INSURANCE AUSTRALIA GROUP LIMITED
HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

APPENDIX 4D (ASX Listing Rule 4.2A)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 December 2021	31 December 2020	CHANGE		
	$m	$m		$m	%*
Revenue from ordinary activities	**9,233**	9,659	Down	(426)	(4.4)
Net profit/(loss) after tax from ordinary activities attributable to shareholders of the Parent from continuing operations	**172**	(456)	Up	628	(137.7)
Net profit/(loss) after tax from ordinary activities attributable to shareholders of the Parent from discontinued operations	**1**	(4)	Up	5	(125.0)
Net profit/(loss) attributable to shareholders of the Parent	**173**	(460)	Up	633	(137.6)

* The percentage change is calculated by dividing the movement between the current and prior periods with the prior period amount and multiplying the result by 100. In relation to the period-on-period change in net profit/(loss), the negative percentages have arisen as the current period recognised a net profit and the prior period a net loss.

DIVIDENDS – ORDINARY SHARES	AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY
Interim dividend	6.0 cents	- cents

INTERIM DIVIDEND DATE	
Record date	16 February 2022
Payment date	24 March 2022

The Company's Dividend Reinvestment Plan (DRP) will operate likely by acquiring shares on-market with no discount applied. The last date for the receipt of an election notice for participation in the Company's DRP is 17 February 2022. The DRP Issue Price will be based on a volume-weighted average price for a 5-day trading window from 21 February 2022 to 25 February 2022 inclusive.

Eligible shareholders may now lodge their DRP elections electronically by logging on to IAG's share registry, Computershare, on their website at www.computershare.com.au.

Additional Appendix 4D disclosure requirements can be found in the half year financial report of Insurance Australia Group Limited for the period ended 31 December 2021 (Attachment A). This report is also to be read in conjunction with the Annual Report of Insurance Australia Group Limited for the year ended 30 June 2021 and any public announcements made by Insurance Australia Group Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

This report is based on the consolidated half year financial statements which have been reviewed by KPMG.

ATTACHMENT A

INSURANCE AUSTRALIA GROUP LIMITED

HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2021

INSURANCE AUSTRALIA GROUP LIMITED

ABN 60 090 739 923

FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

INSURANCE AUSTRALIA GROUP LIMITED
TABLE OF CONTENTS

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Insurance Australia Group Limited and its subsidiaries for the half year ended 31 December 2021 and the Auditor's Report.

The following terminology is used throughout the financial report:

- Company or Parent – Insurance Australia Group Limited; and
- IAG or Group – the consolidated entity consists of Insurance Australia Group Limited and its subsidiaries.

DIRECTORS OF INSURANCE AUSTRALIA GROUP LIMITED

The names and details of the Company's Directors in office at any time during, or since the end of, the half year are as follows. Directors were in office for the entire period unless otherwise stated.

INDEPENDENT NON-EXECUTIVE

Thomas (Tom) W Pockett – Appointed as Chairman at the conclusion of the 2021 Annual General Meeting (AGM) on 22 October 2021 (noting his original appointment to the Board was 1 January 2015)
Simon C Allen
David H Armstrong – Appointed 1 September 2021
Sheila C McGregor
Jonathan (Jon) B Nicholson
Helen M Nugent AC
Scott J Pickering – Appointed 1 November 2021
George D Sartorel – Appointed 1 September 2021
George Savvides AM
Michelle K Tredenick
Elizabeth B Bryan AM – Retired as Chairman at the conclusion of the 2021 AGM on 22 October 2021
Duncan M Boyle – Retired at the conclusion of the 2021 AGM on 22 October 2021

EXECUTIVE

Nicholas (Nick) B Hawkins (Managing Director and Chief Executive Officer)

PRINCIPAL ACTIVITY

The principal continuing activity of IAG is the underwriting of general insurance and related corporate services and investing activities.

IAG is the largest general insurance company in Australia and New Zealand, selling insurance under many leading brands. In Australia, IAG is a leading personal lines insurer, offering short-tail products across the country, as well as long-tail offerings. IAG also sells a range of commercial insurance products across Australia, with a strong small-to-medium sized enterprise emphasis, and a leading market share in rural areas. IAG's operating model changed during the prior financial year with the Australia division separated into two distinct divisions, being Direct Insurance Australia (DIA) and Intermediated Insurance Australia (IIA). In New Zealand, IAG is the leading general insurance provider across both the direct and intermediated channels. All of these divisions benefit from access to a variety of distribution channels and an array of leading and well-established brands.

The Group reports its financial information under the following business division headings:

DIVISION	OVERVIEW	PRODUCTS
Direct Insurance Australia 45% of Group gross written premium (GWP)	Personal lines general insurance products, and some commercial lines, are sold directly to customers through a range of distribution channels, including branches, call centres and online, under the following brands: ■ NRMA Insurance, Australia wide (excluding Victoria); ■ RACV in Victoria, via a distribution agreement with RACV; ■ SGIO in Western Australia; ■ SGIC in South Australia; ■ CGU Insurance; and ■ ROLLiN' Insurance. The division also includes travel insurance and income protection products which are underwritten by third parties.	Short-tail insurance ■ Motor vehicle ■ Home and contents ■ Lifestyle and leisure, such as boat, veteran and classic car and caravan ■ Business packages ■ Farm and crop ■ Commercial motor and fleet motor Long-tail insurance ■ Professional indemnity ■ Compulsory Third Party (motor injury liability)

<table>
<tr><th>DIVISION</th><th>OVERVIEW</th><th>PRODUCTS</th></tr>
<tr><td>Intermediated Insurance Australia

32% of Group GWP</td><td>Commercial lines general insurance products, and some personal lines, are provided through a network of intermediaries, such as brokers, agents, authorised representatives and financial institutions, under the following brands:
■ CGU Insurance;
■ WFI; and
■ Coles Insurance, via a distribution agreement with Coles.</td><td>Short-tail insurance
■ Motor vehicle
■ Home and contents
■ Lifestyle and leisure, such as boat, veteran and classic car and caravan
■ Travel
■ Business packages
■ Farm and crop
■ Commercial property
■ Construction and engineering
■ Commercial motor and fleet motor

Long-tail insurance
■ Workers' compensation
■ Professional indemnity
■ Directors' and officers'
■ Public and products liability</td></tr>
<tr><td>New Zealand

23% of Group GWP</td><td>Personal lines and commercial lines general insurance products are provided directly to customers, primarily under the State and AMI brands, and indirectly through insurance brokers and agents, under the NZI and Lumley Insurance brands. General insurance products are also distributed under third party brands by IAG’s corporate partners, including large financial institutions.</td><td>Short-tail insurance
■ Motor vehicle
■ Home and contents
■ Commercial property, motor and fleet motor
■ Construction and engineering
■ Niche insurance, such as pleasure craft, boat and caravan
■ Rural
■ Marine

Long-tail insurance
■ Professional indemnity
■ Commercial liability</td></tr>
<tr><td>Corporate and other</td><td>Corporate and other comprises other activities, including corporate services, capital management activity, shareholders' funds investment activities, inward reinsurance from associates, investment in associates, and other businesses that offer products and services that are adjacent to IAG's insurance business.</td><td></td></tr>
</table>

RECONCILIATION BETWEEN THE STATUTORY RESULTS (IFRS) AND THE MANAGEMENT REPORTED (NON-IFRS) RESULTS

For the half year period ended 31 December 2021, there are no reconciling items between the statutory results (IFRS) and the management reported results (non-IFRS) and, accordingly, no reconciliation table has been provided for the current period.

The discussion of operating performance in the operating and financial review section of this report in relation to the prior corresponding half year is presented on a management reported basis unless otherwise stated. Management reported results are non-IFRS financial information and are not directly comparable to the statutory results presented in other parts of this financial report.

Additional details of the adjustments are provided on page 2 and 3 of the half year financial report for the period ended 31 December 2020.

Reconciliation between the statutory results and the management reported results for the prior period ended 31 December 2020 is presented below:

31 DECEMBER 2020	STATUTORY RESULTS (IFRS)	CUSTOMER REFUNDS PROVISION	BUSINESS INTERRUPTION CLAIM PROVISION	MANAGEMENT RESULTS (NON-IFRS PER INVESTOR REPORT)
	$m	$m	$m	$m
Gross written premium	6,159	29	-	6,188
Movement in unearned premium liability	2	-	-	2
Gross earned premium	6,161	29	-	6,190
Outwards reinsurance premium expense	(2,468)	1	-	(2,467)
Net earned premium	3,693	30	-	3,723
Net claims expense	(3,431)	-	1,150	(2,281)
Commission expense	(502)	-	-	(502)
Underwriting expense	(948)	41	-	(907)
Reinsurance commission revenue	529	4	-	533
Net underwriting expense	(921)	45	-	(876)
Underwriting (loss)/profit	(659)	75	1,150	566
Net investment income on assets backing insurance liabilities	101	-	-	101
Insurance (loss)/profit	(558)	75	1,150	667
Net corporate expense(1)	(85)	(75)	(1,150)	(1,310)
Net other operating income/(expenses)	97	-	-	97
Loss before income tax from continuing operations	(546)	-	-	(546)
Income tax expense	187	-	-	187
Loss after income tax from continuing operations	(359)	-	-	(359)
Non-controlling interests	(97)	-	-	(97)
Loss after income tax and non-controlling interests	(456)	-	-	(456)
Net loss after tax from discontinued operations	(4)	-	-	(4)
Loss attributable to IAG shareholders	(460)	-	-	(460)

(1) The $85 million expense was recognised within the 'Fee-based, corporate and other expenses' line in the statement of comprehensive income.

OPERATING AND FINANCIAL REVIEW

OPERATING RESULT FOR THE HALF YEAR

KEY RESULTS	31 December 2021 $m	31 December 2020 $m
Gross written premium (GWP)	**6,570**	6,188
Net earned premium (NEP)	**3,963**	3,723
Insurance profit	**282**	667
Net profit/(loss) after tax	**173**	(460)
Cash earnings(1)	**176**	462
Reported insurance margin(2)	**7.1 %**	17.9 %
Underlying insurance margin(3)	**15.1 %**	15.9 %
Dividend (cents per share)	**6.0**	7.0
Prescribed Capital Amount (PCA) multiple	**1.82**	2.04
Common Equity Tier 1 Capital (CET 1) multiple	**1.02**	1.19

(1) Cash earnings are defined as net profit/(loss) after tax attributable to IAG shareholders plus amortisation and impairment of acquired identifiable intangibles, and excluding any non-recurring items.

(2) Reported insurance margin is the insurance profit as a percentage of net earned premium (NEP).

(3) IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural perils claims costs less the related allowance, reserve releases or strengthening and credit spread movements.

The Group's profit after tax for the year was $203 million (31 December 2020: loss after tax of $363 million). After adjusting for non-controlling interests in the Group result, net profit attributable to the shareholders of the Company was $173 million (31 December 2020: loss after tax of $460 million). This result included:

- a $385 million decrease in pre-tax insurance profit to $282 million (31 December 2021: pre-tax insurance profit of $667 million), driven by a lower underlying insurance margin, higher net natural perils claims costs, a net strengthening of prior year reserves and a lower gain from the narrowing of credit spreads;
- no items have been recorded under net corporate expense in the current period, compared to a pre-tax expense of $1,310 million in the prior corresponding half year, mainly due to the pre-tax provision for business interruption claims associated with COVID-19; and
- an $85 million pre-tax reduction in net investment income on shareholders' funds to $53 million (31 December 2020: pre-tax income of $138 million).

Reported GWP of $6,570 million increased by 6.2% over the prior corresponding half year (31 December 2020: $6,188 million). Growth was driven by both higher premium rates and volume growth across personal short-tail classes in Direct Insurance Australia (DIA), significant premium rate increases in Intermediated Insurance Australia (IIA), and by a combination of higher premium rates, good retention levels across all key portfolios and favourable foreign exchange translation effect in New Zealand.

The underlying insurance margin of 15.1% was lower than the prior corresponding half year (31 December 2020: 15.9%). A benefit of around $55 million to $65 million from net COVID-19 effects was experienced in the current half year. Excluding this benefit, the current half year underlying margin was approximately 13.6% (31 December 2020: approximately 14.2% excluding the COVID-19 net benefit).

The reduction in underlying margins, excluding the COVID-19 net benefit, reflects a combination of influences including lower reinsurance costs associated with volatility covers and an improved underlying loss ratio, largely reflecting the strong earn-through of premium rate increases in the 2021 financial year and the current half year, especially in IIA. These positive impacts were more than offset by the increase in the full year natural perils allowance from $658 million to $765 million, large commercial property claims in New Zealand lifting to a higher level in the current half year relative to a particularly benign first half in the 2021 financial year, mid to high single-digit growth in gross underwriting and claims handling expenses, and a slightly lower average investment income yield.

The reported insurance profit was $282 million (31 December 2020: $667 million) and equates to a reported insurance margin of 7.1% (31 December 2020: 17.9%). In addition to the underlying margin influences outlined above, the current half year reported insurance profit included an unfavourable net natural perils experience of $299 million, a net strengthening of prior year reserves of $37 million and an $18 million favourable impact from the narrowing of credit spreads.

COVID-19 impacts

The current half year impacts from the COVID-19 pandemic were similar in nature to what occurred in the second half of the 2020 financial year and first half of the 2021 financial year, where it is estimated to have had a modestly negative effect on IAG's GWP and a net positive impact on insurance profit (excluding the impact of the $1,150 million business interruption provision in the first half of the 2021 financial year). No material overall impact was experienced in the second half of the 2021 year. The key impacts in the current half year included:

- an estimated GWP impact of around $40 million compared to the prior corresponding half year (first half of the 2021 financial year: approximately $50 million impact compared to the first half of the 2020 financial year), predominantly from lower new business opportunities in DIA during the New South Wales (NSW) and Victoria lockdowns;
- an estimated net positive impact on the current half year's underlying insurance profit of around $55 million to $65 million post-quota share compared to a net $60 million to $70 million benefit in the prior corresponding half year. This earnings benefit arose from:
  - reduced motor claims frequency, particularly during the extended lockdowns in Victoria and NSW over July to October 2021; partially offset by
  - elevated inflationary pressure on claims costs in motor and home portfolios, along with some deterioration in long-tail portfolios;
  - additional risk margin held for emerging risks in respect of COVID-19 related inflationary pressures in the post-lockdown environment for motor and home portfolios; and
  - additional expenses associated with the lockdowns, largely related to annual leave accruals and other costs related to disruption from lockdowns.

Premiums

Reported current half year GWP of $6,570 million increased by 6.2% over prior corresponding half year (31 December 2020: $6,188 million). This encompassed:

- growth of 3.3% to $2,952 million achieved in DIA and comprised:
  - higher rates and volume growth of around 1% across personal short-tail classes, with an encouraging early contribution to growth from the roll-out of NRMA Insurance in Western Australia and South Australia. Rate changes broadly matched claims inflation. Retention levels for both Motor and Home have remained high at more than 90% and 95% respectively. Volume growth overall was constrained by Compulsory Third Party (CTP) and new business opportunities were impacted by COVID-19 effects.
- growth of 8.9% to $2,136 million achieved in IIA and comprised:
  - significant rate increases, which remain the dominant feature and averaged over 9% in the current half year. While IIA recorded minimal overall volume growth, pockets of targeted new business growth were achieved and retention levels remained strong. Underlying momentum is expected to continue into the second half of the current financial year, where headline growth will be impacted by a number of non-recurring items, most notably the exit of IAL Personal Lines (approximately $100 million).
- growth of 8.3% in New Zealand to $1,481 million, boosted by a favourable foreign exchange translation effect of around 240 basis points (bps):
  - this shift in momentum was driven mainly by higher rates and good retention levels across all key portfolios, with volume levels broadly similar to first and second half of the 2021 financial year.

Insurance margin
Underlying margins continue to be adjusted for prior year reserve releases or strengthening, natural perils claims costs above or below related allowances and credit spread gains or losses.

INSURANCE MARGIN IMPACTS	31 December 2021 $m	31 December 2020 $m
Underlying insurance profit	**600**	592
Reserve strengthening	**(37)**	(15)
Natural perils	**(681)**	(290)
Natural perils allowance	**382**	329
Credit spreads	**18**	51
Reported insurance profit(1)	**282**	667
Underlying insurance margin	**15.1 %**	15.9 %
Reserve strengthening	**(0.9)%**	(0.4)%
Natural perils	**(17.2)%**	(7.8)%
Natural perils allowance	**9.6 %**	8.8 %
Credit spreads	**0.5 %**	1.4 %
Reported insurance margin(2)	**7.1 %**	17.9 %

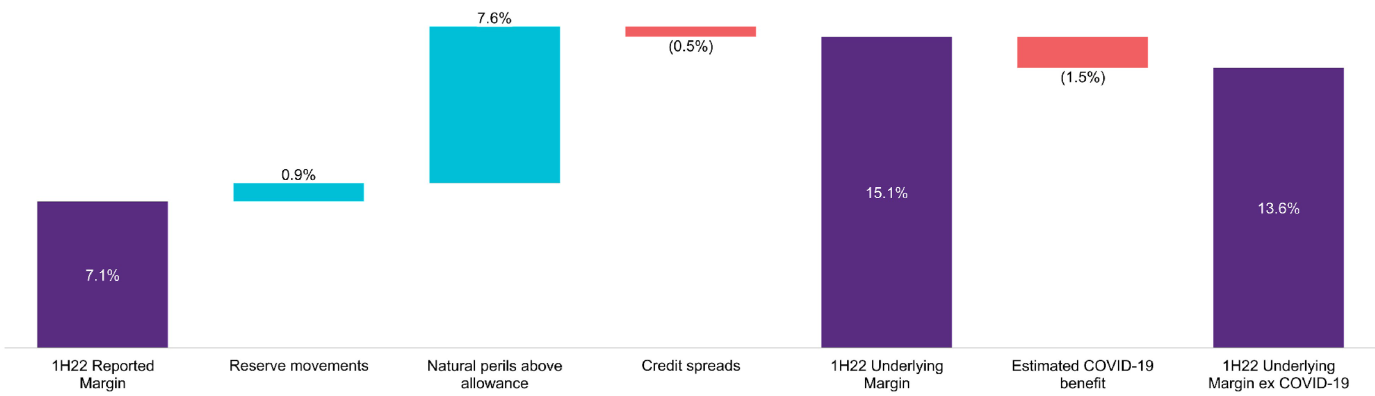
(1) Reported insurance profit in the current half year for both statutory and management results is the same. The reported insurance profit in the prior corresponding period is on a management results basis (refer above for a reconciliation between the statutory results and the management reported results). Based on the statutory results, the equivalent statutory insurance profit/(loss) for the prior corresponding half year is a $558 million loss.

(2) Reported insurance margin is the insurance profit as a percentage of net earned premium (NEP). The reported insurance margin in the current half year for both statutory and management results is the same. The reported insurance margin in the prior corresponding period is on a management results basis. Based on the statutory results, the equivalent statutory insurance margin for the prior corresponding half year is (5.8%).

IAG's current half year underlying insurance margin was 15.1%, lower than 15.9% in the first half of the 2021 financial year and an improvement on 13.5% in the second half of the 2021 financial year.

A benefit of around $55 million to $65 million from net COVID-19 effects was experienced in the current half year. Excluding this benefit, the current half year underlying margin was approximately 13.6% (31 December 2020: approximately 14.2% excluding the COVID-19 net benefit).

GROUP INSURANCE MARGIN - REPORTED VS. UNDERLYING



The reduction in underlying margins, excluding net COVID-19 effects, from 14.2% in the prior corresponding half year to 13.6% in the current half year reflects a combination of influences. On the positive side, this included:
- lower reinsurance costs associated with volatility covers, an approximately 30bps (or approximately $13 million) benefit; and
- an improved underlying loss ratio (approximately 80bps), largely reflecting the strong earn-through of premium rate increases in the prior financial year and the current half year, especially in IIA.

These positive factors were more than offset by:
- an approximately 140bps impact from the increase in the full year natural perils allowance from $658 million to $765 million;
- large commercial property claims in New Zealand lifting to a higher level in the current half year relative to a particularly benign prior corresponding half year;
- mid to high single-digit growth in gross underwriting and claims handling expenses; and
- an approximately 40bps non-recurring impact on the insurance margin from discount rate timing differences as the impact of interest rate changes on undiscounted unearned premium (liabilities) is not recognised until earned. The average investment income yield was slightly lower than the prior corresponding half year taking this impact into account.

Natural perils costs significantly impacted the low reported insurance profit of $282 million in the current half year, equating to a 7.1% reported insurance margin (31 December 2020: 17.9%). In addition to the underlying margin influences outlined above, this included:

- unfavourable net natural perils experience of $299 million in the current half year, compared to $39 million of favourable experience in the prior corresponding half year;
- a $37 million impact from strengthening prior year reserves, compared to a strengthening of $15 million in the first half and $66 million in the second half of the 2021 financial year; and
- a favourable impact from the narrowing of credit spreads of $18 million (31 December 2020: positive spread impact of $51 million).

Divisional insurance results

DIVISIONAL INSURANCE RESULTS		**31 December 2021**		31 December 2020
	Insurance profit(1),(2)	**Insurance margin(3)**	Insurance profit	Insurance margin
	$m		$m	
Direct Insurance Australia				
Underlying insurance profit/margin	**391**	**21.8 %**	398	23.2 %
Reported insurance profit/margin	**189**	**10.5 %**	421	24.5 %
Intermediated Insurance Australia				
Underlying insurance profit/margin	**65**	**5.0 %**	46	3.8 %
Reported insurance profit/margin	**(4)**	**(0.3)%**	84	7.0 %
New Zealand				
Underlying insurance profit/margin	**146**	**16.8 %**	148	18.6 %
Reported insurance profit/margin	**99**	**11.4 %**	162	20.4 %

(1) Reported insurance profit/(loss) in the current half year for both statutory and management results is the same. Based on the statutory results, the equivalent statutory reported insurance profit/(loss) for the prior corresponding half year is $391 million for DIA, ($1,111 million) for IIA and $162 million for New Zealand.

(2) IAG's reported insurance profit of $282 million (31 December 2020: $667 million) and underlying insurance profit of $600 million (31 December 2020: $592 million) includes a pre-tax loss of $2 million (31 December 2020: nil) in the Corporate and other division.

(3) Reported insurance margin in the current half year for both statutory and management results is the same. The reported insurance margin in the prior corresponding period is on a management results basis. Based on the statutory results, the equivalent statutory reported insurance margin for the prior corresponding half year is 22.9% for DIA, (93.3%) for IIA and 20.4% for New Zealand.

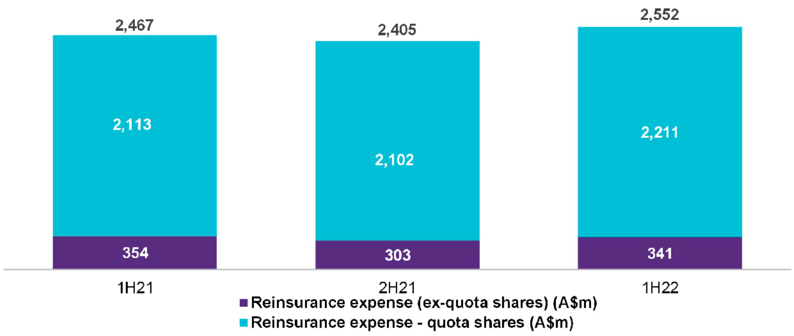
Detailed commentary on the insurance margin performance is provided in the divisional sections of the Investor Report. A summary is provided below.

- DIA's underlying margin of 21.8% in the current half year was lower than the prior half year (31 December 2020: 23.2%):
  - COVID-19 impacts on insurance profits were around $55 million to $65 million (31 December 2020: $60 million to $70 million), with motor frequency benefits partly offset by elevated levels of claims inflation, some additional expenses and additional risk margins to recognise heightened levels of uncertainty in the current operating environment.
  - excluding COVID-19 benefits, the underlying margin remained healthy at around 18.5% in the current half year (31 December 2020: 19.3%).
  - the change reflects the earned-through effect of higher premium rates, however this was more than offset by approximately 160bps impact from the higher natural perils allowance and lower investment yields.
  - the reported margin of 10.5% compared to 24.5% in prior corresponding half year highlights higher frequency of natural perils events.
- IIA's underlying margin continued to recover over the period, improving to 5.0% in the current half year, 120bps higher than 3.8% in the prior corresponding half year. The division has delivered early progress towards its >$250 million insurance profit target by the 2024 financial year:
  - IIA delivered a 330bps improvement in the underlying claims ratio, underpinned by the earn-through effect of higher premium rates, which exceeded elevated claims inflation in a number of classes.
  - offsetting this was an approximately 200bps anticipated headwind from the natural perils allowance.
  - elevated natural perils costs were the dominant driver of the reported insurance loss of $4 million in the current half year (31 December 2020: $84 million insurance profit).
- New Zealand's current half year underlying margin of 16.8% was below 18.6% in the prior corresponding half year (second half of the 2021 financial year: 14.3%).
  - looking through half on half volatility in the 2021 financial year, the strong current half year underlying margin of 16.8% has improved on 16.4% in the 2021 financial year.
  - the reduction compared to the prior corresponding half year is mainly due to large commercial property claims (>NZ$100,000) increasing to a higher level relative to a particularly benign experience in the prior corresponding half year.
  - the reduced reported insurance margin of 11.4% (31 December 2020: 20.4%), reflects the significant increase in natural perils costs in current half year.

Reinsurance expense

Total reinsurance expense includes the cost of all covers purchased, including catastrophe, casualty, facultative and proportional protection.

REINSURANCE EXPENSE



Quota share-related reinsurance expense increased broadly in line with gross earned premium growth. Non-quota share reinsurance expense decreased by approximately 4% to $341 million. This reflected low overall growth in IAG's risk exposures and the following:

- a modest increase in catastrophe reinsurance rates, stemming from the calendar 2021 renewal; which was more than offset by
- reduced costs associated with the transition of aggregate cover from calendar to a financial year basis in 2021 and not purchasing a natural perils stop loss cover for 2022 financial year.

Claims

IAG's immunised underlying loss ratio, which reflects trends in underlying or working claims, was 52.0% in the current half year, 80bps stronger than 52.8% in the prior corresponding half year. This ratio excludes all prior year reserve releases or strengthening, natural perils costs effects and discount rate adjustments.

IMMUNISED LOSS RATIO	**31 December 2021 $m**	31 December 2020 $m
Immunised underlying net claims expense	**2,062**	1,967
Discount rate adjustment	**(55)**	9
Reserving and perils effects	**718**	305
Reported net claims expense(1)	**2,725**	2,281
Immunised underlying loss ratio	**52.0 %**	52.8 %
Discount rate adjustment	**(1.3)%**	0.3 %
Reserving and peril effects	**18.1 %**	8.2 %
Reported loss ratio(2)	**68.8 %**	61.3 %

(1) Reported net claims expense in the current half year for both statutory and management results is the same. The net claims expense in the prior corresponding period is on a management results basis. Based on the statutory results, the equivalent statutory net claims expense in the prior corresponding period is $3,431 million.

(2) Reported loss ratio is net claims expense as a percentage of NEP. Reported loss ratio in the current half year for both statutory and management results is the same. The reported loss ratio in the prior corresponding period is on a management results basis. Based on the statutory results, the equivalent statutory loss ratio for the prior corresponding period is 92.9%.

Underlying claims trends

At a Group level, underlying net COVID-19 claims benefits were approximately $75 million to $85 million in the current half year and a similar range in the prior corresponding half year. This was driven largely by lower motor claims frequency. Excluding the positive net COVID-19 impact of approximately 200bps in the current half year and approximately 200bps in the prior corresponding half year, the underlying loss ratio was approximately 80bps stronger at approximately 54.0%. This was a function of offsetting positive and negative factors.

- on the positive side, the ratio benefited from:
  - the earn-through effect of higher premium rates, particularly in IIA where premium rates are increasing ahead of elevated claims inflation in certain classes;
  - improved working and large claims experience in IIA, including better large loss experience across property classes due to a lower volume of claims; and
  - an improvement in IIA long-tail portfolio loss ratios compared to the prior corresponding half year reflecting active portfolio management.
- these improvements were offset by:
  - mid-single digit increases in average motor claim costs mainly driven by disruption of the supply chain network;
  - higher average home claim costs particularly in NSW and Victoria driven by increases in the price of labour and materials partly offset by operational improvements; and
  - higher large commercial property claims in New Zealand (>NZ$100,000) due to a number of high-value fire events in the current half year, increasing these larger claims over the half relative to a particularly benign first half in 2021.

Reserve releases/strengthening

Prior period reserve strengthening of $37 million occurred in the current half year, an improved outcome compared to $66 million in the second half of the 2021 financial year (31 December 2020: $15 million). Adverse claim development across long-tail classes was observed in two key areas:

- $28 million of overall strengthening in DIA. A key driver was NSW CTP, including marginally worse than anticipated development of old scheme claims and lengthening duration of new scheme claims in the September 2021 quarter. These trends improved in the December 2021 quarter and are likely related to COVID-19 factors; and
- $17 million of net strengthening, reflecting adverse development in the liability portfolio partially offset by small releases in other classes. In the liability portfolio, average claim sizes remain elevated across bodily injury claims and stronger than expected development occurred across certain complex property damage claims. The professional risks and workers' compensation portfolios' performance was largely aligned to valuation assumptions following strengthening in these portfolios in the 2021 financial year.

Releases of $8 million across short-tail portfolios in New Zealand partly offset strengthening in DIA and IIA.

Natural perils

Net natural perils claims costs were $681 million in the current half year. This was $299 million above the allowance for the period, based on straight-line apportionment of the $765 million 2022 financial year allowance (31 December 2020: $39 million below allowance). As advised on 2 November 2021, this outcome was heavily influenced by elevated natural perils costs in October 2021.

CURRENT HALF YEAR NET NATURAL PERILS COSTS BY EVENT	$m
NZ Westport flood (July 2021)	52
NZ Auckland rain and flood (August 2021)	18
VIC (Mansfield) earthquake (September 2021)	25
East Coast thunderstorms (September 2021)	19
Armidale Tornado and western Sydney thunderstorm (October 2021)	40
QLD/NSW thunderstorms (Coffs Harbour hail) (October 2021)	81
East Coast thunderstorms (Thirlmere/Coffs Harbour NSW) (October 2021)	20
AU thunderstorms (Adelaide hail and VIC severe winds) (October 2021)	169
Other events (<$15 million)	257
Total	681

Natural perils costs in the current half year included the following:

- around $200 million for events incurred in the three-month period ending 30 September 2021, including flooding in Westport, New Zealand and the Mansfield earthquake that impacted Victoria;
- $141 million for weather events across Eastern Australia in October 2021;
- $169 million attributable to the South Australian hail and Victorian windstorm event that occurred at the end of October 2021; and
- relatively benign natural perils costs in November and December 2021 compared to usual seasonal patterns.

Following the widespread and destructive South Australian and Victorian event, and other events that impacted the second half of October, IAG increased its expectation for the 2022 financial year net natural perils claims costs to $1,045 million, compared to the allowance of $765 million. This 2022 financial year estimate remains unchanged.

None of the events in the current half year were protected by IAG's financial 2022 aggregate cover. At 31 December 2021, the $270 million (post-quota share) deductible attached to the 2022 financial year aggregate cover had been eroded by $209 million as a result of the current half year weather events. Total protection available under the aggregate cover amounts to $236 million, post-quota share.

Expenses

Gross operating costs (excluding commissions; pre-quota share basis) were $1,303 million in the current half year, 4.4% higher than $1,248 million in the prior corresponding half year. Gross operating costs represent the total controllable cost base across the Group and include underwriting expenses, claims handling costs and the expenses in IAG's fee-based businesses (30 June 2021: $2,503 million).

GROSS OPERATING COSTS	**31 December 2021 $m**	31 December 2020 $m
Gross underwriting expense ex-levies(1)	**890**	815
Claims handling and fee-based expense	**413**	433
Total gross operating costs	**1,303**	1,248

(1) The "Expenses" table later in this section illustrates how "Gross underwriting expense ex-levies" reconciles to "Underwriting expense" in the "Consolidated Statement Of Comprehensive Income" on page 22 of this report.

The 4.4% increase in gross operating costs in the current half year in comparison to the prior corresponding half year was a function of:

- increased technology and system spending across IAG's Enterprise Platform as part of an ongoing investment program to transform IAG's capacity to meet the needs of customers and drive operational excellence. This includes investments in automation and artificial intelligence to unlock efficiencies central to reducing expenses;
- increased compliance and governance costs, also geared to transform IAG's risk and regulatory functions. Additional spending occurred in the current half year, although most of the step change in these costs was a feature in the 2021 financial year;
- a higher level of additional COVID-19 related expenses in the current half year (approximately $30 million pre-quota share) compared to the prior corresponding half year (approximately $15 million pre-quota share), largely due to increased annual leave provisions and other costs associated with disruption from lockdowns; and
- partly offsetting these increases was a reduction in fee-based expenses due to the cessation of IAG's role as an agent under the Victorian workers' compensation scheme.

IAG continues to manage expenses to maintain the Group's operating capacity with a focus on automation, efficiency and effectiveness, and thereby constrain growth in the total gross expense base. To achieve this outcome in the 2022 financial year, IAG is actively managing the trade-offs presented by current pressure on wages growth and skill shortages in areas affecting both maintenance and transformation expenses.

Within gross operating costs, gross underwriting expense ex-levies increased by 9.2% on the prior corresponding half year, or 7.5% if the impact of higher COVID-19 related expenses is excluded. The reasons outlined above had a greater impact on gross underwriting expense ex-levies, resulting in this increase.

The table below highlights how gross underwriting expenses and commission expenses flow through to net commissions and underwriting expenses after quota share impacts.

EXPENSES	**31 December 2021 $m**	31 December 2020 $m
Gross underwriting expense ex-levies	**890**	815
Levies	**135**	92
Total gross underwriting expenses	**1,025**	907
Gross commission expense	**522**	502
Total gross expenses	**1,547**	1,409
Reinsurance commission revenue	**(598)**	(533)
Total net expenses*	**949**	876
Net underwriting expense	**602**	539
Net commission expense	**347**	337
Total net expenses*	**949**	876

* Total net expenses in the current half year for both statutory and management results are the same. Total net expenses in the prior corresponding period are presented on a management results basis. Based on the statutory results, the equivalent statutory total net expense for the prior corresponding half year is $921 million.

Additional commentary on expense ratios:

- the administration ratio on an ex-levies basis increased to 12.9% (31 December 2020: 12.5%), largely reflecting the reasons outlined in this section.
- the commission ratio of 8.8% was slightly lower due to portfolio mix in IIA. This ratio has been relatively steady over the past three halves at around 9%, reflecting broadly stable business mix.

Net investment income on assets backing insurance liabilities

Net investment income on assets backing insurance liabilities for in the current half year was a loss of $7 million, compared to $101 million gain in the prior corresponding half year. This outcome includes:

- higher average investment assets of approximately $7,500 million (31 December 2020: approximately $6,500 million) mainly due to the business interruption provision established towards the end of the prior corresponding half year;
- a significant increase in risk-free rates in the current half year leading to mark-to-market losses;
- an $18 million gain mainly due to credit spreads and yield curve effects, compared to a profit of $51 million in the prior corresponding half year. A gain was recorded due to active portfolio management and a bias to shorter maturity bank bonds and high-grade bonds, sectors that were least impacted by spread widening; and
- largely offsetting this gain, was an approximately 40bps non-recurring impact on the insurance margin from discount rate timing differences as the impact of interest rate changes on undiscounted unearned premium (liabilities) is not recognised until earned.

After allowance for the factors outlined above, the average investment income yield in the current half year was slightly lower than the prior corresponding half year.

The portfolio is aligned with the average weighted duration of IAG's claims liability, of around two years.

Additional matters

Provision for potential business interruption claims

The total pre-tax provision for business interruption claims associated with COVID-19 was $1,222 million at 31 December 2021. This is slightly lower than $1,236 million at 30 June 2021, mainly due to yield curve movements which have been recognised through net claims expense in the current period.

Extensive scenario testing of the adequacy of the provision was undertaken in the 2021 financial year. Notwithstanding the number of extended lockdowns over July to October 2021 across Australia's major cities, IAG believes the provision remains adequate, mainly due to the strength of the economic recovery that occurred over calendar year 2021 and the low number of claims lodged so far.

The judgment from the Federal Court of Australia on the second business interruption test case was handed down by Justice Jagot on 8 October 2021. The Federal Court found in favour of insurers on most questions being examined. A number of parties appealed the decisions in the Full Court of the Federal Court (the "Full Court") in November 2021 and a judgment on this appeal has not yet been handed down.

Parties to the appealed cases in the second test case may seek special leave to appeal the findings of the Full Court to the High Court of Australia. Parties have 28 days from the date of a Full Court judgment to lodge an application for special leave.

IAG is defending a representative class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies.

BCC Trade Credit and Greensill

IAG maintains that it has no net insurance exposure to trade credit policies sold through BCC Trade Credit Pty Ltd (BCC) to Greensill entities. BCC is an underwriting agency in which IAG had a 50% interest which was sold on 9 April 2019. BCC was authorised to underwrite trade credit insurance on IAG's behalf through Insurance Australia Limited (IAL), one of IAG's two licensed insurance subsidiaries in Australia.

The IAL trade credit portfolio is in run-off with IAL managing existing and future claims. IAG has revised the outstanding claims liability to $485 million at 31 December 2021 (30 June 2021: $437 million) mainly due to recognition of claims handling expenses, with the majority relating to expected legal costs associated with claims notified, along with an assessment of existing claims following the receipt of additional claim information and an assessment of a number of new claims lodged during the period relating to the BCC portfolio. This has been determined in accordance with IAG's usual claims reserving practices, which takes into account an assessment of the validity of claims. IAG has also recognised $485 million (30 June 2021: $437 million) of related reinsurance recoveries in respect of trade credit related claims. There is a risk a reinsurer may challenge its obligations with respect to any claims exposures.

The complex issues around trade credit claims are continuing to be investigated by IAG, Tokio Marine and various other stakeholders.

Claims and potential litigation by the administrators of Greensill or other claimants seeking confirmation of policy coverage and/or validity of claims was and is anticipated and IAG will defend these litigated claims. During the current financial period, two separate proceedings relating to litigated claims were commenced against IAL in the Federal Court of Australia. The commencement of litigated claims was an expected risk and is part of the process to bring this matter to resolution.

Based on various factors, including the determination of policy validity, reinsurance arrangements and the agreements with Tokio Marine, IAG remains confident that for any trade credit claims it may ultimately be liable to pay, it has no net insurance exposure.

Customer refunds provision and ASIC proceedings

The Australian Securities and Investments Commission (ASIC) commenced civil penalty proceedings in the Federal Court of Australia on 15 October 2021 alleging contraventions of the ASIC Act and the Corporations Act by IAG's wholly-owned subsidiary IAL.

The proceedings relate to IAL's failure to pass on the full amount of discounts to a significant number of NRMA Home, Motor, Caravan and Boat Insurance customers between March 2014 and September 2019.

The customer refunds associated with these proceedings are covered by the customer refund provision that was established in the 2020 and 2021 financial years, which also covers other products and pricing-related matters.

There have been no further charges associated with the customer refunds provision through net corporate expenses in the current half year (first half 2021: $75 million; second half 2021: $163 million). The provision was $322 million at 31 December 2021 (30 June 2021: $399 million), net of payments and associated costs of approximately $220 million since establishment of the provision (30 June 2021: $136 million).

The provision comprises premium refunds, interest attributable to those refunds, the cost of administering the associated remediation program and other pricing-related matters. The appropriateness of all underlying assumptions continues to be reviewed as the remediation program and ASIC civil penalty proceedings progresses and adjustments will be made to the provision where required.

Progress on sale of Asian interests

IAG's 80.64% interest in AAA Assurance Corporation in Vietnam was sold in December 2021, with regulatory approvals obtained by 31 December 2021 and cash proceeds received in January 2022. A small profit on sale has been recognised in net profit/(loss) after tax from discontinued operations.

IAG previously announced the proposed sale of its interests in the Malaysian insurance business AmGeneral Insurance Berhad (AmGeneral) in July 2021. The investment was classified as 'Held for Sale' and an impairment of approximately $90 million was recognised in amortisation and impairment in the 2021 financial year. In line with the announced sale process, the transaction is expected to complete during the current financial year once final regulatory approvals are received. There is a possibility that completion may occur after 30 June 2022 if there are delays in the approval processes. A profit of $11 million was recorded as a share of profits from associates in the current half year (31 December 2020: $20 million).

IAG's remaining Asian investment is a 13.93% interest in Bohai Property Insurance Company Ltd (Bohai) in China. This is included in shareholders' funds investments and further commentary on this is provided in the "Investments" section of the Investor Report.

Other profit and loss drivers

Fee-based business

Fee-based business contributed a loss of $13 million in the current half year, the same level as the prior corresponding period. This period's result comprised:

- a $3 million profit (31 December 2020: $7 million profit) from IAG's role as agent under the Victorian workers' compensation scheme, which has now ceased;
- a loss of approximately $3 million from Motorserve's car servicing activities, due to continued COVID-19 related volume challenges;
- an approximately $13 million loss (first half of the 2021 financial year: $17 million loss; second half of the 2021 financial year: $15 million loss) reflecting investment in new businesses aligned with IAG's strategy and focusing on advanced technologies, data asset capabilities, innovation and mobility initiatives, including:
  - customer Loyalty Platform, which is leveraging data and analytics to unify brands, products and services, and deliver better customer experiences with rewards for risk mitigating behaviours and loyalty;
  - losses from the ongoing development of the Carbar digital car-trading platform business; and
  - net costs from the Ambiata specialist data activation business and from the innovation hubs run by Firemark Labs.

IAG expects a similar pre-tax loss from fee-based business in the second half of the 2022 financial year, to what was reported in the first half of the 2022 financial year ($13 million). This compares to previous guidance of approximately $35 million pre-tax loss in the 2022 financial year.

Net investment income on shareholders' funds

Net investment income on shareholders' funds was a profit of $53 million, compared to a profit of $138 million in the prior corresponding half year, reflecting:

- a strong performance across alternative assets, primarily from higher yielding credit strategies;
- positive equity returns in the current half year reflecting the strong market performance;
- a loss on defensive investments as a result of interest rate increases; and
- negative fair value adjustments in the Firemark Ventures investment portfolio, reflecting investment market changes.

At 31 December 2021, the weighting to defensive assets (fixed interest and cash) within shareholders' funds was 66%, compared to approximately 70% at the end of the 2021 financial year.

Tax expense

IAG reported a tax expense of $77 million in the current half year (31 December 2020: $187 million tax credit related to the pre-tax loss reported in that period). IAG's effective tax rate (pre-amortisation and impairment) was approximately 27%. Lower tax rates applicable to IAG's foreign operations, principally in New Zealand, Singapore and Malaysia, account for most of the difference between the effective tax rate and the Australian corporate rate of 30%.

Non-controlling interests

Non-controlling interests reduced IAG's profits after tax by $30 million, compared to an increase in losses after tax of $97 million in the prior corresponding half year.

Non-controlling interests are principally represented by RACV's 30% interest in Insurance Manufacturers of Australia Pty Limited (IMA), whose short-tail business lines in NSW, Victoria and the ACT form a significant part of DIA.

IMA posted a much-reduced profit in the current half year owing to the number and size of major peril events in NSW and Victoria, as reflected in DIA's reported insurance margin reducing to 10.5% in the current half year from 24.5% in the prior corresponding half year. Non-controlling interests mirrors this trend.

Amortisation and impairment

A $4 million amortisation and impairment expense in the current half year, compared to an equivalent amount in the first half of the 2021 year and was significantly lower than the second half of the 2021 year ($107 million), when an impairment of approximately $90 million was recognised on the proposed sale of IAG's interest in AmGeneral.

Net profit/(loss) after tax

A net profit after tax and outside equity interests of $173 million (31 December 2020: net loss after tax and outside equity interests of $460 million) reflected the aforementioned items.

REVIEW OF FINANCIAL CONDITION

A. FINANCIAL POSITION

The total assets of the Group as at 31 December 2021 were $33,848 million compared to $33,449 million as at 30 June 2021. Movements within the overall net increase in assets of $399 million include:

- an increase of $305 million in reinsurance and other recoveries on outstanding claims primarily relating to additional reinsurance recoveries due from whole-of-account quota share partners and other recoveries in relation to increased natural perils events, partially offset by receipt of recoveries on prior period events;
- an increase of $194 million in deferred insurance expenses associated with the catastrophe reinsurance cover renewal for the 2022 calendar year; and
- an increase of $90 million in goodwill and intangible assets mainly from capitalisation of costs associated with the development and implementation of various systems; partially offset by
- a decrease in investments of $178 million associated with funds outflow for the payments of the 2021 final dividend of $320 million, net settlements of the whole-of-account quota share arrangements, partially offset by the operating earnings for the half year.

The total liabilities of the Group as at 31 December 2021 were $27,367 million compared with $26,893 million as at 30 June 2021. Movements within the overall net increase in liabilities of $474 million include:

- a $639 million increase in outstanding claims liability primarily representing the combined impact of higher reserves for natural perils events, increased short-tail attritional reserves, strengthening across commercial long-tail reserves and reduction in reserves associated with yield curve impacts; partially offset by
- a $169 million decrease in provisions mainly due to the settlement of amounts associated with customer refunds, payroll compliance, restructuring and employee short-term incentives.

IAG shareholders' equity (excluding non-controlling interests) decreased from $6,246 million as at 30 June 2021 to $6,144 million as at 31 December 2021, reflecting the combined effect of:

- payment of the final dividend of $320 million declared in respect of the 2021 financial year; and
- current half year net profit attributable to shareholders of $173 million.

B. CASH FROM OPERATIONS

The net cash inflows from operating activities for the half year ended 31 December 2021 were $412 million compared with $800 million for the prior corresponding half year. The movement is mainly attributable to the net effect of:

- a $438 million decrease in reinsurance and other recoveries received primarily due to the significant recoveries that were received in the prior corresponding period relating to natural perils events that occurred in the 2020 financial year; and
- a $324 million increase in outflows from other operating payments, predominantly driven by the payment of employee short-term incentives in the current period, settlement of various provisions associated with customer refunds, payroll compliance, and restructuring, and timing of the settlement to trade creditors; partially offset by
- a $356 million increase in premiums received, largely reflecting the period-on-period premium growth.

C. INVESTMENTS

The Group's investments totalled $12,239 million as at 31 December 2021 compared to $12,417 million at 30 June 2021, reflecting the combined effect of:

- $320 million dividend payment on 22 September 2021; and
- operational and earnings changes in the period.

IAG's overall investment allocation is defensively positioned, with nearly 90% of total investments in fixed interest and cash as at 31 December 2021. IAG applies distinct investment strategies to its two pools of investment assets:

- technical reserves, which back insurance liabilities, are wholly invested in fixed interest and cash; and
- a more diversified approach is taken to shareholders' funds, comprising a mix of fixed interest and cash and growth assets (equities and alternatives).

Since 30 June 2021, the growth assets mix in shareholders' funds has increased from around 30% to 34%. This reflects:

- a modest increase in the active allocation to growth assets;
- lower shareholders' funds, implemented through a reduction in fixed interest and cash; and
- growth asset returns outperforming defensive assets.

Prior to the corresponding prior half year, IAG's growth assets weighting in shareholders' funds has typically been in the range of 40% to 50%, in line with the strategic asset allocation target. In the near term, IAG expects its growth assets weighting to be below this range.

IAG's investment processes for its equity portfolios exclude or restrict exposure to companies with poor climate change risk management and support investment in those companies that are reducing their carbon risk or investing in renewables.

In addition, IAG has targets to reduce the Normalised Carbon Footprint and Carbon Intensity for its Australian and global listed equity mandates. Tracking of progress against these targets will be reported annually in IAG's climate-related disclosures.

IAG hedges foreign currency exposures within its investment portfolios.

D. INTEREST-BEARING LIABILITIES

IAG's interest bearing liabilities stood at $2,023 million at 31 December 2021, compared to $1,987 million at 30 June 2021.

E. CAPITAL MIX

IAG measures its capital mix on a net tangible equity basis after deduction of goodwill and intangibles. IAG targets the following ranges:

- ordinary equity (net of goodwill and intangibles) 60% to 70%; and
- debt and hybrids 30% to 40%.

At 31 December 2021, debt and hybrids represented 38.9% (30 June 2021: 37.3%) of total tangible capitalisation, towards the top end of IAG's targeted debt range.

IAG's NZ$350 million subordinated notes first optional redemption date is on 15 June 2022. As such, IAG may seek to issue a new NZ$ Tier 2 instrument prior to 30 June 2022, subject to market conditions. No money is currently being sought and the new NZ$ Tier 2 instrument cannot currently be applied for. If the new issue is made, it will be made in accordance with the NZ Financial Markets Conduct Act 2013.

F. CAPITAL POSITION

Under the Australian Prudential Regulation Authority's (APRA) Prudential Standards, IAG's Common Equity Tier 1 (CET1) capital was $2,513 million (30 June 2021: $2,635 million) and total regulatory capital was $4,497 million (30 June 2021: $4,615 million) at 31 December 2021. IAG has set the following related targeted benchmarks:

- a CET1 target range of 0.9 to 1.1 times the Prescribed Capital Amount (PCA), compared to a regulatory requirement of a minimum 0.6 times; and
- a total capital position equivalent to 1.6 to 1.8 times the PCA, compared to a regulatory requirement of a minimum of 1.0 times.

At 31 December 2021, IAG had a CET1 multiple of 1.02 (30 June 2021: 1.06) and a PCA multiple of 1.82 (30 June 2021: 1.86).

STRATEGY AND RISK MANAGEMENT

A. STRATEGY

Helping customers manage risk has been IAG's business for over 160 years, forming the heart of IAG's purpose, *to make your world a safer place*.

COVID-19 materially disrupted local and global markets and the lives of customers in 2020 and 2021. In these uncertain times, IAG's purpose is more important than ever and guides IAG's ambition to serve every Australian and New Zealander. Achieving this ambition requires being purpose-led, customer focused and commercially disciplined.

Through IAG's investment in customer experience, simplification and agility over the last five years, it is well positioned for the future. IAG's trusted brands, supply chain scale, deep data assets and financial strength are key attributes, providing competitive advantage.

IAG's long-term objective remains: the delivery of top quartile Total Shareholder Return, with a sustainable growth profile. To realise this, IAG has set its strategy to '*create a stronger, more resilient IAG*'. IAG is driving focus, adapting its business model and playing to its strengths to capitalise on trends shaping the operating environment.

Four strategic pillars provide focus, inform IAG's operating model and underpin IAG's three to five year strategy:

Grow with our customers

- IAG will grow as Australians and New Zealanders grow by delivering unparalleled personalised service when customers need it most;
- IAG will focus the strength of its brands to meet the evolving needs of consumers and enable the next wave of growth in small businesses across Australia and New Zealand; and
- IAG will increase its customer reach to make the world safer for more Australians and New Zealanders.

Build better businesses

- IAG will help Australian and New Zealand businesses thrive by continuing to focus on underwriting expertise, active portfolio management and pricing excellence, supporting strong economies in its home markets; and
- IAG will evolve by investing in its core competencies, delivering consistent high-quality returns to shareholders and enhancing its competitive advantage.

Create value through digital

- IAG will be digital to the core by creating connected customer experiences that seamlessly assist and reward customers as they unlock the value of IAG's network; and
- IAG will transform customer experience while re-architecting core platforms and using intelligent automation to capture value.

Manage our risks

- IAG will manage the risks in its own business so that it can continue to manage the risks in its customers' lives, by building a strong, active risk culture and meeting its obligations to the communities it serves;
- IAG will invest in process, capability, infrastructure and operational excellence to create a stable, scalable and efficient business; and
- IAG will continue to be innovative and have a strong capital platform, ensuring its customers are appropriately supported by its financial strength.

IAG's strategy balances strengthening the fundamentals of insurance while evolving to be a digital leader. It will ensure IAG is a stronger, more resilient organisation with increased customer reach.

Purpose

We make your world a safer place

Strategy

Create a stronger, more resilient IAG

Focus	Approach	Outcomes
Grow with our customers	Deliver unparalleled personalised service when our customers need us the most	More customers, more products and greater scale
Build better businesses	Focus on underwriting expertise, active portfolio management and pricing excellence	Stable earnings over time
Create value through digital	Create connected experiences that seamlessly assist and reward our customers as they unlock the value of our network	Better customer experiences at a lower cost
Manage our risks	Actively manage capital and risk in our business so we can continue to manage the risks in our customers' lives	Disciplined execution, enhanced accountability and appropriate returns

People

Our people are the difference: bringing our purpose to life and delivering our strategy

B. BUSINESS RISK AND RISK MANAGEMENT
IAG acknowledges that it has to take risk in an informed manner in pursuit of its strategic objectives and to meet expectations of its stakeholders, including customers, industry and regulators. IAG clearly articulates the levels, boundaries and nature of risk it is willing to accept, actively manage or avoid in pursuit of the Group's strategic objectives.

IAG uses an enterprise-wide approach to risk management and its Risk Management Framework (RMF) is a core part of the governance structure, which includes internal policies, key management processes and culture. The Group Risk Management Strategy (RMS) articulates the strategy to manage risks at IAG and describes the key elements of the RMF to implement this strategy. The RMS is reviewed annually, or more frequently as required, by the Risk Committee before being recommended for approval by the Board. IAG's Group Risk function provides regular reports to the Risk Committee on the operation of, and any changes to, IAG's Risk Management Framework, the status of material risks, risk and compliance incidents, risk trends and IAG's risk profile. IAG's Group Internal Audit function provides reports to the Audit Committee on significant audit findings and other audit related matters.

Roles and responsibilities of the Board and its standing committees, the Risk Committee, the Audit Committee, the People and Remuneration Committee and the Nomination Committee, are set out in the Corporate Governance section of the IAG website.

IAG is exposed to multiple risks relating to its businesses and pursuit of its strategic objectives. The risks noted below are not exhaustive, but outline the material risks faced by the Group as identified in the RMS:

- strategic risk – risk that internal or external factors disrupt the assumptions underpinning IAG's strategy or compromise its ability to set and execute an appropriate strategy;
- organisational conduct and customer risk – risk of behaviour or action taken by entities and employees associated with IAG that may have negative outcomes for IAG's customers, staff, communities, and markets in which IAG operates. It includes the risk that products are designed, priced, distributed and managed in a way that does not meet the reasonable needs of customers;
- insurance risk – risk of loss as a result of:
  - inadequate or inappropriate underwriting;
  - inadequate or inappropriate product pricing;
  - unforeseen, unknown or unintended liabilities that may eventuate;
  - inadequate or inappropriate claims management including reserving; and
  - insurance concentration risk (i.e. by locality, segment factor, or distribution);
- reinsurance risk – risk of:
  - lack of capacity in the reinsurance market;
  - insufficient or inappropriate reinsurance coverage;
  - inadequate underwriting and/or pricing of reinsurance exposures retained by IAG's reinsurance captives;
  - inadequate or inappropriate reinsurance recovery management;
  - reinsurance arrangements not legally binding; and
  - reinsurance concentration risk;
- market risk – risk of adverse movements in market prices (equities, derivatives, interest rates, foreign exchange, etc) or inappropriate concentration within the investment funds;
- credit risk – risk arising from a counterparty's failure to meet its obligations in accordance with the agreed terms. This includes investment and derivative counterparties, reinsurers and premium debtors;
- liquidity risk – risk of inadequate funds and/or illiquid asset portfolios to meet liabilities as they fall due;
- capital risk – risk that capital is:
  - insufficient or excessive given the nature, strategies and objectives of the Group; or
  - comprised of a mix of equity, debt, reinsurance or other expiring sources of capital that is unsuitable or unsustainable due to its cost, structure, flexibility, or IAG's ability to renew or replace on acceptable terms;
- operational risk – the failure to achieve objectives due to inadequate or failed internal processes, people and systems or from external events; and
- regulatory and compliance risk – risk of legal or regulatory impacts or reputational loss arising from failure to manage compliance obligations or failure to anticipate and prepare for changes in the regulatory environment.

In addition to the above risks, as the global economy recovers from the effects of the COVID-19 pandemic, IAG is experiencing increasing interest rates and the emergence of higher inflation. This is expected to impact claims and operating costs, investment returns and premiums charged to customers, and is being monitored closely.

IAG aims to have a disciplined approach to risk management and believes this approach provides the greatest long-term likelihood of being able to meet the objectives of all stakeholders.

IAG's purpose is to 'make your world a safer place' and the Group is committed to managing the risks and opportunities resulting from environmental, social and governance (ESG) issues. IAG's Board approved Social and Environmental Framework includes its commitments to managing social and environmental risks and the role IAG's people are expected to play in this. Respect for human rights underpins IAG's purpose and its conduct as a responsible and ethical business. IAG's approach is informed by international human rights standards, including the UN Guiding Principles on Business and Human Rights. IAG publishes an annual Modern Slavery Statement, detailing the actions taken to identify, assess and mitigate risks of Modern Slavery in IAG's operations, supply chains and investment portfolio. IAG's sustainability and ESG performance is managed by its Safer Communities business plan and supported by a number of frameworks, policies, actions plans and position statements including IAG's Customer Equity Framework, Responsible Investment Policy, Climate & Disaster Resilience Action Plan, Reconciliation Action Plan and Financial Inclusion Action Plan.

Delivering IAG's purpose and managing social risks involves consideration across IAG's value chain. IAG manages this risk in various ways including assessment of high-risk suppliers, by ensuring IAG's people are trained in how to support customers experiencing vulnerability and supporting First Nations people through the Reconciliation Action Plan in Australia and the He Rautaki Māori (Māori Engagement Strategy) in New Zealand.

IAG has long recognised it needs to play a role in mitigating and adapting to climate change and has a unique ability to help communities be more resilient to the impacts of climate change, while realising the business opportunities of a safer world. IAG's expertise in natural perils research and data gives the business a unique insight into extreme weather events, that are influenced by climate change, as well as the impacts of those events on IAG's customers, business and the wider community.

In November 2021, IAG published its Climate & Disaster Resilience Action Plan. The plan builds on the key successes of the first action plan, an overview of which can be found in the Climate Action Plan three-year scorecard in the Safer Communities section of www.iag.com.au. The Climate & Disaster Resilience Action Plan is split into three focus areas; Rethinking risk, Transforming the system and Driving to zero. It commits IAG to embed climate risk and opportunities into the core of its business and to collaborate with business, government and community sectors on climate research, resilience and policy. In addition, IAG has committed to achieve net zero by 2050 across its value chain, including with suppliers and customers, and to a 50% reduction in emissions by 2030. IAG's assessments of physical and transitional climate risk have informed this latest Climate & Disaster Resilience Action Plan which integrates climate risk controls through IAG's strategy, Enterprise Risk Profile and Divisional Business Plans. The full Climate & Disaster Resilience Action Plan is available at www.iag.com.au.

IAG is committed to continuing to enhance its understanding of climate risks and opportunities and providing disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. An update can be found in IAG's current half year Investor Report. More information can be found in IAG's expanded 2021 climate-related disclosure both within the 30 June 2021 Annual Report and the Safer Communities section of www.iag.com.au.

Detail of IAG's overall Risk Management Framework, which is outlined in the RMS, is set out in Note 3.1 within the 30 June 2021 Annual Report and in the Corporate Governance Statement, which is available at www.iag.com.au/about-us/corporate-governance. Effective from 1 July 2021, the IAG Board approved a revised Risk Management Strategy, reflecting key developments in the risk culture framework.

UPGRADED 2022 FINANCIAL YEAR GWP GUIDANCE AND OUTLOOK

Following stronger than expected GWP growth in the current half year and ongoing supportive economic conditions, IAG is upgrading GWP guidance and reaffirming reported insurance margin guidance of 10% to 12%, as announced on 2 November 2021 (13.5% to 15.5% prior to this announcement).

Guidance for the 2022 financial year includes the following:

- GWP guidance for 'mid single-digit' growth (previously 'low single-digit'). This incorporates the combined effect of the following expectations:
  - rate increases in short-tail personal lines and modest growth in customer numbers in DIA;
  - ongoing rate increases and a supportive market across commercial lines in IIA;
  - less impact on volume growth from portfolio optimisation in IIA than expected at the start of 2022 financial year;
  - approximately $100 million GWP reduction in the second half of the 2022 financial year from the exit of IAL Personal Lines, effective 1 November 2021; and
  - largely rate-driven increases in New Zealand.
- reported insurance margin guidance of 10% to 12%. A key factor supporting 13.5% to 15.5% reported margin guidance at the start of the 2022 financial year was an improvement in the underlying margin recorded in the 2021 financial year on a like-for-like basis of approximately 100bps to 300bps (before the offsetting impact of the higher perils allowance), mainly from the earn through impact of targeted rate increases in DIA and IIA. This remains IAG's expectation.
- the following changes in guidance assumptions have been made since the start of the year:
  - net natural perils claims costs of $1,045 million, in line with the 2 November 2021 increase of approximately $280 million (approximately 350bps);
  - an estimated net positive impact from COVID-19 of around $55 million to $65 million post-quota share in the current half year, with no net benefit factored in for the second half of the 2022 financial year;
  - $37 million of reserve strengthening as reported for the current half year and no allowance for prior period reserve releases or strengthening in the second half of the 2022 financial year; and
  - no material movement in foreign exchange rates and a neutral impact from investment markets on a full year basis.

The 2022 financial year guidance aligns to IAG's aspirational goal to achieve a 15% to 17% insurance margin over the medium term. This goal encompasses organic direct customer growth that at least matches the market in DIA and New Zealand, an insurance profit of at least $250 million(1) by the 2024 financial year in IIA and delivering further simplification and efficiencies in the cost structure of the company over the next three years.

(1) IIA's goal is based on the combination of the flow through of operational efficiencies, lower loss ratios driven by a portfolio led improvement plan and the earn through impact of targeted rate increases. The long-tail deterioration experienced in the 2021 financial year and the current half year is expected to improve from the second half of the 2022 financial year through rate and other initiatives.

DIVIDENDS

Details of dividends paid or determined to be paid by the Company and the dividend policy employed by the Group are set out below.

Cash earnings are used for targeted return on equity (ROE) and dividend payout policy purposes, and are defined as:

- net profit/(loss) after tax attributable to IAG shareholders;
- plus amortisation and impairment of acquired identifiable intangibles; and
- excluding any non-recurring items.

CASH EARNINGS	**31 December 2021 $m**	31 December 2020 $m
Net profit/(loss) after tax	**173**	(460)
Acquired intangible amortisation and impairment	**4**	4
	177	(456)
Non-recurring items:		
Vietnam gain on sale (discontinued operations)	**(1)**	-
Corporate expenses		
- Business interruption provision	**-**	1,150
- Customer refunds provision	**-**	75
- Swann class action	**-**	68
- Victorian workers' compensation restructuring cost	**-**	17
- Other	**-**	-
Tax effect on corporate expenses(1)	**-**	(394)
Non-controlling interest in net corporate expense	**-**	2
Cash earnings(2)	**176**	462
Interim dividend	**148**	173
Cash payout ratio(2)	**84.1 %**	37.4%

(1) Includes Australian income tax benefits in relation to the corporate expense items listed above.

(2) Cash earnings and cash payout ratio represent non-IFRS financial information.

The Board has determined to pay an interim dividend of 6.0 cents per share, with no franking (31 December 2020: 7.0 cents per share, unfranked). The interim dividend equates to a payout ratio of 84.1% of the current half year's cash earnings. IAG's dividend policy is to pay out 60% to 80% of full year cash earnings.

As at 31 December 2021, IAG had a $228 million franking balance on a consolidated basis. The holding company currently has no franking credits available for distribution.

The depletion of the holding company's franking balance reflects minimal tax payable by the IAG tax consolidated group in Australia in the 2020 and 2021 financial years, which were influenced by severe net natural perils claims costs and adverse reserving, including the business interruption provision.

As a result, IAG expects no franking will apply to any ordinary dividends that it may declare and pay during the remainder of the 2022 financial year, and zero franking will also apply to relevant distributions on the Capital Notes in respect of the same period.

The dividend reinvestment plan (DRP) will operate for the interim dividend for shareholders registered for the DRP as at 5pm AEDT on 17 February 2022. The issue price per share will be the Average Market Price as defined in the DRP terms with no discount for participants. Shares allocated under the DRP are likely to be purchased on-market. Information about IAG's DRP is available at http://www.iag.com.au/shareholder centre/dividends/reinvestment.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the half year, the following changes became effective:

- On 19 July 2021, IAG announced that AmGeneral Holdings Berhad (AmGeneral), the Malaysian business in which it holds a 49% interest, has signed an Implementation Agreement for the proposed sale of its insurance business to Liberty Insurance Berhad (Liberty). Liberty will acquire 100% of the shares in AmGeneral Insurance Berhad, a wholly-owned subsidiary of AmGeneral. AMMB Group, which owns the remaining 51% interest in AmGeneral, will hold a 30% interest in the combined insurance operations of Liberty and AmGeneral Insurance Berhad, while IAG will exit its investment in AmGeneral. The transaction is expected to complete during the financial year ending 30 June 2022, subject to regulatory processes and approvals.
- On 20 July 2021, IAG announced the appointment of Tim Plant to the newly created role of Chief Insurance and Strategy Officer. He joined IAG on 15 November 2021 from Zurich, where he spent three years as Chief Executive Officer, General Insurance Australia and New Zealand.
- On 21 December 2021, Nick Hawkins announced the appointment of Peter Taylor to the role of Group Chief Risk Officer (Group CRO) succeeding David Watts who left IAG on 11 February 2022. Mr Taylor will join IAG in mid-2022 from Westpac Banking Corporation, where he is General Manager, Enterprise Risk. His appointment is subject to the completion of regulatory approvals. Until then, Tim Plant, Chief Insurance and Strategy Officer takes on the additional role of Acting Group CRO.

EVENTS SUBSEQUENT TO REPORTING DATE

Detail of matters subsequent to the end of the half year are set out below and in Note 3.7 within the financial statements. These include:

- On 11 February 2021, the Board determined to pay an unfranked interim dividend of 6.0 cents per share. The dividend will be paid on 24 March 2022. The dividend reinvestment plan will operate likely by acquiring shares on-market for participants with no discount applied.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 20 and forms part of the Directors' Report for the half year ended 31 December 2021.

ROUNDING OF AMOUNTS

Unless otherwise stated, amounts in the financial report and Directors' Report have been rounded to the nearest million dollars. The Company is of a kind referred to in the *ASIC Corporations Instrument 2016/191* dated 24 March 2016 issued by the Australian Securities and Investments Commission. All rounding has been conducted in accordance with that instrument.

Signed at Sydney this 11th day of February 2022 in accordance with a resolution of the Directors.

Nick Hawkins
Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF INSURANCE AUSTRALIA GROUP LIMITED

I declare that, to the best of my knowledge and belief, in relation to the review of Insurance Australia Group Limited for the half year ended 31 December 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

KPMG.

KPMG

Brendan Twining
Partner

Sydney
11 February 2022

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS		PAGE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	NOTE	**31 December 2021 $m**	31 December 2020 $m
Gross earned premium		**6,515**	6,161
Outwards reinsurance premium expense		**(2,552)**	(2,468)
Net earned premium (i)		**3,963**	3,693
Claims expense		**(4,720)**	(6,049)
Reinsurance and other recoveries revenue		**1,995**	2,618
Net claims expense (ii)	2.1	**(2,725)**	(3,431)
Commission expense		**(522)**	(502)
Underwriting expense		**(1,025)**	(948)
Reinsurance commission revenue		**598**	529
Net underwriting expense (iii)		**(949)**	(921)
Underwriting profit/(loss) (i) + (ii) + (iii)		**289**	(659)
Investment income on assets backing insurance liabilities		**(1)**	109
Investment expenses on assets backing insurance liabilities		**(6)**	(8)
Insurance profit/(loss)		**282**	(558)
Investment income on shareholders' funds		**57**	141
Fee and other income		**61**	84
Share of net profit of associates		**7**	17
Finance costs		**(47)**	(42)
Fee-based, corporate and other expenses		**(81)**	(187)
Net loss attributable to non-controlling interests in unitholders' funds		**-**	(1)
Profit/(loss) before income tax from continuing operations		**279**	(546)
Income tax (expense)/benefit		**(77)**	187
Profit/(loss) after income tax from continuing operations		**202**	(359)
Profit/(loss) after income tax from discontinued operations		**1**	(4)
Profit/(loss) for the period		**203**	(363)
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Net movement in foreign currency translation reserve, net of tax		**16**	(9)
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans, net of tax		**24**	1
Other comprehensive income/(loss) from continuing operations, net of tax		**40**	(8)
Other comprehensive loss from discontinued operations, net of tax		**(1)**	-
Total comprehensive income/(loss) for the period, net of tax		**242**	(371)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO			
Shareholders of the Parent - continuing operations		**172**	(456)
Shareholders of the Parent - discontinued operations		**1**	(4)
Non-controlling interests - continuing operations		**30**	97
Profit/(loss) for the period		**203**	(363)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO			
Shareholders of the Parent - continuing operations		**211**	(464)
Shareholders of the Parent - discontinued operations		**-**	(4)
Non-controlling interests - continuing operations		**31**	97
Total comprehensive income/(loss) for the period, net of tax		**242**	(371)

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	NOTE	**31 December 2021 cents**	31 December 2020 cents
EARNINGS PER SHARE – CONTINUING AND DISCONTINUED OPERATIONS			
Basic earnings per ordinary share	3.4	**7.03**	(19.73)
Diluted earnings per ordinary share	3.4	**6.64**	(19.73)
EARNINGS PER SHARE – CONTINUING OPERATIONS			
Basic earnings per ordinary share	3.4	**6.99**	(19.56)
Diluted earnings per ordinary share	3.4	**6.60**	(19.56)

The above consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

	NOTE	**31 December 2021 $m**	30 June 2021 $m
ASSETS			
Cash held for operational purposes		**388**	326
Investments	3.1	**12,239**	12,417
Trade and other receivables		**4,335**	4,354
Current tax assets		**79**	-
Assets held for sale	2.4	**305**	348
Reinsurance and other recoveries on outstanding claims	2.1	**7,577**	7,272
Deferred insurance expenses		**3,795**	3,601
Deferred levies and charges		**122**	137
Deferred tax assets		**936**	977
Right-of-use assets		**436**	472
Property and equipment		**150**	138
Other assets		**145**	157
Investment in joint venture and associates		**31**	30
Goodwill and intangible assets		**3,310**	3,220
Total assets		**33,848**	33,449
LIABILITIES			
Trade and other payables		**3,032**	2,975
Current tax liabilities		**11**	124
Liabilities held for sale	2.4	**-**	19
Unearned premium liability		**6,596**	6,527
Outstanding claims liability	2.1	**13,951**	13,312
Lease liabilities		**554**	585
Provisions	2.2	**697**	866
Other liabilities		**503**	498
Interest-bearing liabilities	3.2	**2,023**	1,987
Total liabilities		**27,367**	26,893
Net assets		**6,481**	6,556
EQUITY			
Share capital	3.3	**7,386**	7,386
Treasury shares held in trust		**(25)**	(33)
Reserves		**27**	13
Retained earnings		**(1,244)**	(1,120)
Parent interest		**6,144**	6,246
Non-controlling interests		**337**	310
Total equity		**6,481**	6,556

The above consolidated balance sheet should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	SHARE CAPITAL	TREASURY SHARES HELD IN TRUST	FOREIGN CURRENCY TRANSLATION RESERVE	SHARE-BASED REMUN-ERATION RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	$m	$m	$m	$m	$m	$m	$m
31 December 2021							
Balance at the beginning of the financial period	**7,386**	**(33)**	**(10)**	**23**	**(1,120)**	**310**	**6,556**
Profit for the period	**-**	**-**	**-**	**-**	**173**	**30**	**203**
Other comprehensive income	**-**	**-**	**15**	**-**	**23**	**1**	**39**
Total comprehensive income for the period	**-**	**-**	**15**	**-**	**196**	**31**	**242**
Transactions with owners in their capacity as owners							
Share-based remuneration	**-**	**8**	**-**	**(1)**	**-**	**-**	**7**
Dividends determined and paid	**-**	**-**	**-**	**-**	**(320)**	**(6)**	**(326)**
Additional investment in subsidiaries	**-**	**-**	**-**	**-**	**-**	**2**	**2**
Balance at the end of the financial period	**7,386**	**(25)**	**5**	**22**	**(1,244)**	**337**	**6,481**
31 December 2020							
Balance at the beginning of the financial period	6,617	(49)	1	29	(521)	277	6,354
(Loss)/profit for the period	-	-	-	-	(460)	97	(363)
Other comprehensive (expense)/income	-	-	(9)	-	1	-	(8)
Total comprehensive (loss)/income for the period	-	-	(9)	-	(459)	97	(371)
Transactions with owners in their capacity as owners							
Shares issued under institutional placement, net of transaction costs	642	-	-	-	-	-	642
Shares issued under Share Purchase Plan, net of transaction costs	126	-	-	-	-	-	126
Share-based remuneration	-	15	-	(10)	(2)	-	3
Dividends determined and paid	-	-	-	-	-	(84)	(84)
Additional investment in subsidiaries	-	-	-	-	-	2	2
Balance at the end of the financial period	7,385	(34)	(8)	19	(982)	292	6,672

The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	31 December 2021 $m	31 December 2020 $m
CASH FLOWS FROM OPERATING ACTIVITIES		
Premium received	**6,620**	6,264
Reinsurance and other recoveries received	**1,726**	2,164
Claim costs paid	**(4,115)**	(4,204)
Outwards reinsurance premium expense paid	**(2,533)**	(2,484)
Dividends, interest and trust distributions received	**153**	120
Finance costs paid	**(45)**	(40)
Income taxes paid	**(227)**	(117)
Other operating receipts	**1,074**	1,014
Other operating payments	**(2,241)**	(1,917)
Net cash flows from operating activities	**412**	800
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash flows on disposal/(acquisition) of subsidiaries	**(41)**	(21)
Net cash flows from sale/(purchase) of investments and plant and equipment	**(775)**	(1,930)
Net cash flows from investing activities	**(816)**	(1,951)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of transaction costs	**-**	765
Proceeds from borrowings, net of transaction costs	**31**	449
Principal element of lease payments	**(40)**	(40)
Net cash flow from issue and redemption of trust units	**-**	(331)
Dividends paid to shareholders of the Parent	**(320)**	-
Dividends paid to non-controlling interests	**(6)**	(84)
Net cash flows from financing activities	**(335)**	759
Net movement in cash held	**(739)**	(392)
Effects of exchange rate changes on balances of cash held in foreign currencies	**2**	-
Cash and cash equivalents at the beginning of the financial period	**2,029**	2,322
Cash and cash equivalents at the end of the financial period*	**1,292**	1,930

* Includes $388 million of cash held for operational purposes and $904 million of cash and cash equivalents held in investments (31 December 2020: $418 million of cash held for operational purposes, $1,484 million of cash and cash equivalents held in investments and $28 million of cash and cash equivalents in discontinued operations).

The above consolidated cash flow statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. OVERVIEW

NOTE 1.1 INTRODUCTION

The financial report is structured to provide prominence to the disclosures that are considered most relevant to users' understanding of the operations, results and financial position of IAG.

The financial report has been organised into the following sections:
1. Overview – contains information that impacts the financial report as a whole, as well as segment reporting disclosures.
2. Significant events and transactions – disclosure of significant changes in the Group's financial position and performance.
3. Interim disclosures – disclosures required to comply with Australian Accounting Standard *AASB 134 Interim Financial Reporting*.

NOTE 1.2 ABOUT THIS REPORT

A. CORPORATE INFORMATION

Insurance Australia Group Limited (Company or Parent), the ultimate parent entity in the Group, is a for-profit company incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange (ASX). Its registered office and principal place of business is Level 13, Tower Two, Darling Park, 201 Sussex Street, Sydney, NSW 2000, Australia. This financial report covers the consolidated financial statements for the Company and its subsidiaries (IAG or Group) for the half year ended 31 December 2021.

This report is also to be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by Insurance Australia Group Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

A description of the nature of IAG's operations and its principal activities is included in the Directors' Report.

B. STATEMENT OF COMPLIANCE

This general purpose half year financial report was authorised by the Board of Directors for issue on 11 February 2022 and complies with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the recognition and measurement requirements of other applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB), the *Corporations Act 2001* and the ASX Listing Rules.

The current International Financial Reporting Standards (IFRS) standard for insurance contracts does not include a comprehensive set of recognition and measurement criteria. On 10 July 2020, the International Accounting Standards Board (IASB) published the final IFRS 17 standard (*IFRS 17 Insurance Contracts* – adopted as *AASB 17 Insurance Contracts* in an Australian context) that does include such criteria, with an effective date of 1 January 2023. Until this standard takes effect, the financial reports of insurers in different countries that comply with IFRS may not be comparable in terms of the recognition and measurement of insurance contracts.

C. BASIS OF PREPARATION

The financial statements have been prepared on the basis of historical cost principles, as modified by certain exceptions, with the principal exceptions being the measurement of all investments and derivatives at fair value and the measurement of the outstanding claims liability and related reinsurance and other recoveries at present value. All values are rounded to the nearest million dollars, unless otherwise stated, in accordance with *ASIC Corporations Instrument 2016/191*.

The balance sheet is prepared with the assets and liabilities presented broadly in order of liquidity.

The financial report is presented in Australian dollars, which is the functional currency of the Company.

D. SIGNIFICANT ACCOUNTING POLICIES ADOPTED

The accounting policies adopted in the preparation of this financial report have been applied consistently by all entities in IAG and are the same as those applied for the previous reporting year, unless otherwise stated. The financial statements of entities operating outside Australia that maintain accounting records in accordance with overseas accounting principles are adjusted where necessary to comply with the significant accounting policies of IAG. The significant accounting policies adopted in the preparation of this financial report are set out within the relevant note in the Annual Report for the year ended 30 June 2021.

I. Changes in accounting policies

There were no new Australian Accounting Standards and Interpretations that are applicable for the current reporting period.

II. Critical accounting estimates and judgements

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are applied and judgements are made by management, the results of which affect the amounts recognised in the financial statements. The estimates and related assumptions are based on experience and other factors that are considered to be reasonable, and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they are revised, and future periods if relevant. The areas where material estimates and judgments are applied in preparing the financial statements for the half year ended 31 December 2021 are set out below, with further details provided within the relevant note in the Annual Report for the year ended 30 June 2021.

AREAS OF CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
Claims and reinsurance and other recoveries on outstanding claims
Liability adequacy test
Intangible assets and goodwill impairment testing, initial measurement and useful life
Income tax and related assets and liabilities
Customer refunds provision

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The Group has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions may be different from those forecast since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the valuation of the outstanding claims liability, recoverable amount assessments of non-financial assets, fair value measurement of investments and expected credit losses for both non-insurance and insurance-related receivables.

The impact of the COVID-19 pandemic on the accounting estimates relating to the outstanding claims liability is discussed further below, with details of the other impacted accounting estimates noted above provided within both Note 1.2 and the related note in the Annual Report for the year ended 30 June 2021. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

- Outstanding claims liability

IAG's insurance portfolio continues to experience impacts as a result of COVID-19. There is a risk that the associated economic factors could be more severe than estimated and, as a result, the development of the claims over time could result in the ultimate cost of those claims being higher than the current outstanding claims liability established. The impact of COVID-19 on claims experience is expected to materially differ between classes of business and, for certain classes, potentially impact across more than one accident year. During the current period, the motor portfolio has continued to be impacted through favourable claim frequency as a result of a sequence of mobility restrictions introduced to slow the spread of COVID-19, particularly the extended lockdowns in Victoria and New South Wales over July to October 2021. Partially offsetting this, IAG observed elevated inflationary pressure on claims costs in motor and home portfolios due to supply chain and labour market disruption, along with some moderate deterioration in long-tail portfolios.

As outlined in the Directors' Report, IAG maintains a net outstanding claims provision of $1,222 million (30 June 2021: $1,236 million) in relation to potential business interruption exposure within its Australian business. The movement since 30 June 2021 is mainly due to yield curve movements which have been recognised through net claims expense in the current period. This provision in respect of potential business interruption-related claims includes:

- all policies with exclusion wordings that referenced the *Quarantine Act* and without specific reference to the *Biosecurity Act*, which replaced the *Quarantine Act*. On 18 November 2020, the Supreme Court of New South Wales Court of Appeal (NSWCA) delivered its judgment on the first business interruption insurance test case, which determined that pandemic exclusions that refer to the *Quarantine Act* and subsequent amendments, rather than the *Biosecurity Act*, are not effective to exclude cover for losses associated with COVID-19. On 25 June 2021, the High Court of Australia (HCA) dismissed the insurers' application for special leave to appeal the decision of the NSWCA; and
- all policies with prevention of access extensions used on certain broker platforms which reference the *Biosecurity Act*. Prevention of access clauses vary in terms but generally operate when actions of governments or other legal authorities cause business interruption by preventing or restricting access to premises. The effect of prevention of access clauses is being addressed in the second business interruption insurance test case (noted below).

In establishing the business interruption element of the net outstanding claims liability, a detailed assessment of underwritten exposure has been undertaken and significant judgement has been applied to derive an estimate of the probability weighted view of potential future net losses. Key areas of judgement relate to coverage, the exposure period, the estimation of potential loss of turnover by industry and reinsurance coverage. Scenario testing analyses, including the estimated duration and severity of the financial impacts to the affected industries of the first national lockdown, the potential impact of subsequent lockdowns, and the variation in the anticipated number of claims to be received, have been undertaken and provide support for the current estimate, particularly in light of the continuing uncertainties. Given the extent of the uncertainty being faced, the range of potential financial outcomes in relation to these matters is unusually wide. As a result, a substantial part of the provision reflects a risk margin. Refer to Note 2.1 for further details on the net outstanding claims liability.

During the current financial period, a number of developments have emerged. IAG's exposure in respect of policy exclusions which reference the *Quarantine Act* without specific reference to the *Biosecurity Act* is limited to historical policies only as all new and renewing policies now reference the *Biosecurity Act* or include a broader exclusion. There have been additional potential losses emerging from the lockdowns in various regions although this appears to continue to be offset by better-than-expected recovery by a range of businesses and the low number of claims lodged so far.

Even while the first business interruption insurance test case, noted above, was in progress, preparations were underway for a second business interruption insurance test case. The second business interruption insurance test case was heard by the Federal Court of Australia in September 2021. On 8 October 2021, the Federal Court of Australia delivered its judgment in the second test case and found in favour of insurers on a significant number of policy wording questions and for policyholders on other questions. All parties were granted leave to appeal the decisions in the Full Court of the Federal Court. In November 2021, the Full Court of the Federal Court of Australia heard appeals in 5 of the 10 cases in the second test case (including the two IAG cases) and the Full Court reserved its decision.

Parties to the appealed cases in the second test case may seek special leave to appeal the findings of the Full Court to the High Court of Australia. Parties have 28 days from the date of a Full Court judgment to lodge an application for special leave.

IAG is defending a representative class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies.

NOTE 1.3 SEGMENT REPORTING

IAG has identified its operating segments based on the internal reports that are reviewed and used by the Group Chief Executive Officer (being the chief operating decision maker) in assessing performance and in determining the allocation of resources.

A. REPORTABLE SEGMENTS

IAG has general insurance operations in Australia and New Zealand. The reported segments have changed from those disclosed in the previous half-year reporting period as a result of changes to IAG's operating model announced to the market on 2 November 2020. This change resulted in the separation of the Australia Division into two divisions, being Direct Insurance Australia and Intermediated Insurance Australia. The comparative information provided has been re-presented accordingly to conform to the current period's presentation.

The reportable segments for the half-year period ended 31 December 2021 comprise the following business divisions:

I. Direct Insurance Australia

This segment predominantly provides personal lines, and some commercial lines, general insurance products sold directly to customers primarily under the NRMA Insurance, SGIO and SGIC brands, the RACV brand in Victoria (via a distribution and underwriting relationship with RACV), as well as the CGU and ROLLiN' brands.

II. Intermediated Insurance Australia

This segment predominantly provides commercial lines, and some personal lines, general insurance products sold to customers through intermediaries including brokers, authorised representatives and distribution partners primarily under the CGU and WFI brands, as well as the Coles Insurance brand via a distribution agreement with Coles.

III. New Zealand

This segment provides general insurance products underwritten in New Zealand. Insurance products are sold directly to customers predominantly under the State and AMI brands, and through intermediaries (insurance brokers and authorised representatives) primarily using the NZI and Lumley Insurance brands. General insurance products are also distributed by corporate partners, such as large financial institutions, using third party brands.

IV. Corporate and other

This segment comprises other activities, including corporate services, capital management activity, shareholders' funds investment activities, inward reinsurance from associates, investment in associates, and other businesses that offer products and services that are adjacent to IAG's insurance business. IAG's captive reinsurance operation (captive) is a corporate function that acts as the interface between the external providers of reinsurance capital and the operating business divisions. IAG does not manage, or view, the captive as a separate business. Consequently, the operating results of the captive are systematically allocated to the operating business segments.

B. FINANCIAL INFORMATION

	DIRECT INSURANCE AUSTRALIA $m	INTERMEDIATED INSURANCE AUSTRALIA $m	NEW ZEALAND $m	CORPORATE AND OTHER $m	TOTAL $m
31 December 2021					
I. Financial performance					
Total external revenue(1)	**4,209**	**3,043**	**1,897**	**84**	**9,233**
Underwriting profit/(loss)	**189**	**8**	**94**	**(2)**	**289**
Net investment (loss)/income on assets backing insurance liabilities	**-**	**(12)**	**5**	**-**	**(7)**
Insurance profit/(loss)	**189**	**(4)**	**99**	**(2)**	**282**
Net investment income on shareholders' funds	**-**	**-**	**-**	**53**	**53**
Share of net profit of associates	**(4)**	**-**	**-**	**11**	**7**
Finance costs	**-**	**-**	**-**	**(47)**	**(47)**
Other net operating result	**(6)**	**4**	**-**	**(14)**	**(16)**
Total segment result from continuing operations	**179**	**-**	**99**	**1**	**279**
Income tax expense					**(77)**
Profit for the period from continuing operations					**202**
II. Other segment information					
Capital expenditure(2)	**-**	**-**	**-**	**126**	**126**
Depreciation and amortisation expense	**33**	**23**	**7**	**-**	**63**
31 December 2020(3)					
I. Financial performance					
Total external revenue(1)	4,119	3,549	1,821	170	9,659
Underwriting profit/(loss)	335	(1,150)	154	2	(659)
Net investment income/(loss) on assets backing insurance liabilities	56	39	8	(2)	101
Insurance profit/(loss)	391	(1,111)	162	-	(558)
Net investment income on shareholders' funds	-	-	-	138	138
Share of net profit of associates	(1)	-	-	18	17
Finance costs	-	-	-	(42)	(42)
Other net operating result	(9)	4	-	(96)	(101)
Total segment result from continuing operations	381	(1,107)	162	18	(546)
Income tax benefit					187
Loss for the period from continuing operations					(359)
II. Other segment information					
Capital expenditure(2)	-	-	-	77	77
Depreciation and amortisation expense	34	23	13	5	75

(1) Total external revenue comprises premium revenue, reinsurance and other recoveries, reinsurance commission revenue, investment income on assets backing insurance liabilities, investment income on shareholders' funds, fee and other income and share of net profit/(loss) of associates.

(2) Capital expenditure includes acquisitions of property and equipment, intangibles and other non-current segment assets.

(3) Prior period comparatives have been re-presented due to the revision to reportable segments.

2. SIGNIFICANT EVENTS AND TRANSACTIONS

SECTION INTRODUCTION

This section comprises disclosures on the events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the end of the last annual reporting period. Information disclosed in relation to those events and transactions provides an update on the relevant information presented in the most recent annual financial report.

NOTE 2.1 CLAIMS AND REINSURANCE AND OTHER RECOVERIES ON OUTSTANDING CLAIMS

A. NET CLAIMS EXPENSE

	31 December 2021 $m	31 December 2020 $m
Gross claims – discounted	**4,720**	6,049
Reinsurance and other recoveries – discounted	**(1,995)**	(2,618)
Net claims expense	**2,725**	3,431

B. NET OUTSTANDING CLAIMS LIABILITY

I. Composition of net outstanding claims liability

	31 December 2021 $m	30 June 2021 $m
Gross central estimate - discounted	**10,679**	10,227
Reinsurance and other recoveries - discounted	**(5,815)**	(5,623)
Net central estimate - discounted	**4,864**	4,604
Claims handling costs - discounted	**416**	404
Risk margin	**1,094**	1,032
Net outstanding claims liability - discounted	**6,374**	6,040

C. SIGNIFICANT MOVEMENTS DURING THE PERIOD

a. BUSINESS INTERRUPTION

On 18 November 2020, the Supreme Court of New South Wales Court of Appeal (NSWCA) delivered its judgment on the first business interruption insurance test case, which determined that exclusions that refer to the *Quarantine Act* and subsequent amendments only, rather than the *Biosecurity Act*, are not effective to exclude cover for losses associated with COVID-19. On 25 June 2021, the High Court of Australia (HCA) dismissed the insurers' application for special leave to appeal the decision of the NSWCA.

IAG maintains a net outstanding claims provision of $1,222 million (30 June 2021: $1,236 million) in relation to potential business interruption exposure within its Australian business. The movement since 30 June 2021 reflects changes in discounting as a result of yield curve movements. This provision in respect of potential business interruption-related claims includes:

- all policies with exclusion wordings that referenced the *Quarantine Act* and without specific reference to the *Biosecurity Act*, which replaced the *Quarantine Act*; and
- all policies with prevention of access extensions used on certain broker platforms which reference the *Biosecurity Act*. The effect of prevention of access clauses is being addressed in the second business interruption insurance test case (noted below).

In determining the business interruption provision, significant management judgement has been applied to derive a reasonable estimate of the probability-weighted view of potential future net losses. Key areas of judgement relate to coverage, the exposure period, the estimation of potential loss of turnover by industry and reinsurance coverage. Given the extent of the uncertainty being faced, the range of potential financial outcomes in relation to these matters is unusually wide. As a result, a substantial part of the provision reflects a risk margin.

During the current financial period, IAG's exposure in respect of policy exclusions which reference the *Quarantine Act* without specific reference to the *Biosecurity Act* is limited to historical policies only as all new and renewing policies now reference the *Biosecurity Act* or include a broader exclusion.

Even while the first business interruption insurance test case, noted above, was in progress, preparations were underway for a second business interruption insurance test case. The second business interruption insurance test case was heard by the Federal Court of Australia in September 2021. On 8 October 2021, the Federal Court of Australia delivered its judgment in the second test case and found in favour of insurers on a significant number of policy wording questions and for policyholders on other questions. All parties were granted leave to appeal the decisions in the Full Court of the Federal Court. In November 2021, the Full Court of the Federal Court of Australia heard appeals in 5 of the 10 cases in the second test case (including the two IAG cases) and the Full Court reserved its decision.

Parties to the appealed cases in the second test case may seek special leave to appeal the findings of the Full Court to the High Court of Australia. Parties have 28 days from the date of a Full Court judgment to lodge an application for special leave.

IAG is defending a representative class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies.

Scenario testing analyses, including the estimated duration and severity of the financial impacts to the affected industries of the first national lockdown, the potential impact of subsequent lockdowns, and the variation in the anticipated number of claims to be received, have been undertaken and provide support for the current estimate, particularly in light of the continuing uncertainties. For further details on the impact from COVID-19 refer to Note 1.2.

The impact on the business interruption element of the net outstanding claims liabilities (net of reinsurance recoveries) before income tax to changes in key actuarial assumptions is summarised below:

	MOVEMENT IN ASSUMPTION	**31 December 2021**	30 June 2021
		Increase/ (decrease)	Increase/ (decrease)
		$m	$m
Turnover assumption	+5%	**267**	267
	-5%	**(122)**	(122)
Number of policies impacted	+5%	**197**	197
	-5%	**(221)**	(221)
Recovery period	-50%	**(287)**	(287)

b. TRADE CREDIT INSURANCE

IAG maintains that it has no net insurance exposure to trade credit policies sold through BCC Trade Credit Pty Ltd (BCC) to Greensill entities.

IAG sold its 50% interest in BCC on 9 April 2019 to Tokio Marine Management (Australasia) Pty Ltd with the result of eliminating net exposure to trade credit insurance. BCC is an underwriting agency that was authorised to underwrite trade credit insurance on IAG's behalf, in accordance with specific underwriting guidelines, through Insurance Australia Limited (IAL), one of IAG's two licensed insurance subsidiaries in Australia. Trade credit insurance is designed to protect businesses that provide genuine supply chain credit to their customers with a policy that pays the business if the customer defaults on the payment of its accounts receivable.

As part of a transition arrangement after the April 2019 sale of BCC, new policies were underwritten by IAL from the date of sale up to 30 June 2019 and Tokio Marine & Nichido Fire Insurance Co., Ltd (Tokio Marine) retained the risk for these polices, and earlier written policies, net of reinsurance. In addition to reinsurance in place in respect of these policies, IAG entered into agreements with Tokio Marine for it to hold any remaining exposure (after existing reinsurance) to trade credit insurance written by BCC on behalf of IAL.

The IAL trade credit portfolio is in run off with IAL managing existing and future claims. The existing claims include both claims relating to Greensill entities and ones related to the remainder of the BCC trade credit portfolio. IAG has revised the outstanding claims liability to $485 million at 31 December 2021 (30 June 2021: $437 million) mainly due to recognition of claims handling expenses, with the majority relating to expected legal costs associated with claims notified, along with an assessment of existing claims following the receipt of additional claim information and an assessment of a number of new claims lodged during the period relating to the BCC portfolio. This has been determined in accordance with IAG's usual claims reserving practices, which takes into account an assessment of the validity of claims. In accordance with IAG's normal practice claims determined to be invalid are not recognised. IAG has also recognised $485 million (30 June 2021: $437 million) of related reinsurance recoveries in respect of trade credit related claims. There is a risk a reinsurer may challenge its obligations with respect to any claims exposures.

There has been an increasing number of issues raised in the public domain which give rise to concerns as to the validity, structure and placement of the purported insurances. The complex issues around trade credit claims are continuing to be investigated by IAG, Tokio Marine and various other stakeholders.

Claims and potential litigation by the administrators of Greensill or other claimants seeking confirmation of policy coverage and/or validity of claims was and is anticipated and IAG will defend these litigated claims. During the current financial period, two separate proceedings relating to litigated claims were commenced against IAL in the Federal Court of Australia. The commencement of litigated claims was an expected risk and is part of the process to bring this matter to resolution.

Based on various factors, including the determination of policy validity, reinsurance arrangements and the agreements with Tokio Marine, IAG remains confident that for any trade credit claims it may ultimately be liable to pay, it has no net insurance exposure.

D. RECOGNITION AND MEASUREMENT

I. Outstanding claims liability and claims expense

Claims expense represents the sum of claim payments and the movement in the closing outstanding claims liability from one financial period to the next.

The outstanding claims liability is determined based on three building blocks:

- a central estimate of the future cash flows;
- discounting for the effect of the time value of money; and
- adding a risk margin for uncertainty.

a. CENTRAL ESTIMATE OF THE FUTURE CASH FLOWS

The outstanding claims liability is measured as the central estimate of the expected future payments relating to claims incurred prior to the reporting date including direct and indirect claims handling costs. The liability is measured based on the advice and/or valuations performed by, or under the direction of, the Appointed Actuary, and is intended to contain no deliberate or conscious bias toward over or under-estimation. Given the uncertainty in establishing the liability, it is likely that the final outcome will differ from the original liability established. Changes in claim estimates are recognised in profit or loss in the reporting period in which the estimates are changed.

b. DISCOUNTING

Projected future claim payments, both gross and net of reinsurance and other recoveries and associated claims handling costs, are discounted to a present value using risk-free discount rates (derived from market yields on government securities) to reflect the time value of money.

c. RISK MARGIN

Given the uncertainty inherent in estimating future claim payments, it is considered appropriate to add a risk margin to the central estimate of expected future claim payments. The risk margin represents the amount by which the liability recognised in the financial statements is greater than the actuarial central estimate. IAG currently applies a 90% probability of adequacy to the outstanding claims liability. In effect this means there is approximately a 1-in-10 chance all future claim payments will exceed the overall reserve held.

Uncertainties surrounding the liability estimation process include those relating to the available data, actuarial models and assumptions, the statistical uncertainty associated with a general insurance claims run-off process, and risks external to IAG, for example the impact of potential future legislative reform. Uncertainty from these sources is examined for each class of business and expressed as a volatility measure relative to the net central estimate. The volatility measure for each class is derived after consideration of statistical modelling and benchmarking to industry analyses. Certain product classes may be subject to the emergence of new types of latent claims, and such uncertainties are considered when setting the volatility and hence the risk margin appropriate for those classes.

Long-tail classes of business generally have the highest volatilities for outstanding claims as the longer average time for claims to be reported and settled allows more time for sources of uncertainty to emerge. Short-tail classes generally have lower levels of volatility for outstanding claims.

IAG benefits from holding an underwriting portfolio diversified into many classes of business across different regions. The risk margin required to provide a given probability of adequacy for two or more classes of business or for two or more geographic locations combined is likely to be less than the sum of risk margins for the individual classes. This reflects the benefit of diversification. The level of diversification assumed between classes takes into account industry analysis, historical experience and the judgement of experienced and qualified actuaries.

The current risk margin and resultant overall probability of adequacy for the outstanding claims, which has been determined after assessing the inherent uncertainty in the central estimate, diversification and risks in the prevailing environment, is set out below:

	31 December 2021	30 June 2021
	%	%
The percentage risk margin applied to the net outstanding claims liability	**21**	21
The probability of adequacy of the risk margin	**90**	90

II. Reinsurance and other recoveries on outstanding claims

Reinsurance and other recoveries on outstanding claims are recognised as income with the corresponding asset being recognised on the balance sheet. Reinsurance and other recoveries on outstanding claims are measured at the present value (discounted using appropriate risk-free discount rates) of the expected future receipts due as a result of the reinsurance protection that IAG has in place. The reporting date balance also includes the net goods and services tax (GST) receivable on outstanding claims.

NOTE 2.2 PROVISIONS

	31 December 2021 $m	30 June 2021 $m
A. PROVISIONS		
Employee benefits	**329**	384
Restructuring provision	**2**	20
Customer refunds provision*	**322**	399
Payroll compliance provision	**44**	63
	697	866

* This balance includes an offsetting amount of $7 million (30 June 2021: $9 million) in respect of recoverable indirect taxes.

B. SIGNIFICANT MOVEMENTS DURING THE PERIOD

I. Customer refunds provision

This provision relates to multi-year pricing issues identified by IAG as part of a proactive review of its pricing systems and related business processes.

On 15 October 2021, IAG advised that ASIC had commenced civil penalty proceedings in the Federal Court of Australia alleging contraventions of the ASIC Act and the Corporations Act by Insurance Australia Limited (IAL), a wholly-owned subsidiary of IAG. The proceedings relate to IAL's failure to pass on the full amount of discounts to a significant number of NRMA Home, Motor, Caravan and Boat Insurance customers between March 2014 and September 2019. IAG identified this issue as part of a review in 2019 and self-reported the issue to ASIC. IAG is closely working with ASIC through the remediation program in respect of this issue. The customer refunds associated with these proceedings are covered by the customer refund provision that was established in the 2020 and 2021 financial years, which also covers other products and pricing-related matters.

During the current half year period, there has been no net impact to earnings related to changes in the customer refund provision, with the reduction in the provision of $77 million relating to ongoing remediation payments to impacted customers and the incurrence of costs associated with running the program. The gross customer refunds provision was $322 million at 31 December 2021 (30 June 2021: $399 million). The provision comprises premium refunds, interest attributable to those refunds, the cost of administering the associated remediation program and other pricing-related matters. The appropriateness of all underlying assumptions continues to be reviewed as the remediation program and ASIC civil penalty proceedings progresses and adjustments will be made to the provision where required.

II. Payroll compliance provision

This provision relates to a retrospective compliance review across a number of IAG's payroll-related procedures connected to primary and ancillary legislative and key entitlement obligations.

During the current half year period, there has been no net impact to earnings related to changes in the payroll compliance provision, with the reduction in the provision of $19 million relating to the settlement of employee entitlement shortfalls and the incurrence of costs associated with running the program. The gross payroll compliance provision was $44 million at 31 December 2021 (30 June 2021: $63 million). The provision comprises employee entitlement shortfalls, interest applicable to those amounts and the cost of administering the associated remediation program.

C. RECOGNITION AND MEASUREMENT

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation.

NOTE 2.3 DISPOSAL OF BUSINESSES

During December 2021, IAG completed the sale of its Vietnam subsidiary, AAA Assurance Corporation, for a net consideration of $15 million, which resulted in the recognition of an after tax gain of $1 million.

NOTE 2.4 ASSETS AND LIABILITIES HELD FOR SALE

On 19 July 2021, IAG announced that AmGeneral Holdings Berhad (AmGeneral), the Malaysian business in which it holds a 49% interest, has signed an Implementation Agreement for the proposed sale of its insurance business to Liberty Insurance Berhad (Liberty). Liberty will acquire 100% of the shares in AmGeneral Insurance Berhad, a wholly owned subsidiary of AmGeneral. AMMB Group, which owns the remaining 51% interest in AmGeneral, will hold a 30% interest in the combined insurance operations of Liberty and AmGeneral Insurance Berhad, while IAG will exit its investment in AmGeneral. The transaction is expected to complete during the financial year ending 30 June 2022, subject to regulatory processes and approvals. There is a possibility that completion may occur after 30 June 2022 if there are delays in the approval processes, which is not unusual for a transaction of this nature.

As a result of the expected sale, IAG's investment in AmGeneral has been reclassified as being held for sale since the 2021 financial year. The assets and liabilities that were classified as held for sale as at 30 June 2021 also include those related to IAG's business in Vietnam. The sale of IAG's operations in Vietnam was completed during the current financial period.

	31 December 2021 $m	30 June 2021 $m
Cash held for operational purposes	**-**	1
Investments	**-**	28
Loan to associate	**97**	95
Investment in associate	**208**	224
Total assets held for sale	**305**	348
Trade and other payables	**-**	11
Outstanding claims liability	**-**	3
Unearned premium liability	**-**	5
Total liabilities held for sale	**-**	19

RECOGNITION AND MEASUREMENT

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and contractual rights under insurance contracts, which are specifically exempt from this requirement. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

3. INTERIM DISCLOSURES

SECTION INTRODUCTION

This section includes information that is required to be disclosed in accordance with the interim reporting Accounting Standard (*AASB 134*), Corporations Act and ASX Listing Rules, and which are relevant to understanding the changes in IAG's financial position and performance since the end of the last annual reporting period.

NOTE 3.1 INVESTMENTS

All investments are designated at fair value through profit or loss. Investments are recorded and subsequently remeasured to fair value at each reporting date. Changes in the fair value are recognised as realised or unrealised investment gains or losses in profit or loss. IAG recognises transfers into and transfers out of fair value hierarchy levels (described below) as at the end of the reporting period. Purchases and sales of investments are recognised on a trade date basis, being the date on which a commitment is made to purchase or sell the asset. Transaction costs for purchases of investments are expensed as incurred. Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have transferred.

The inputs used to determine the fair value for securities recognised under each level of the fair value hierarchy are set out below.

I. Level 1 quoted prices

The fair value is determined by reference to quoted prices (mid-market) in active markets for identical assets and liabilities. For IAG, this category includes cash and short-term discount securities, government securities and listed equities.

II. Level 2 other observable inputs

The fair value is determined by reference to quoted prices in active markets for similar assets or liabilities or by reference to other significant inputs that are not quoted prices but are based on observable market data, for example interest rate yield curves observable at commonly quoted intervals. For IAG, this category primarily includes corporate and other fixed interest securities where the market is considered to be lacking sufficient depth to be considered active. There have been no significant transfers between Level 1 and Level 2 during the current and prior financial periods.

III. Level 3 unobservable inputs

The fair value is determined using valuation techniques in which a number of the significant inputs are not based on observable market data. Level 3 investments are primarily invested in interest-bearing instruments and unlisted equity held directly and via unlisted trusts. The fair value of these unlisted trusts is based on the net asset value as advised by the external investment manager of these funds who has responsibility for the valuation of the underlying securities. The investment manager may use various valuation techniques in the determination of fair value based on a range of internal, external and third party inputs where available. The fair value of the directly held unlisted equity is based on a methodology leveraging inputs relating to the latest capital transactions executed by the respective companies. This category also includes IAG's unlisted equity interest in Bohai Property Insurance Company Limited (Bohai). The fair value of Bohai is supported by comparable industry transaction multiples observed in the local market. During the current financial period, in addition to changes in fair value, movements in level 3 investments included:

- purchases of $1 million (31 December 2020: $4 million) and sales of $48 million (31 December 2020: $7 million) in interest-bearing instruments;
- purchases of $23 million (31 December 2020: $46 million) and sales of $100 million (31 December 2020: $60 million) in unlisted equity; and
- there have been no significant transfers between Level 2 and Level 3 during the current and prior financial periods.

The table below separates the total investment balance by hierarchy category:

	LEVEL 1 $m	LEVEL 2 $m	LEVEL 3 $m	TOTAL $m
31 December 2021				
Interest-bearing investments	**3,365**	**7,076**	**321**	**10,762**
Growth investments*	**617**	**440**	**404**	**1,461**
Other investments	**-**	**16**	**-**	**16**
	3,982	**7,532**	**725**	**12,239**
30 June 2021				
Interest-bearing investments	3,833	6,829	360	11,022
Growth investments*	583	353	459	1,395
	4,416	7,182	819	12,417

* Growth investments include exposure to listed and unlisted equities, global convertible bonds, higher-yielding credit strategies and hedge funds.

NOTE 3.2 INTEREST-BEARING LIABILITIES

Final Maturity Date	Principal Amount	31 December 2021 Carrying Value $m	31 December 2021 Fair Value $m	30 June 2021 Carrying Value $m	30 June 2021 Fair Value $m
A. COMPOSITION					
I. Capital nature					
a. ADDITIONAL TIER 1 REGULATORY CAPITAL					
Capital notes					
No fixed date	$404 million	**404**	**424**	404	423
b. TIER 2 REGULATORY CAPITAL					
AUD subordinated convertible term notes					
15 December 2036	$450 million	**450**	**465**	450	467
15 June 2044	$350 million	**350**	**355**	350	355
15 June 2045	$450 million	**450**	**461**	450	463
		1,250		1,250	
NZD subordinated convertible term notes(1),(2)					
15 June 2043	NZ$350 million	**330**	**333**	326	335
II. Operational nature					
Other interest-bearing liabilities		**43**	**43**	12	12
Less: capitalised transaction costs		**(4)**		(5)	
		2,023		1,987	

(1) At the reporting date, the Company recognised accrued interest of $1 million (30 June 2021: $1 million) which is presented within trade and other payables.

(2) In addition to the ASX, IAG has securities listed on the New Zealand Exchange (NZX) Debt Market. As such IAG is subject to the NZX Listing Rules as a primary debt-only issuer, subject to certain waivers. IAG has been granted waivers from NZX Listing Rules 3.1.1(b), 3.6, and 3.14.1.

B. RECOGNITION AND MEASUREMENT

Interest-bearing liabilities are initially measured at fair value (net of transaction costs) and subsequently measured at amortised cost. Based on market conditions at any point in time, the carrying value of the liabilities may not be representative of the fair value of the liabilities.

The fair value for all interest-bearing liabilities is calculated using their quoted market price in active markets (fair value hierarchy level 1), except for the AUD subordinated convertible notes where their fair value is calculated using their quoted market price in a market that is considered to be lacking sufficient depth to be considered active (fair value hierarchy level 2).

NOTE 3.3 EQUITY

	31 December 2021 Number of shares in millions	30 June 2021 Number of shares in millions	31 December 2021 $m	30 June 2021 $m
A. SHARE CAPITAL				
Ordinary shares				
Balance at the beginning of the financial period	**2,465**	2,311	**7,386**	6,617
Shares issued under institutional placement, net of transaction costs	**-**	129	**-**	643
Shares issued under Share Purchase Plan, net of transaction costs	**-**	25	**-**	126
Balance at the end of the financial period	**2,465**	2,465	**7,386**	7,386

B. NATURE AND PURPOSE OF EQUITY

All ordinary shares on issue are fully paid and have no par value. Ordinary shares entitle the holder to a vote at the general meeting of the Company and to participate in the dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held. Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Transaction costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

NOTE 3.4 EARNINGS PER SHARE

	31 December 2021 cents	31 December 2020 cents
A. REPORTING PERIOD VALUES		
Continuing and discontinued operations		
Basic earnings per ordinary share(1)	7.03	(19.73)
Diluted earnings per ordinary share(2)	6.64	(19.73)
Continuing operations		
Basic earnings per ordinary share(1)	6.99	(19.56)
Diluted earnings per ordinary share(2)	6.60	(19.56)

(1) The basic earnings per ordinary share is determined by dividing the profit or loss attributable to shareholders of the Parent by the weighted average number of shares of the Parent on issue during the reporting period. The treasury shares held in trust are deducted, but earnings attributable to those shares are included.

(2) Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of the Parent, adjusted for the finance costs of dilutive convertible instruments, by the weighted average number of ordinary shares and dilutive potential ordinary shares, primarily as a result of debt instruments that possess a conversion feature.

	31 December 2021 $m	31 December 2020 $m
B. RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE		
Profit/(loss) attributable to shareholders of the Parent which is used in calculating basic and diluted earnings per share	173	(460)
Finance costs of convertible securities, net of tax	10	-
Profit/(loss) attributable to shareholders of the Parent which is used in calculating diluted earnings per share	183	(460)
Profit/(loss) from continuing operations attributable to shareholders of the Parent	172	(456)
Profit/(loss) from discontinued operations attributable to shareholders of the Parent	1	(4)

	31 December 2021 Number of shares in millions	31 December 2020 Number of shares in millions
C. RECONCILIATION OF WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN CALCULATING EARNINGS PER SHARE		
Weighted average number of ordinary shares on issue (adjusted for treasury shares held in trust) used in the calculation of basic earnings per share	2,462	2,331
Weighted average number of dilutive potential ordinary shares relating to:		
Convertible securities	292	-
Unvested share-based remuneration rights supported by treasury shares held in trust	3	-
	2,757	2,331

NOTE 3.5 DIVIDENDS

	31 December 2021		31 December 2020	
	Cents per share	$m	Cents per share	$m
A. ORDINARY SHARES				
2021 unfranked final dividend paid on 22 September 2021	13.0	320	-	-
B. DIVIDEND NOT RECOGNISED AT REPORTING DATE				
2022 unfranked interim dividend (31 December 2020: 2021 unfranked interim dividend) to be paid on 24 March 2022	6.0	148	7.0	173

C. DIVIDEND REINVESTMENT

A Dividend Reinvestment Plan (DRP) operates which allows eligible shareholders with ordinary shares to elect to receive their dividend entitlement in the form of ordinary shares of the Company. The price of DRP shares is the volume-weighted average share price (VWAP), less a discount if determined by the Directors, calculated over the pricing period (which is at least five trading days) as determined by the Directors for each dividend payment date. A copy of the terms and conditions for the DRP is available at www.iag.com.au/shareholder-centre/dividends/reinvestment.

The DRP for the 2021 final dividend paid on 22 September 2021 was settled with the on-market purchase of 9.0 million shares priced at $5.35 per share (based on a daily VWAP for 12 trading days from 23 August 2021 to 7 September 2021 inclusive, with no discount applied).

NOTE 3.6 DERIVATIVES

	31 December 2021			30 June 2021		
	Notional contract amount	**Fair value asset**	**Fair value liability**	Notional contract amount	Fair value asset	Fair value liability
	$m	**$m**	**$m**	$m	$m	$m
A. REPORTING DATE POSITIONS						
I. Net investment hedges (hedge accounting applied)						
Forward foreign exchange contracts	**822**	**2**	**(5)**	703	6	(11)
II. Investment-related derivatives (derivatives without hedge accounting applied)						
Bond futures	**2,813**	**-**	**-**	2,722	-	-
Share price index futures	**33**	**-**	**-**	24	-	-
Forward foreign exchange contracts	**2,683**	**16**	**(4)**	2,256	-	(49)
III. Treasury-related derivatives (derivatives without hedge accounting applied)						
Forward foreign exchange contracts	**643**	**-**	**(5)**	957	2	-

B. RECOGNITION AND MEASUREMENT

I. Hedge accounting

The foreign currency exposures arising on translation of net investments in foreign operations are hedged (net investment hedge) using the spot element of forward exchange contracts and the designation of certain foreign currency borrowings as hedging instruments. The fair value is determined using observable inputs (level 2 in the fair value hierarchy).

II. Derivatives without hedge accounting applied

The fair value of the bond futures and share price index futures are measured using a quoted price in an active market (level 1 in the fair value hierarchy), whilst the fair value of the forward foreign exchange contracts are determined using observable inputs (level 2 in the fair value hierarchy).

NOTE 3.7 EVENTS SUBSEQUENT TO REPORTING DATE

The following matter occurred after the reporting date and did not relate to conditions existing at reporting date, therefore no account has been taken of it in the financial statements for the current half year ended 31 December 2021.

- On 11 February 2022, the Board determined to pay an unfranked interim dividend of 6.0 cents per share. The dividend will be paid on 24 March 2022. The dividend reinvestment plan will operate likely by acquiring shares on-market for participants with no discount applied.

NOTE 3.8 NET TANGIBLE ASSETS

	31 December 2021	30 June 2021
	$	$
Net tangible assets per ordinary share	**1.15**	1.23

Net tangible assets per ordinary share have been determined using the net assets on the balance sheet including all right-of-use assets, adjusted for non-controlling interests, intangible assets and goodwill.

NOTE 3.9 IMPACT OF NEW AUSTRALIAN ACCOUNTING STANDARDS ISSUED AND NEW ZEALAND REGULATORY REQUIREMENTS

A. ISSUED BUT NOT YET EFFECTIVE

AASB 17 Insurance Contracts

AASB 17, the new accounting standard for insurance contracts, was adopted by the Australian Accounting Standards Board on 19 July 2017. Since the standard was issued, various implementation matters have been raised by stakeholders. Subsequently, the IASB reissued the standard including targeted amendments to the standard and the deferral of the effective date to 1 January 2023, with early adoption permitted. These amendments were adopted by the AASB in July 2020.

The first applicable reporting period for IAG is for the year ending 30 June 2024, with the comparative period for the year ending 30 June 2023 restated on a *AASB 17* basis. The standard introduces a new general measurement model for accounting for insurance contracts, with the application of a simplified approach (similar to *AASB 1023*) permitted in certain circumstances. IAG has completed a detailed impact assessment of the new standard and has determined that the Group is expected to be eligible to apply the simplified approach to the insurance contracts issued by the Group and to its non-proportional reinsurance contracts held (based on the current portfolio mix). A full assessment of the remaining contracts is in progress. IAG continues to assess and implement the requirements of *AASB 17*, which may give rise to changes in technology, systems and processes.

The standard introduces substantial changes in presentation of the financial statements and disclosures introducing new balance sheet and income statement line items and increased disclosure requirements compared with existing reporting.

The Australian Prudential Regulation Authority (APRA) has proposed updates to the capital and reporting frameworks for insurance in response to the introduction of *AASB 17*. On 13 December 2021, it has released a number of draft prudential and reporting standards aimed at integrating *AASB 17* into the insurance capital and reporting frameworks. Consultation on the draft standards is open until 31 March 2022. APRA intends to release the final standards in the second half of 2023.

Relevant to IAG's business in New Zealand, the Reserve Bank of New Zealand (RBNZ) is conducting a 10-year post implementation review of the Insurance (Prudential) Supervision Act, which includes a general review of the Solvency Standards and incorporates initial proposals at integrating the New Zealand equivalent of *AASB 17* into the Solvency Standards. The RBNZ issued an Exposure draft of the interim Solvency Standard on the 22 July 2021.

Given the complexity and differing interpretations around key requirements of the standard, including ongoing consultations regarding integration into the capital and solvency standards, the final impact of requirements may not be determined until global interpretations and regulatory responses to the new standard are finalised.

DIRECTORS' DECLARATION

In the opinion of the Directors of Insurance Australia Group Limited:

- the consolidated financial statements and Notes 1 to 3.9 are in accordance with the *Corporations Act 2001* including:
  - giving a true and fair view of the financial position of the Group as at 31 December 2021 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
  - complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 11th day of February 2022 in accordance with a resolution of the Directors.

Nick Hawkins
Director

INDEPENDENT AUDITOR'S REVIEW REPORT

KPMG

TO THE SHAREHOLDERS OF INSURANCE AUSTRALIA GROUP LIMITED

Conclusion

We have reviewed the accompanying half year financial report of Insurance Australia Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Insurance Australia Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The half year financial report comprises:

- Consolidated balance sheet as at 31 December 2021;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the half year ended on that date;
- Notes 1 to 3.9 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' declaration.

The Group comprises Insurance Australia Group Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the half year financial report

The Directors of the Company are responsible for:

- the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the half year financial report

Our responsibility is to express a conclusion on the half year financial report based on our review. *ASRE 2410* requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG.

KPMG

Brendan Twining
Partner
Sydney
11 February 2022

Andrew Reeves
Partner