



IAG provides market update

IAG provides the following market update to indicate financial year ending 30 June 2020 (FY20) dividend prospects, quantify year-to-date investment market impacts and comment on FY20 guidance.

Based on year-to-date investment income outcomes and its forecast FY20 insurance profit, IAG advises that there is presently limited scope to pay a final dividend in September 2020. This is after application of the upper end of IAG's 60-80% of full year cash earnings payout policy and after allowance for the 10 cent interim dividend paid in March 2020.

The IAG Board will determine the quantum of any final dividend in August 2020 in line with its normal timetable. This will take into account the company's FY20 financial performance, which will be finalised at that time.

At the end of April 2020, IAG's investment income on shareholders' funds amounted to a financial year-to-date loss of approximately \$280 million pre-tax, reflecting the severe corrections witnessed in the second half of the financial year in equity and credit markets.

IAG's weighting towards growth assets (equities and alternative asset classes) in its shareholders' funds portfolio has materially reduced from the 49% allocation at 31 December 2019, to under 30% at 30 April 2020. This reflects the combination of:

- The impact of falling equity markets;
- Mark-to-market impacts in alternative asset classes;
- Some active reallocation of funds to fixed interest and cash; and
- The placement of the proceeds from the sale of the interest in SBI General into conservative fixed interest and cash assets.

For the nine months ended 31 March 2020, IAG's underlying business performance has remained strong. However, IAG's business and financial performance in the concluding months of FY20 is subject to ongoing uncertainty from the impact of:

- COVID-19 related challenges;
- Surrounding economic conditions; and
- The direction of investment markets.

Subject to the impact of the uncertainties outlined above, IAG has retained its existing FY20 market guidance, of 'low single digit' gross written premium growth and a reported insurance margin of 12.5-14.5%.

As specified in its 30 March business update, IAG's reported margin guidance excludes an unrealised loss from a widening of credit spreads since 31 December 2019, which at the end of March approximated \$100 million pre-tax. IAG has experienced a moderate narrowing of spreads in April.

IAG retains a strong capital position with a Common Equity Tier 1 (CET1) ratio at the top end of its targeted range, of 0.9 to 1.1. Since 31 December 2019, settlement of the sale of IAG's interest in SBI General in India has largely offset the negative influences of perils-impacted earnings, payment of the interim dividend and significant investment market impacts.

This release has been authorised by IAG's Disclosure Committee.

About IAG

IAG is the parent company of a general insurance group (the Group) with controlled operations in Australia and New Zealand. The Group's businesses underwrite over \$12 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); and NZI, State, AMI and Lumley (New Zealand). IAG also has an interest in a general insurance joint venture in Malaysia. For further information, please visit www.iag.com.au.

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