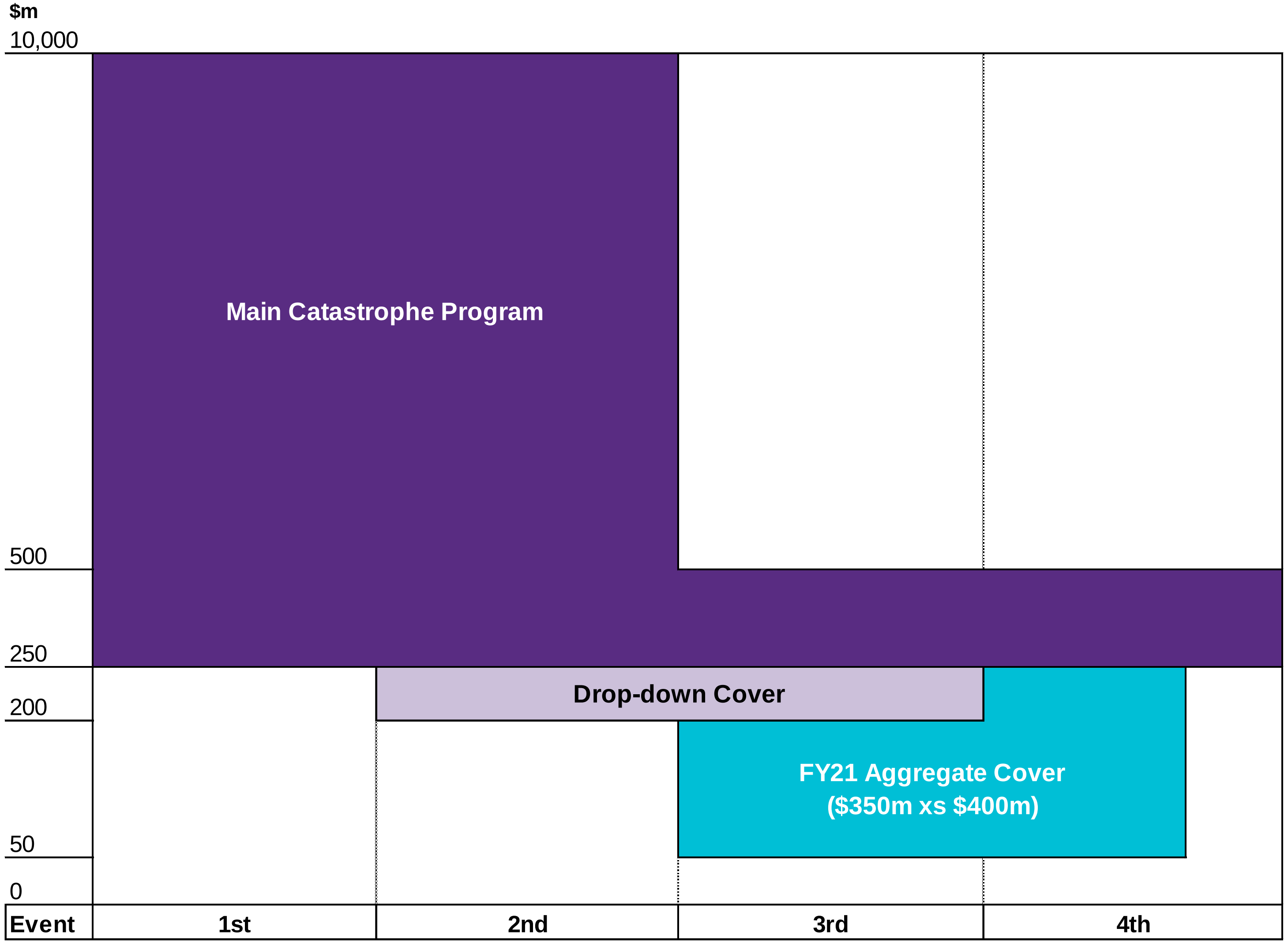
Additional catastrophe protection placed

- $50m xs $200m drop-down covers for second and third events (pre-quota share)
- Aggregate cover transitioned to financial year

FY21 stop loss cover of $67m

- Attaches $84m above $658m FY21 perils allowance

Post-quota share MER of $169m from 1 January 2021



Business interruption

No change to provision announced on 20 November 2020

Estimated exposure	**Quarantine Act** (business interruption + prevention of access)	**Biosecurity Act** (prevention of access)	**Total** (pre-quota share)	**Total** (post 32.5% quota share)
Insured risk (~$bn)	13.0	2.0	15.0	
Net central estimate[1] ($m)	**1,123**	**234**	**1,357**	**916**
Risk margin net of diversification benefit ($m)				320
Total pre-tax provision ($m)				**1,236**
Post-tax provision ($m)				865
FY21 P&L impact[2]				**805**

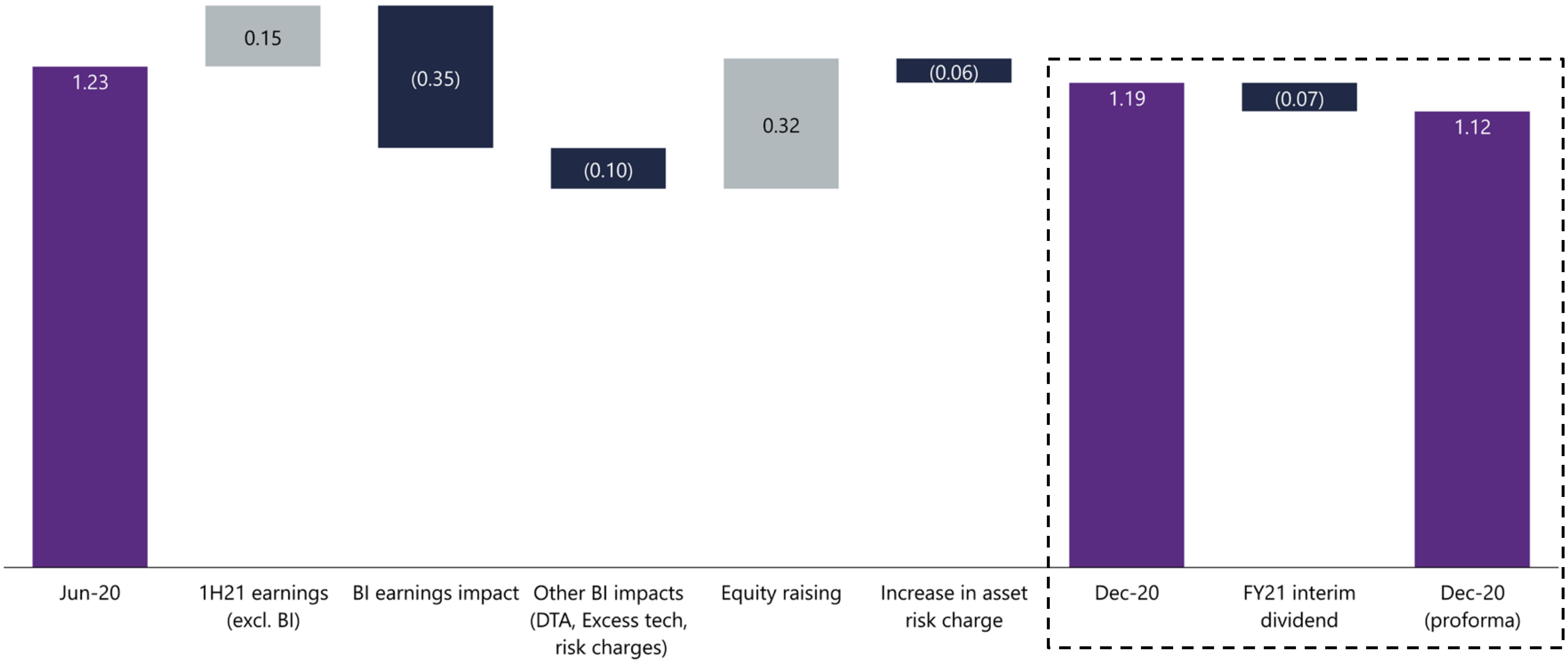
[1] Net central estimate represents estimated potential loss reflecting exposure analysis effective 31 December 2020 based on:

- Detailed industry and geographical analysis with industries classified as either essential, restricted or non-essential and four grades of impact applied: low, medium, high and very high.
- For each category (12 in number) a default set of assumptions is applied for the proportion of policies impacted and turnover reduction, with adjustments made to specific industries where there is cause to believe the potential impact is materially better or worse than the default.
- Assumed lockdown periods are 3-4 months in duration, with an 8-9 months recovery period. Specific allowance has been made for the 'second lockdown' in Victoria.
- Significant judgment has been exercised to derive the provision estimate, which has been subject to independent peer review.
- The provision does not explicitly allow for any future state or national lockdowns after 31 December 2020.

[2] Excludes business interruption element of the $106m pre-tax COVID-19 specific provision recognised in FY20 ($60m post-tax).

Capital

Comfortably above top end of target benchmark range



Dividend

Consistent approach applied

Cash earnings of $462m

- Business interruption provision
  - Unusual nature and scale
- Cash ROE of 15.5%

1H21 DPS of 7cps, unfranked

- 1H21 dividend represents ~37% of cash earnings
- Committed to 60-80% payout ratio
- No franking anticipated should a final dividend be declared

CASH EARNINGS	1H21 A$m
Net profit/(loss) after tax	**(460)**
Acquired intangible amortisation and impairment	4
Unusual items:	
- Business interruption provision	1,150
- Customer refunds provision	75
- Swann class action	68
- Victorian workers' compensation restructure cost	17
- Tax effect on net corporate expense	(394)
- Non-controlling interest in net corporate expense	2
Cash earnings	**462**
Dividend payable	**173**
Cash payout ratio	**37.4%**

A strong business with a clear purpose

We have a strong heritage…

Customer

- A clear purpose – to make your world a safer place
- Market leader in Australia and New Zealand
- 8.5 million loyal customers

Capabilities

- Trusted brands, +25 Strategic Net Promoter Score
- Engaged workforce, +55 Employee Net Promoter Score
- Purpose-led, inclusive culture

Operations

- 9 billion data point changes refreshed daily
- Scale supply chain delivering strong outcomes
- Leader in natural peril and motor vehicle safety research

Risk

- 'A' issuer credit rating from S&P
- Long-term strategic reinsurance partnerships
- CET1 1.19 and PCA 2.04

… and an opportunity to deliver further uplift

Organic growth has been challenged, with customers demanding better experiences. Focused brands and digital experiences will enable customer growth.

Active portfolio management continues. Uplifting underwriting and pricing capabilities while actively managing underperforming portfolios will drive value creation and stable returns.

Legacy systems and processes remain. Updating policy systems, automating processes and better integrating with partners will reduce complexity in our business and deliver the next wave of productivity.

Focused delivery through clear accountabilities will enable further uplift of our risk capability across the company.

Notes: 1) Customer numbers as at October 2020 excluding Coles customers; 2) Nielson Strategic NPS current FYTD representing the IAG Group; 3) Employee Net Promotor Score is a rolling 12-month score for the Group as at December 2020; 4) Standard & Poor's accords 'very strong' 'AA-' insurer financial strength and issuer credit ratings to IAG's core operating subsidiaries, as well as an 'A' issuer credit rating to the non-operating holding company, Insurance Australia Group Limited. The outlook on all entities is stable.

Our Strategy

Create a stronger, more resilient IAG

Strategy Pillars

Grow with our customers	We will grow as Australians and New Zealanders grow, delivering unparalleled personalised service when our customers need us the most	• Grow the number of direct personal lines customers • Increase the breadth of customer relationships • Drive engagement through more frequent customer interactions
Build better businesses	We will help Australian and New Zealand businesses thrive by continuing to focus on underwriting expertise, active portfolio management and pricing excellence	• Invest in underwriting and pricing capability uplift • Build commercial discipline, reduce volatility and improve margins • Strengthen relationships with our key partners and intermediaries
Create value through digital	We will be digital to the core by creating connected experiences that seamlessly assist and reward our customers as they unlock the value of our network	• Accelerate digital, making it easier for our customers, partners and people to interact with us • Modernise our policy administration systems • Use automation to unlock the next wave of efficiency in our business
Manage our risks	We will actively manage capital and risk in our business so we can continue to manage the risks in our customers' lives	• Clear accountabilities driving focused outcomes • Drive a proactive risk culture to increase organisational resilience • Active management of the balance sheet and capital allocation

Our Value Proposition

Delivering strong shareholder returns

Our strengths	Our strategy	Key value drivers	Our aspirations
• Leading brands • Scale and reach • Superior customer experience • Engaged people • Innovative capital platform	• Grow with our customers • Build better businesses • Create value through digital • Manage our risks	• Customer growth • Claims management • Productivity • Reinsurance and capital	• **“Create a stronger, more resilient IAG”** • Sustainable dividends • Top quartile TSR
Cash ROE 11.5% [1] Reported Margin 15.1% [1]	→	→	Cash ROE 12-13% [2] Reported Margin 15-17% [2]

Notes (1) Three-year average over FY18 to FY20 (2) Reported margin required to generate current ROE target based on balance sheet settings and SHF asset allocation at 31 December 2020. It also assumes no reserve releases and peril costs in line with allowances.

Appendices

Appendix 1 - Delivering Our Strategy

Execution is underway, with momentum building

Sample of Initiatives

	Progress to date 1H21	Current focus 2H21
Grow with our customers	• Digitised the customer experience in New Zealand replacing 46 AMI branches with a digital experience • Insured ~50,000 additional cars through the NRMA Third Party Fire & Theft motor insurance offer	• Simplify and focus our brands across Australia • Piloting the Customer Loyalty Platform with ~100,000 Australia/NZ customers in preparation for launch
Build better businesses	• Took portfolio action in commercial lines to improve performance • Established Home Trades Hub to enable further value capture in the property supply chain	• Go live with first tranche of Pricing Capability uplift • Australia intermediated portfolio remediation program
Create value through digital	• Scaled our artificial intelligence total loss motor claims process in Australia • Integrated the data of ~1.3 million NZ AMI and State customers to enable greater personalisation	• Go live with first tranche of personal lines products on Guidewire Policy • Technology uplift for Australia commercial insurance policy system and intermediary connectivity
Manage our risks	• Implemented new operating model, increasing accountability • Completed capital raise to maintain capital strength following increased business interruption provision	• Complete operating model implementation and accountability alignment • Accelerate delivery of rQ risk transformation program

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