Investor report 1H22

11 February 2022

Insurance Australia Group Limited ABN 60 090 739 923
This release has been authorised by the IAG Board

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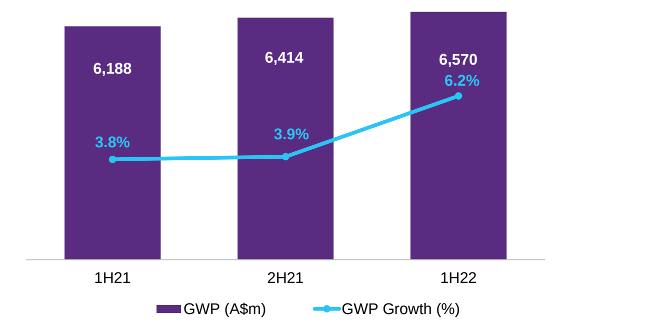
References to currency are to Australian dollars, unless otherwise specified. Prevailing exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate.

CONTENTS

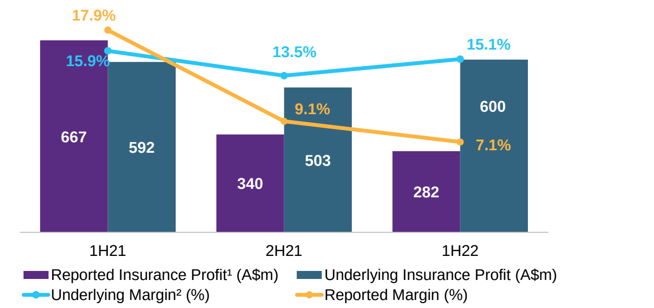
1H22 RESULTS

KEY RESULTS	1H21 A$m	2H21 A$m	1H22 A$m	1H22 vs 1H21 Mvt
Gross written premium (GWP)	**6,188**	**6,414**	**6,570**	**+6.2%**
Net earned premium (NEP)	3,723	3,750	3,963	+6.4%
Insurance profit[1]	**667**	**340**	**282**	**-57.7%**
Net profit/(loss) after tax	(460)	33	173	nm
Cash earnings	**462**	**285**	**176**	**-61.9%**
Reported insurance margin	17.9%	9.1%	7.1%	-1080bps
Underlying insurance margin[2]	**15.9%**	**13.5%**	**15.1%**	**-80bps**
Diluted EPS (cents per share)	(19.73)	1.34	6.64	nm
Diluted cash EPS (cents per share)	17.88	10.80	6.77	-62.1%
Cash return on equity (ROE)	15.5%	9.0%	5.7%	-980bps
Dividend (cents per share)	**7.0**	**13.0**	**6.0**	**-14.3%**
Prescribed Capital Amount (PCA) multiple	2.04	1.86	1.82	-22pts
Common Equity Tier 1 Capital (CET1) multiple	1.19	1.06	1.02	-17pts

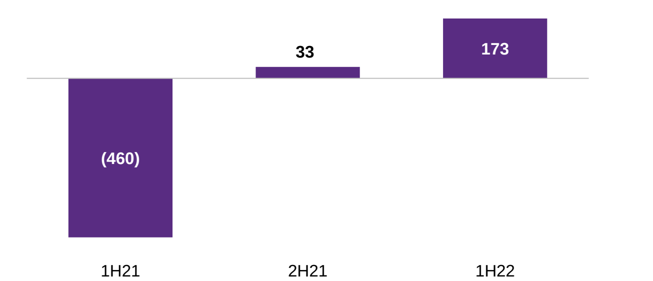
GWP GROWTH



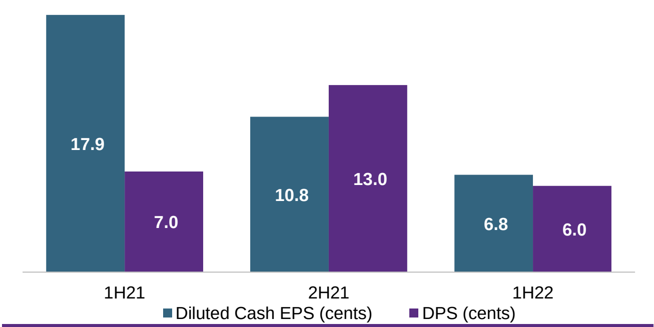
INSURANCE PROFIT & MARGIN



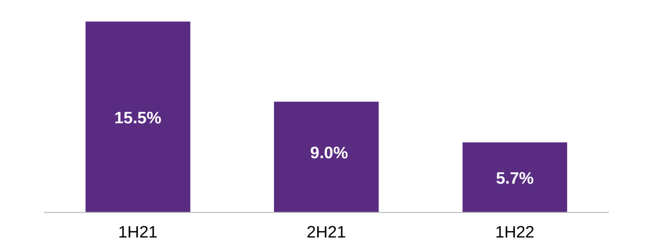
NET PROFIT/(LOSS) AFTER TAX (A$M)



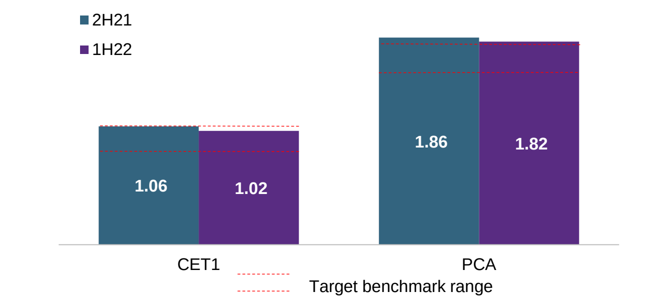
DILUTED CASH EPS & DPS



CASH ROE



REGULATORY CAPITAL (MULTIPLE)



[1]The 1H22 reported insurance profit in this document is presented on a management reported (non-IFRS) basis which is not directly comparable to the equivalent statutory (IFRS) figure in IAG's 1H22 Financial Report (Appendix 4D). A reconciliation between the two is provided on page 6 of this document and on page 3 of the Financial Report to comply with the Australian Securities and Investments Commission's Regulatory Guide 230. IAG's 1H22 net profit after tax is the same in this document and in the Financial Report.
[2]IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural perils claims costs less the related allowance; reserve releases or strengthening and credit spread movements.

1. EXECUTIVE SUMMARY

GROUP HIGHLIGHTS

- Strong GWP performance, predominantly rate driven with volume growth in key strategic portfolios
- Upgraded FY22 GWP guidance to 'mid single-digit' growth (previously 'low single-digit')
- Underlying margin stability, with 15.1% in 1H22 versus 14.7% in FY21
- Confidence in unchanged FY22 reported insurance margin guidance of 10-12%
- $173m net profit after tax, with no one-off adjustments to cash earnings of $176m (5.7% cash ROE)
- Continued capital strength, with CET1 ratio in the middle of targeted range and PCA ratio above
- Group strategy now in execution phase, with significant progress on growth initiatives

GROSS WRITTEN PREMIUM

- GWP growth of 6.2% versus 1H21, or 5.6% adjusting for foreign currency translation effects
- Growth momentum improved over the half, notwithstanding COVID-19 lockdown impacts (~0.6% drag)
- Substantial rate increases in Australia and momentum in NZ from higher rates and commercial growth
- Customer growth of >1% in direct personal short tail classes in Australia, with encouraging early contributions from strategic initiatives and lower than expected remediation in commercial classes
- Group customer numbers relatively flat overall, impacted by a small reduction in commercial business

INSURANCE PROFITABILITY

- Higher underlying insurance margin of 15.1% compared to 14.7% in FY21 (1H21: 15.9% 2H21: 13.5%)
- COVID-19 net benefit of around $55-$65m similar to 1H21, reflecting low motor claims frequency offset by elevated claims costs, with risk margin held for uncertain operating environment in 2H22
- Excluding the COVID-19 net benefit, adjusted underlying margins of around 13.6% at a comparable level to 14.2% in 1H21 and 13.5% in 2H21, with no other material non-recurring features
- 7.1% reported insurance margin impacted by high natural perils costs (1H21: 17.9% 2H21: 9.1%)
- Gross operating costs +4.4%, with the underwriting expenses increase absorbed in insurance margins
- Natural perils costs above allowance by $299m, similar to disclosure on 2 November 2021
- Further strengthening of prior year reserves ($37m) partly offset by credit spread gains ($18m)

DIRECT INSURANCE AUSTRALIA (DIA) HIGHLIGHTS

- 3.3% GWP growth largely through rate increases, with volume growth of >1% across personal short tail classes and early contribution from roll-out of NRMA Insurance in Western Australia & South Australia
- Overall, served ~4.8 million customers holding ~8.4 million policies, broadly in line with 1H21
- Excluding COVID-19 net benefits, underlying margins remained healthy at ~18.5% (1H21: 19.3%)

INTERMEDIATED INSURANCE AUSTRALIA (IIA) HIGHLIGHTS

- 8.9% GWP growth dominated by rate increases that averaged over 9% for the period
- Underlying margins continued to recover, improving to 5.0% in 1H22 (1H21: 3.8%)
- Early progress towards IIA's >$250m insurance profit target by FY24

NEW ZEALAND HIGHLIGHTS

- GWP growth of 8.3%, with local currency growth of 5.9%
- Positive shift in growth momentum driven by rate increases across all key portfolios
- Looking through half on half volatility in FY21, the strong 1H22 underlying margin of 16.8% has improved on 16.4% in FY21

ADDITIONAL MATTERS

- No significant changes to the business interruption provision of $1,222m (FY21: $1,236m)
- Maintain no net insurance exposure to trade credit policies sold through BCC Trade Credit
- Exit from Asia now largely complete following the sale of IAG's business in Vietnam in December 2021

CAPITAL & DIVIDENDS

- Unfranked interim dividend of 6¢ per share, payout ratio of 84% of cash earnings
- Strong CET1 ratio at 1.02 (0.96 after interim dividend); ~6pts benefit still expected from Malaysian sale

2. 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.

Clear strategic focus

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

3. GROUP RESULTS

FINANCIAL PERFORMANCE

GROUP RESULTS	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Gross written premium	**6,188**	**6,414**	**12,602**	**6,570**
Gross earned premium	6,190	6,155	12,345	6,515
Reinsurance expense	(2,467)	(2,405)	(4,872)	(2,552)
Net earned premium	**3,723**	**3,750**	**7,473**	**3,963**
Net claims expense	(2,281)	(2,526)	(4,807)	(2,725)
Commission expense	(337)	(341)	(678)	(347)
Underwriting expense	(539)	(581)	(1,120)	(602)
Underwriting profit	**566**	**302**	**868**	**289**
Investment income on technical reserves	101	38	139	(7)
Insurance profit	**667**	**340**	**1,007**	**282**
Net corporate expense	(1,310)	(200)	(1,510)	-
Interest	(42)	(47)	(89)	(47)
Profit/(loss) from fee-based business	(13)	(16)	(29)	(13)
Share of profit/(loss) from associates	18	19	37	8
Investment income on shareholders' funds	138	168	306	53
Profit/(loss) before income tax and amortisation	**(542)**	**264**	**(278)**	**283**
Income tax expense	187	(62)	125	(77)
Profit/(loss) after income tax (before amortisation)	**(355)**	**202**	**(153)**	**206**
Non-controlling interests	(97)	(53)	(150)	(30)
Profit/(loss) after income tax and non-controlling interests (before amortisation)	**(452)**	**149**	**(303)**	**176**
Amortisation and impairment	(4)	(107)	(111)	(4)
Profit/(loss) attributable to IAG shareholders from continuing operations	**(456)**	**42**	**(414)**	**172**
Net profit/(loss) after tax from discontinued operations	(4)	(9)	(13)	1
Profit/(loss) attributable to IAG shareholders	**(460)**	**33**	**(427)**	**173**

Insurance Ratios - Continuing Business	1H21	2H21	FY21	1H22
Loss ratio	61.3%	67.4%	64.3%	68.8%
Immunised loss ratio	61.0%	68.4%	64.7%	70.1%
Expense ratio	23.6%	24.6%	24.1%	24.0%
Commission ratio	9.1%	9.1%	9.1%	8.8%
Administration ratio	14.5%	15.5%	15.0%	15.2%
Combined ratio	84.9%	92.0%	88.4%	92.8%
Immunised combined ratio	84.6%	93.0%	88.8%	94.1%
Reported insurance margin	**17.9%**	**9.1%**	**13.5%**	**7.1%**
Underlying insurance margin	**15.9%**	**13.5%**	**14.7%**	**15.1%**

Key Financial Metrics - Total Operations	1H21	2H21	FY21	1H22
Cash earnings ($m)	462	285	747	176
Reported ROE (average equity) (% pa)	(15.4%)	1.0%	(6.9%)	5.6%
Cash ROE (average equity) (% pa)	**15.5%**	**9.0%**	**12.0%**	**5.7%**
Basic EPS (cents per share)	(19.73)	1.34	(17.82)	7.03
Diluted EPS (cents per share)	(19.73)	1.34	(17.82)	6.64
Cash EPS (cents per share)	19.82	11.56	31.16	7.15
Diluted cash EPS (cents per share)	**17.88**	**10.80**	**28.51**	**6.77**
DPS (cents per share)	**7.00**	**13.00**	**20.00**	**6.00**
Probability of adequacy	90%	90%	90%	90%
CET1 multiple	**1.19**	**1.06**	**1.06**	**1.02**
PCA multiple	2.04	1.86	1.86	1.82

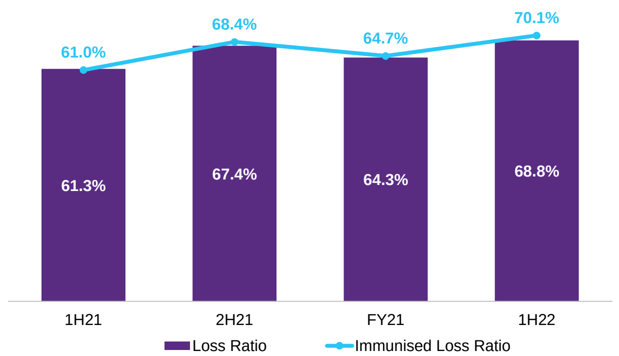
KEY FOREIGN EXCHANGE RATES APPLIED

Units of foreign currency per A$	Balance Sheet (spot rate)			Income Statement (average rate)	
	1H21	2H21	1H22	1H21	1H22
New Zealand dollar	1.0717	1.0744	1.0619	1.0730	1.0489

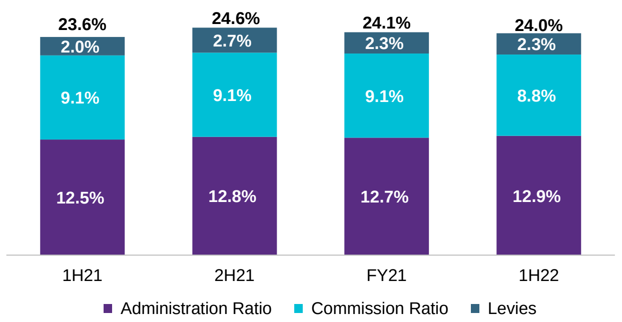
3. GROUP RESULTS

INSURANCE RATIOS

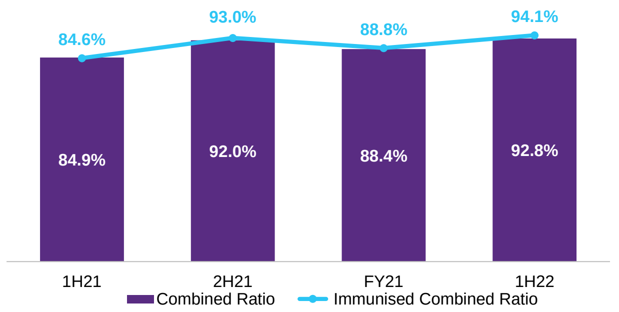
LOSS RATIO



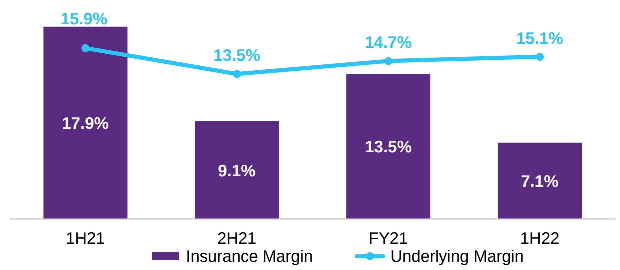
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



1H22 DIVISIONAL FINANCIAL PERFORMANCE

	Direct Insurance Australia		Intermediated Insurance Australia		New Zealand		Corporate & Other		Total	
	1H21 A$m	1H22 A$m	1H21 A$m	1H22 A$m	1H21 A$m	1H22 A$m	1H21 A$m	1H22 A$m	1H21 A$m	1H22 A$m
Gross written premium	**2,857**	**2,952**	**1,962**	**2,136**	**1,368**	**1,481**	**1**	**1**	**6,188**	**6,570**
Gross earned premium	2,821	2,919	2,002	2,140	1,362	1,455	5	1	6,190	6,515
Reinsurance expense	(1,102)	(1,122)	(796)	(844)	(566)	(585)	(3)	(1)	(2,467)	(2,552)
Net earned premium	**1,719**	**1,797**	**1,206**	**1,296**	**796**	**870**	**2**	**-**	**3,723**	**3,963**
Net claims expense	(1,046)	(1,282)	(787)	(878)	(450)	(565)	2	-	(2,281)	(2,725)
Commission expense	(51)	(55)	(191)	(195)	(94)	(96)	(1)	(1)	(337)	(347)
Underwriting expense	(257)	(271)	(183)	(215)	(98)	(115)	(1)	(1)	(539)	(602)
Underwriting profit/(loss)	**365**	**189**	**45**	**8**	**154**	**94**	**2**	**(2)**	**566**	**289**
Investment income on technical reserves	56	-	39	(12)	8	5	(2)	-	101	(7)
Insurance profit/(loss)	**421**	**189**	**84**	**(4)**	**162**	**99**	**-**	**(2)**	**667**	**282**
Profit/(loss) from fee-based business	(9)	(6)	4	4	-	-	(8)	(11)	(13)	(13)
Share of profit/(loss) from associates	(1)	(4)	-	-	-	-	19	12	18	8
Total divisional results	**411**	**179**	**88**	**-**	**162**	**99**	**11**	**(1)**	**672**	**277**
Insurance Ratios										
Loss ratio	60.8%	71.3%	65.3%	67.7%	56.5%	64.9%			61.3%	68.8%
Expense ratio	18.0%	18.2%	31.0%	31.6%	24.1%	24.2%			23.6%	24.0%
Commission ratio	3.0%	3.1%	15.8%	15.0%	11.8%	11.0%			9.1%	8.8%
Administration ratio	15.0%	15.1%	15.2%	16.6%	12.3%	13.2%			14.5%	15.2%
Combined ratio	78.8%	89.5%	96.3%	99.3%	80.6%	89.1%			84.9%	92.8%
Insurance margin	24.5%	10.5%	7.0%	(0.3%)	20.4%	11.4%			17.9%	7.1%
Underlying insurance margin	23.2%	21.8%	3.8%	5.0%	18.6%	16.8%			15.9%	15.1%

3. GROUP RESULTS

RECONCILIATION TO FINANCIAL REPORT (APPENDIX 4D)

The reported insurance profit reconciles to that in the Financial Report (Appendix 4D) after allowance for the customer refunds provision, the business interruption provision and the payroll compliance provision in FY21. These items were reclassified to net corporate expense for Investor Report purposes, as outlined below:

INSURANCE PROFIT	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Investor Report	**667**	**340**	**1,007**	**282**
Customer refunds provision	(75)	(163)	(238)	-
Business interruption provision	(1,150)	-	(1,150)	-
Payroll compliance provision	-	(51)	(51)	-
Financial Report (Appendix 4D/4E)	**(558)**	**126**	**(432)**	**282**

The Investor Report treatment reflects the fact that the items concerned are not expected to be a feature of IAG's future earnings profile. Analysis and commentary on the insurance profit and margin excludes the three reconciling items listed above.

COVID-19 IMPACTS ON 1H22 PERFORMANCE

COVID-19 impact of the lockdowns similar to the experience in 1H21

The 1H22 impacts from the COVID-19 pandemic were similar in nature to what occurred in 2H20 and 1H21, 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 $1,150m business interruption provision in 1H21). No material overall impact was experienced in 2H21.

The key impacts in 1H22 included:

- An estimated GWP impact of around $40m compared to 1H21 (1H21: ~$50m impact compared to 1H20), predominantly from lower new business opportunities in DIA during the NSW and Victoria lockdowns;
- An estimated net positive impact on the 1H22 underlying insurance profit of around $55-$65m post-quota share compared to a net $60-$70m benefit in 1H21. 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 GWP growth of 6.2% in 1H22

Reported 1H22 GWP of $6,570m increased by 6.2% over 1H21.

- Growth of 3.3% to $2,952m was 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 CTP and new business opportunities were impacted by COVID-19 effects.

3. GROUP RESULTS

- Growth of 8.9% to $2,136m was achieved in IIA and comprised:
  - Significant rate increases, which remain the dominant feature and averaged over 9% in 1H22. 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 2H22, where headline growth will be impacted by a number of non-recurring items, most notably the exit of IAL Personal Lines (~$100m), covered in more detail in the IIA section.
- Growth of 8.3% in New Zealand to $1,481m, boosted by a favourable foreign exchange translation effect of around 240bps:
  - This shift in momentum was driven mainly by higher rates and good retention levels across all key portfolios, with volume levels broadly similar to 1H21 and 2H21.

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 - Continuing Business	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Underlying insurance profit	**592**	**503**	**1,095**	**600**
Reserve releases/(strengthening)	(15)	(66)	(81)	(37)
Natural perils	(290)	(452)	(742)	(681)
Natural perils allowance	329	329	658	382
Credit spreads	51	26	77	18
Reported insurance profit[1]	**667**	**340**	**1,007**	**282**
Underlying insurance margin	**15.9%**	**13.5%**	**14.7%**	**15.1%**
Reserve releases/(strengthening)	(0.4%)	(1.8%)	(1.1%)	(0.9%)
Natural perils	(7.8%)	(12.1%)	(9.9%)	(17.2%)
Natural perils allowance	8.8%	8.8%	8.8%	9.6%
Credit spreads	1.4%	0.7%	1.0%	0.5%
Reported insurance margin[2]	**17.9%**	**9.1%**	**13.5%**	**7.1%**

Notes: (1) Reported insurance profit in 1H22 for both statutory and management results is the same. The reported insurance profit in 1H21 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 1H21 is a $558m loss. (2) Reported insurance margin is the insurance profit as a percentage of net earned premium (NEP). The reported insurance margin in 1H21 is on a management results basis. Based on the statutory results, the equivalent statutory insurance margin for 1H21 is (5.8%).

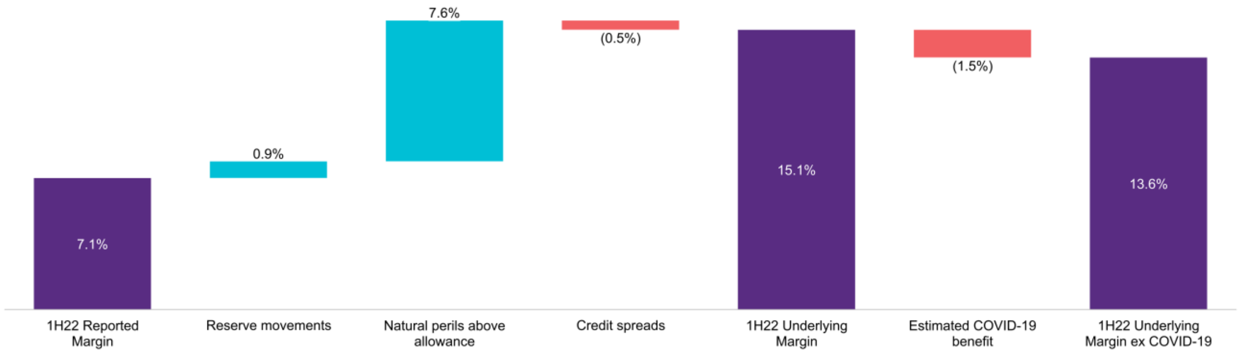
IAG's 1H22 underlying insurance margin was 15.1%, lower than 15.9% in 1H21 and an improvement on 13.5% in 2H21.

A benefit of around $55-$65m from net COVID-19 effects was experienced in 1H22. Excluding this benefit, the 1H22 underlying margin was approximately 13.6% (1H21: ~14.2% excluding the COVID-19 net benefit).

1H22 underlying margin of 15.1%, with benefits from lower motor frequency

3. GROUP RESULTS

GROUP INSURANCE MARGIN – REPORTED VS. UNDERLYING



The reduction in underlying margins, excluding net COVID-19 effects, from 14.2% in 1H21 to 13.6% in 1H22 reflects a combination of influences. On the positive side, this included:

- Lower reinsurance costs associated with volatility covers, a ~30bps (or ~$13m) benefit; and
- An improved underlying loss ratio (~80bps), largely reflecting the strong earn-through of premium rate increases in FY21 and 1H22, especially in IIA.

These positive factors were more than offset by:

- A ~140bps impact from the increase in the full year natural perils allowance from $658m to $765m;
- Large commercial property claims in New Zealand lifting to a higher level in 1H22 relative to a particularly benign 1H21;
- Mid to high single-digit growth in gross underwriting and claims handling expenses; and
- A ~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 1H21 taking this impact into account.

Natural perils costs significantly impacted the low reported insurance profit of $282m in 1H22, equating to a 7.1% reported insurance margin (1H21: 17.9%). In addition to the underlying margin influences outlined above, this included:

- Unfavourable net natural perils experience of $299m in 1H22, compared to $39m of favourable experience in 1H21;
- A $37m impact from strengthening prior year reserves, compared to a strengthening of $15m in 1H21 and $66m in 2H21; and
- A favourable impact from the narrowing of credit spreads of $18m (1H21: positive spread impact of $51m).

DIVISIONAL INSURANCE MARGINS

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

3. GROUP RESULTS

DIVISIONAL INSURANCE MARGINS	1H21 $	1H21 %	2H21 $	2H21 %	FY21 $	FY21 %	1H22 $	1H22 %
Direct Insurance Australia								
Underlying insurance profit/margin	398	23.2%	347	19.8%	745	21.4%	391	21.8%
Reported insurance profit/margin	421	24.5%	297	17.0%	718	20.7%	189	10.5%
Intermediated Insurance Australia								
Underlying insurance profit/margin	46	3.8%	47	3.9%	93	3.9%	65	5.0%
Reported insurance profit/margin	84	7.0%	(94)	(7.9%)	(10)	(0.4%)	(4)	(0.3%)
New Zealand								
Underlying insurance profit/margin	148	18.6%	115	14.3%	263	16.4%	146	16.8%
Reported insurance profit/margin	162	20.4%	143	17.7%	305	19.0%	99	11.4%

Notes: (1) Reported insurance profit/(loss) in 1H22 for both statutory and management results is the same. Based on the statutory results, the equivalent statutory reported insurance profit/(loss) for 1H21 is $391m for DIA, ($1,111m) for IIA and $162m for New Zealand. (2) IAG's reported insurance profit of $282m (1H21: $667m) and underlying insurance profit of $600m (1H21: $592m) includes a pre-tax loss of $2m (1H21: nil) in the Corporate and other division. (3) The reported insurance margin in 1H22 is on a management results basis. Based on the statutory results, the equivalent statutory reported insurance margin for 1H21 is 22.9% for DIA, (93.3%) for IIA and 20.4% for New Zealand.

Continued strong and stable DIA underlying margins

- DIA's underlying margin of 21.8% in 1H22 was lower than the prior half year (1H21: 23.2%).
  - COVID-19 impacts on insurance profits were around $55-$65m (1H21: $60-$70m), with motor frequency benefits partly offset by elevated levels of claims inflation, some additional expenses and 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 1H22 (1H21: 19.3%).
  - The change reflects the earned-through effect of higher premium rates, however this was more than offset by ~160bps impact from the higher natural perils allowance and lower investment yields.
  - The reported margin of 10.5% compared to 24.5% in 1H21 highlights higher frequency of natural perils events.

IIA showing further progress to >$250m insurance profit by FY24

- IIA's underlying margin continued to recover over the period, improving to 5.0% in 1H22, 120bps higher than 3.8% in 1H21. The division has delivered early progress towards its >$250m insurance profit target by FY24.
  - 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 a ~200bps anticipated headwind from the natural perils allowance.
  - Elevated natural perils costs were the dominant driver of the reported insurance loss of $4m in 1H22 (1H21 $84m insurance profit).
- New Zealand's 1H22 underlying margin of 16.8% was below 1H21 (1H21: 18.6%; 2H21: 14.3%).
  - Looking through half on half volatility in FY21, the strong 1H22 underlying margin of 16.8% has improved on 16.4% in FY21.
  - The reduction compared to 1H21 is mainly due to large commercial property claims (>NZ$100,000) increasing to a higher level relative to a particularly benign experience in 1H21.
  - The reduced reported insurance margin of 11.4% (1H21: 20.4%), reflects the significant increase in natural perils costs in 1H22.

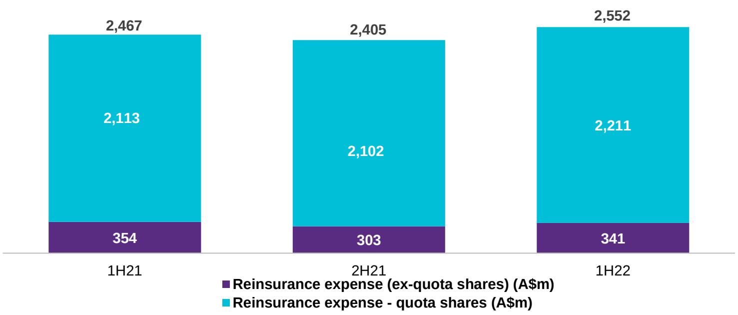
REINSURANCE EXPENSE

Reduction in non-quota share reinsurance expense compared to 1H21

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

3. GROUP RESULTS

REINSURANCE EXPENSE



Quota share-related reinsurance expense increased broadly in line with gross earned premium growth. Non-quota share reinsurance expense decreased by ~4% to $341m. 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 FY22.

CLAIMS

IAG's immunised underlying loss ratio, which reflects trends in underlying or working claims, was 52.0% in 1H22, 80bps stronger than 52.8% in 1H21. This ratio excludes all prior year reserve releases or strengthening, natural perils costs effects and discount rate adjustments.

IMMUNISED LOSS RATIO Continuing Business	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Immunised underlying net claims expense	**1,967**	**2,046**	**4,013**	**2,062**
Discount rate adjustment	9	(38)	(29)	(55)
Reserving and perils effects	305	518	823	718
Reported net claims expense[1]	**2,281**	**2,526**	**4,807**	**2,725**
Immunised underlying loss ratio	**52.8%**	**54.5%**	**53.7%**	**52.0%**
Discount rate adjustment	0.3%	(1.0%)	(0.4%)	(1.3%)
Reserving and perils effects	8.2%	13.9%	11.0%	18.1%
Reported loss ratio[2]	**61.3%**	**67.4%**	**64.3%**	**68.8%**

Notes: (1) Reported net claims expense is the net claims expense on a management results basis. Based on the statutory results, the equivalent statutory net claims expense for the current year is $2,725m (1H21: $3,431m). (2) Reported loss ratio is net claims expense as a percentage of NEP. Based on the statutory results, the equivalent statutory loss ratio for the current year is 68.8% (1H21: 92.9%).

Underlying claims trends

Underlying claim trends continue to improve

At a Group level, underlying net COVID-19 claims benefits were approximately $75-$85m in 1H22 and a similar range in 1H21. This was driven largely by lower motor claims frequency. Excluding the positive net COVID-19 impact of ~200bps in 1H22 and ~200bps in 1H21, the underlying loss ratio was ~80bps stronger at ~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 1H21 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 1H22, increasing these larger claims over the half relative to a particularly benign 1H21.

Reserve Releases / Strengthening

Prior period reserve strengthening of $37m occurred in 1H22, an improved outcome compared to $66m in 2H21 (1H21: $15m). Adverse claim development across long tail classes was observed in two key areas:

- $28m 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
- $17m 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 FY21.

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

Strengthening across NSW CTP in DIA

Natural Perils

Net natural perils claims costs were $681m in 1H22. This was $299m above the allowance for the period, based on straight-line apportionment of the $765m FY22 allowance (1H21: $39m below allowance). As advised on 2 November 2021, this outcome was heavily influenced by elevated natural perils costs in October 2021.

Net natural perils costs were $299m above allowance

3. GROUP RESULTS

1H22 NATURAL PERILS COSTS BY EVENT	A$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 thunderstorms (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 (<AUD$15m)	257
Total	**681**

Natural perils costs in 1H22 included the following:

- Around $200m 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;
- $141m for weather events across Eastern Australia in October 2021;
- $169m 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 FY22 net natural perils claims costs to $1,045m, compared to the allowance of $765m. This FY22 estimate remains unchanged.

None of the events in 1H22 were protected by IAG's financial 2022 aggregate cover. At 31 December 2021, the $270m (post-quota share) deductible attached to the FY22 aggregate cover had been eroded by $209m as a result of 1H22 weather events. Total protection available under the aggregate cover amounts to $236m, post-quota share.

EXPENSES

Gross operating costs (excluding commissions; pre-quota share basis) were $1,303m in 1H22, 4.4% higher than $1,248m in 1H21. 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 (FY21: $2,503m).

Increase in gross operating costs driven largely by technology and system spending

GROSS OPERATING COSTS	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m	1H22 vs 1H21 Mvt
Gross underwriting expense ex levies[1]	815	835	1,650	890	9.2%
Claims handling and fee based expense	433	420	853	413	(4.6%)
Total gross operating costs	**1,248**	**1,255**	**2,503**	**1,303**	**4.4%**

Note: (1) The "Expenses" table later in this section illustrates how "Gross underwriting expense ex-levies" reconciles to "Net underwriting expense" on the "Financial Performance" table on page 4 of the Group section.

The 4.4% increase in gross operating costs in 1H22 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 1H22, although most of the step change in these costs was a feature in FY21;
- A higher level of additional COVID-19 related expenses in 1H22 (~$30m pre-quota share) compared to 1H21 (~$15m 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 FY22, 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 1H21, 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 expenses, 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	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m	1H22 vs 1H21 Mvt
Gross underwriting expense ex levies	815	835	1,650	890	9.2%
Levies	92	158	250	135	46.7%
Total gross underwriting expenses	**907**	**993**	**1,900**	**1,025**	**13.0%**
Gross commission expense	502	505	1,007	522	4.0%
Total gross expenses	**1,409**	**1,498**	**2,907**	**1,547**	**9.8%**
Reinsurance commission revenue	(533)	(576)	(1,109)	(598)	12.2%
Net underwriting expense	*539*	*581*	*1,120*	*602*	*11.7%*
Net commission expense	*337*	*341*	*678*	*347*	*3.0%*
Total net expenses	**876**	**922**	**1,798**	**949**	**8.3%**

Note: Total net expenses are presented on a management results basis. Based on the statutory results, the equivalent statutory total net expense for the current year is $949m (1H21: $921m).

Additional commentary on expense ratios:

- The administration ratio on an ex-levies basis increased to 12.9% (1H21: 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.

INVESTMENT INCOME ON TECHNICAL RESERVES

Investment income on technical reserves for 1H22 was a loss of $7m, compared to a $101m gain in 1H21. This outcome includes:

- Higher average investment assets of approximately $7.5bn (1H21: ~$6.5bn) mainly due to the business interruption provision established towards the end of 1H21;
- A significant increase in risk free rates in 1H22 leading to mark-to-market losses;

Slightly lower average yield on technical reserves compared to 1H21

3. GROUP RESULTS

- An $18m gain mainly due to credit spreads and yield curve effects, compared to a profit of $51m in 1H21. 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 a ~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 1H22 was slightly lower than 1H21.

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 $1,222m at 31 December 2021. This is slightly lower than $1,236m 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 business interruption provision adequacy

Extensive scenario testing of the adequacy of the provision was undertaken in FY21. 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.

Maintain no net insurance exposure to trade credit policies

The IAL trade credit portfolio is in run off with IAL managing existing and future claims. IAG has revised the outstanding claims liability to $485m at 31 December 2021 (30 June 2021: $437m) 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.

3. GROUP RESULTS

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 $485m (30 June 2021: $437m) 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

No further charges associated with the customer refunds provision

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 Insurance Home, Motor, Caravan and Boat 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 FY20 and FY21. The provision 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 1H22 (1H21: $75m; 2H21: $163m). The provision was $322m at 31 December 2021 (30 June 2021: $399m), net of payments and associated costs of ~$220m since establishment of the provision (30 June 2021: $136m).

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

Exit from Asia now largely complete following sale of IAG's business in Vietnam

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 interest 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 $90m was recognised in amortisation and impairment in FY21. In line with the announced sale process, the transaction is expected to complete during FY22 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 $11m was recorded as a share of profits from associates in 1H22 (1H21: $20m).

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 commentary is provided in the "Investments" section of the Investor Report.

OTHER PROFIT AND LOSS DRIVERS

Net corporate expense

No items have been recorded under net corporate expense in 1H22.

Fee-based business

Fee-based business contributed a loss of $13m in 1H22, the same level as 1H21. This period's result comprised:

- A $3m profit (1H21: $7m profit) from IAG's role as agent under the Victorian workers' compensation scheme, which has now ceased;
- A loss of ~$3m from Motorserve's car servicing activities, due to continued COVID-19 related volume challenges;
- A ~$13m loss (1H21: $17m loss; 2H21: $15m 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 2H22 to what was reported in 1H22 ($13m). This compares to previous guidance of a ~$35m pre-tax loss in FY22.

Investment income on shareholders' funds

Investment income on shareholders' funds was a profit of $53m, compared to a profit of $138m in 1H21, reflecting:

- A strong performance across alternative assets, primarily from higher yielding credit strategies;
- Positive equity returns in 1H22 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 ~70% at the end of FY21.

Profit on shareholders' funds includes positive equity market performances

3. GROUP RESULTS

Tax expense

IAG reported a tax expense of $77m in 1H22 (compared to a tax credit of $187m in 1H21, related to the pre-tax loss reported in that period). IAG's effective tax rate (pre-amortisation and impairment) was ~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%.

Normalised effective 1H22 tax rate of ~27%

Non-controlling interests

Non-controlling interests reduced IAG's profits after tax by $30m, compared to an increase in losses after tax of $97m in 1H21.

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 1H22 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 1H22 from 24.5% in 1H21. Non-controlling interests mirrors this trend.

Non-controlling interests reflect significantly higher IMA earnings

Amortisation and impairment

A $4m amortisation and impairment expense in 1H22 compared to an equivalent amount in 1H21 and was significantly lower than 2H21 ($107m), when approximately $90m was recognised on the proposed sale of IAG's interest in AmGeneral.

NET PROFIT/(LOSS) AFTER TAX AND CASH EARNINGS PER SHARE

A profit after tax of $173m (1H21: net loss after tax of $460m) reflected the aforementioned items. On a cash earnings basis, IAG delivered diluted cash EPS of 6.77c in 1H22 (1H21: 17.88c). EPS calculations presented at the start of Group Results on page 4 are based on the following shares on issue:

ORDINARY ISSUED CAPITAL	Shares (m)
Balance at the beginning of the financial year	2,465.1
Balance at the end of the financial year	**2,465.1**
Average weighted shares on issue	2,465.1
Less: Treasury shares held in trust	(3.4)
Average weighted shares on issue - cash EPS	**2,461.7**
Add: Treasury shares held in trust	3.4
Add: Potential dilutionary issues from hybrid debt instruments	385.9
Average weighted potential shares on issue - diluted cash EPS[1]	**2,851.0**

Note: (1) Average weighted potential shares on issue – diluted cash EPS represent non-IFRS financial information.

3. GROUP RESULTS

CASH EARNINGS[1,2]	1H22 A$m
Net profit after tax	**173**
Acquired intangible amortisation and impairment	4
Unusual items:	
- Vietnam sale gain (Discontinued operations)	(1)
Cash earnings	**176**
Dividend payable	**148**
Cash payout ratio	**84.1%**

Notes: (1) Cash earnings are used for targeted 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 unusual items. (2) Cash earnings and cash payout ratio represent non-IFRS financial information.

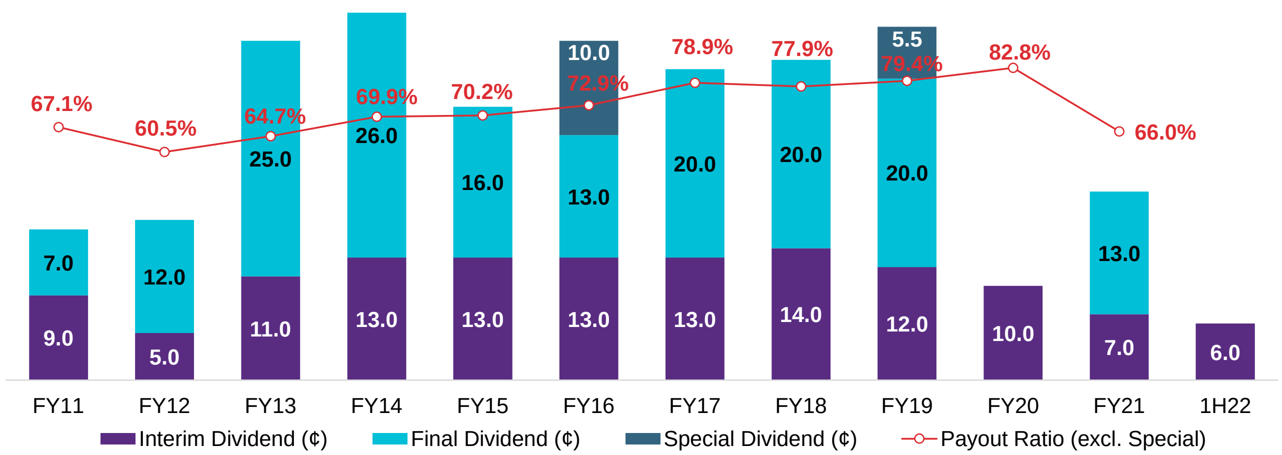
DIVIDEND

The Board has determined to pay an interim dividend of 6.0 cents per share, with no franking. The interim dividend equates to a payout ratio of 84% of 1H22 cash earnings. IAG's dividend policy is to pay out 60-80% of full year cash earnings.

Please refer to the "Directory" page in the 1H22 Investor Report for relevant dates.

Interim dividend of 6 cents – takes pay-out ratio to 84% of 1H22 cash earnings

DIVIDEND HISTORY – FY11-1H22



As at 31 December 2021, IAG had a $228m 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 FY20 and FY21, 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.

3. GROUP RESULTS

The dividend reinvestment plan (DRP) will operate for the interim dividend. 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.

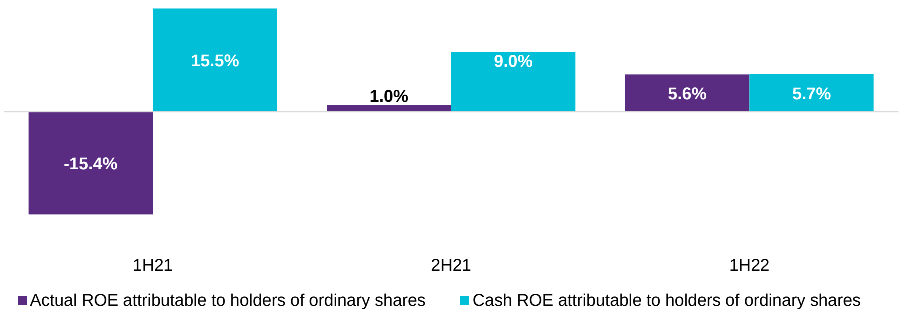
RETURN ON EQUITY

IAG targets a cash ROE of at least 1.5x its weighted average cost of capital (WACC) on a through-the-cycle basis. This return is based on net profit/(loss) after tax attributable to IAG shareholders, adjusted for amortisation and impairment of acquired identified intangibles and unusual items.

Cash ROE of 5.7%

IAG's current long-term cost of capital is approximately 8%, equating to a cash ROE target of approximately 12-13%. In 1H22, IAG reported a cash ROE of 5.7% (1H21: 15.5%).

RETURN ON EQUITY (ANNUALISED)



Note: Cash ROE represents non-IFRS financial information.

CAPITAL

IAG has retained a strong capital position in 1H22. At 31 December 2021 IAG's CET1 ratio was 1.02, and 0.96 after allowance for payment of the interim dividend, against a target benchmark of 0.9-1.1.

CET1 ratio of 1.02 within target range

The sale of AmGeneral is expected to result in an increase in IAG's regulatory capital position of approximately $150m on completion, a ~0.06 improvement in the CET1 ratio.

IAG's debt to total tangible capitalisation ratio at 31 December 2021 was 38.9%, towards the upper end of its targeted 30-40% range.

IAG's NZ$350m subordinated notes first optional redemption date is on 15 June 2022. As such, IAG may seek to issue a new NZ$ 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.

Standard & Poor's (S&P) accords 'very strong' 'AA-' insurer financial strength and issuer credit ratings to IAG's core operating subsidiaries, as well as an 'A' issuer credit rating to the non-operating holding company, Insurance Australia Group Limited. The outlook on all entities is stable.

IAG's probability of adequacy for the outstanding claims liability remained 90% at 31 December 2021.

3. GROUP RESULTS

UPGRADED FY22 GWP GUIDANCE AND OUTLOOK

FY22 GWP guidance upgraded to mid single-digit growth

Following stronger than expected GWP growth in 1H22 and ongoing supportive economic conditions, IAG is upgrading GWP guidance and reaffirming reported insurance margin guidance of 10–12%, as announced on 2 November 2021 (13.5–15.5% prior to this announcement).

Guidance for FY22 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 FY22;
  - A ~$100m GWP reduction in 2H22 from the exit of IAL Personal Lines for new business, effective 1 November 2021; and
  - Largely rate driven increases in New Zealand.
- Reported insurance margin guidance of 10–12%. A key factor supporting 13.5-15.5% reported margin guidance at the start of FY22 was an improvement in the underlying margin recorded in FY21 on a like-for-like basis of approximately 100-300bps (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 $1,045m, in line with the 2 November 2021 increase of approximately $280m (~350 basis points);
  - An estimated net positive impact from COVID-19 of around $55-$65m post-quota share in 1H22, with no net benefit factored in for 2H22;
  - $37m of reserve strengthening as reported for 1H22 and no allowance for prior period reserve releases or strengthening in 2H22; and
  - No material movement in foreign exchange rates and a neutral impact from investment markets on a full year basis.

FY22 reported margin guidance of 10-12% reaffirmed

FY22 guidance aligns to IAG's aspirational goal to achieve a 15-17% 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 $250m[1] by FY24 in IIA and delivering further simplification and efficiencies in the cost structure of the company over the next three years.

Note (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 FY21 and 1H22 is expected to improve from 2H22 onwards through rate and other initiatives.

4. DIRECT INSURANCE AUSTRALIA

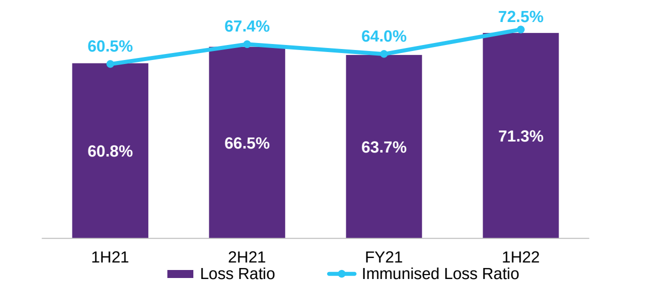
FINANCIAL PERFORMANCE

DIRECT INSURANCE AUSTRALIA	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Gross written premium	**2,857**	**2,915**	**5,772**	**2,952**
Gross earned premium	2,821	2,837	5,658	2,919
Reinsurance expense	(1,102)	(1,089)	(2,191)	(1,122)
Net earned premium	**1,719**	**1,748**	**3,467**	**1,797**
Net claims expense	(1,046)	(1,162)	(2,208)	(1,282)
Commission expense	(51)	(51)	(102)	(55)
Underwriting expense	(257)	(266)	(523)	(271)
Underwriting profit	**365**	**269**	**634**	**189**
Investment income on technical reserves	56	28	84	-
Insurance profit	**421**	**297**	**718**	**189**
Profit/(loss) from fee based business	(9)	(6)	(15)	(6)
Share of profit/(loss) from associates	(1)	(2)	(3)	(4)
Total divisional result	**411**	**289**	**700**	**179**

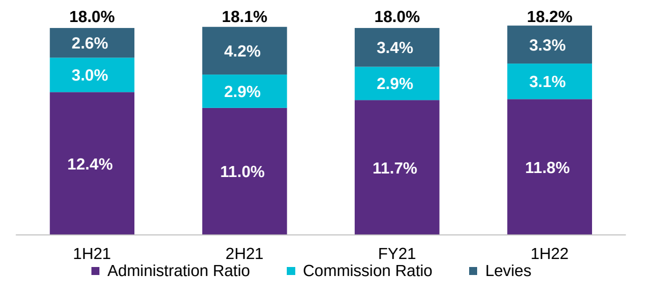
Insurance Ratios	1H21	2H21	FY21	1H22
Loss ratio	60.8%	66.5%	63.7%	71.3%
Immunised loss ratio	60.5%	67.4%	64.0%	72.5%
Expense ratio	18.0%	18.1%	18.0%	18.2%
Commission ratio	3.0%	2.9%	2.9%	3.1%
Administration ratio	15.0%	15.2%	15.1%	15.1%
Combined ratio	78.8%	84.6%	81.7%	89.5%
Immunised combined ratio	78.5%	85.5%	82.0%	90.7%
Reported insurance margin	24.5%	17.0%	20.7%	10.5%
Underlying insurance margin	23.2%	19.8%	21.4%	21.8%

INSURANCE RATIOS

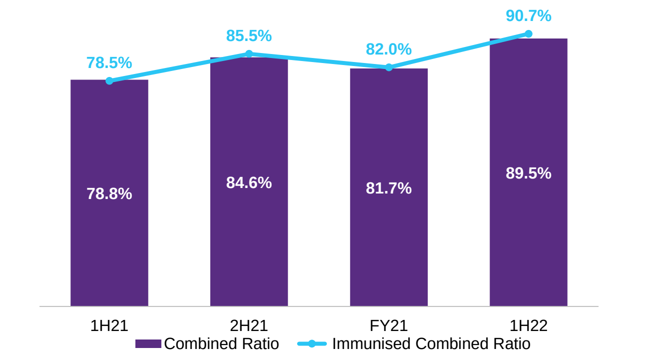
LOSS RATIO



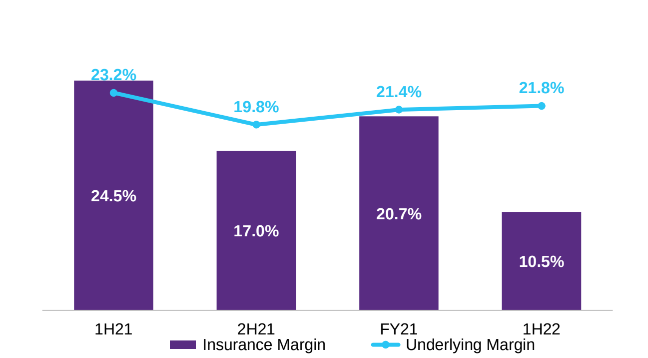
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



4. DIRECT INSURANCE AUSTRALIA

EXECUTIVE SUMMARY

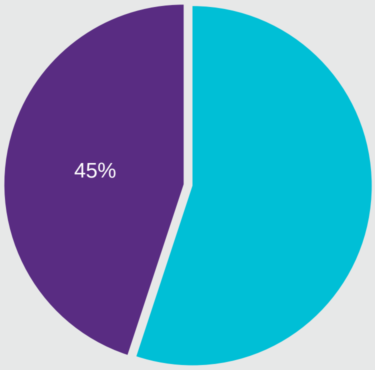
Direct Insurance Australia (DIA) snapshot

- DIA is the largest division in IAG and plays an integral role in delivering on the strategy to "Grow with our customers" through increasing customer reach and delivering personalised, digitally-enabled services
- DIA holds leading market shares in direct personal insurance in Australia, with products sold under well-known brands including NRMA Insurance, RACV, CGU, SGIO and SGIC
- DIA also provides insurance to SMEs on a direct basis, a significant growth opportunity
- DIA has consistently produced strong financial returns, reinforcing the strength and resilience of the franchise

1H22 Performance

- Served ~4.8 million customers holding ~8.4 million policies, broadly in line with 1H21
- GWP grew by 3.3% largely through rate increases, with volume growth of above 1% across personal short tail classes, notwithstanding the impact of COVID-19
- Positive COVID-19 impacts of $55-$65m in insurance profit (1H21: $60-$70m), predominantly from lower motor claims frequency benefits partly offset by expenses and additional risk margin related to inflationary pressures in the post-lockdown environment for motor and home portfolios
- Excluding COVID-19 benefits, the underlying margin remained healthy at around 18.5% in 1H22 (1H21: 19.3%)
- Reported margin of 10.5% versus 24.5% in 1H21 highlights higher frequency of larger natural perils events
- Prior year reserve strengthening of $28m, reflecting a combination of NSW CTP and inflation on short tail

DIA - % 1H22 Group GWP



PREMIUMS

DIA reported GWP of $2,952m in 1H22, an increase of 3.3% over 1H21. Growth was driven by higher rates, which broadly matched claims inflation, and volume growth above 1% across personal short tail classes. Volume growth overall was constrained by CTP however was still positive compared to 1H21. New business opportunities were impacted by COVID-19 and growth normalised for these effects was ~5%. Strong retention levels remain a key feature in DIA.

Personal short tail volume growth above 1%

DIRECT INSURANCE AUSTRALIA GWP	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m	GWP Growth 1H22 vs 1H21
Motor	1,369	1,434	2,803	1,440	5.2%
Home	949	931	1,880	995	4.8%
Niche & Other	57	56	113	64	12.3%
Personal Short Tail	**2,375**	**2,421**	**4,796**	**2,499**	**5.2%**
CTP	377	379	756	353	(6.4%)
Total Personal	**2,752**	**2,800**	**5,552**	**2,852**	**3.6%**
Commercial	105	115	220	100	(4.8%)
Total GWP	**2,857**	**2,915**	**5,772**	**2,952**	**3.3%**

Note: SME Direct Partner business is recorded in IIA from 1H22, which resulted in a ~$5m reduction to Commercial GWP. Commercial GWP was slightly ahead of 1H21, normalising for this transfer.

4. DIRECT INSURANCE AUSTRALIA

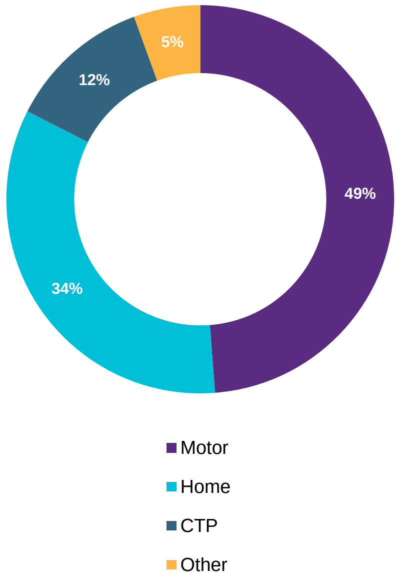
Personal short tail

Personal short tail GWP growth was strong at 5.2% compared to 1H21, with a blend of rate and volume growth. Personal short tail classes will play a significant role in meeting IAG's first strategic pillar to "Grow with our customers". Progress in 1H22 was encouraging, particularly the early contribution to growth from the roll-out of NRMA Insurance in Western Australia and South Australia.

- Motor GWP increased by 5.2%. This was driven by rate increases that were broadly in line with claims inflation, supplemented by strong retention and volume growth that comfortably exceeded 1%. Key drivers:
  - Particularly strong volume growth through the RACV brand in Victoria;
  - Positive volumes in NSW, notwithstanding reduced new business opportunities as a result of COVID-19; and
  - Higher overall retention rates.
- Home GWP rose by 4.8%, primarily derived from rate increases, with overall volumes modestly higher at ~0.5%. Key drivers:
  - As with Motor, the RACV brand delivered strong volume growth;
  - Lower volumes were recorded in NSW, partly offset by early contributions to growth from the rollout of NRMA Insurance in Western Australia, South Australia and the Northern Territory;
  - Mid single-digit average rate increases, responding to claims inflation and increased natural perils; and
  - Lower ESL collection.

Retention levels for both Motor and Home have remained high at more than 90% and 95% respectively.

DIA 1H22 GWP – BY CLASS

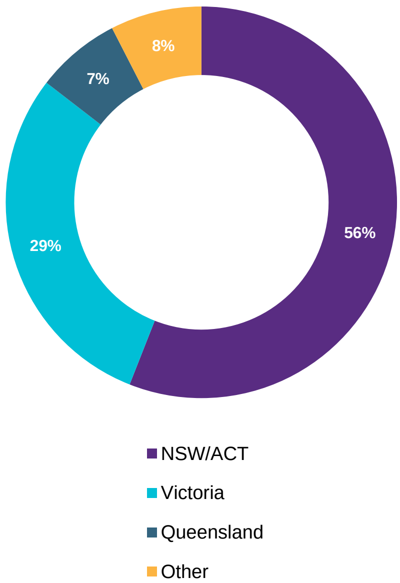


Personal long tail

Long tail (CTP) GWP contracted by 6.4% compared to 1H21, mainly through reduced volumes. This reflected:

- An overall ~2% decline in NSW GWP, which reflected the full year impact of a 3% rate reduction in the prior year and lower new business volumes. NRMA Insurance maintained the leading market share in NSW CTP. New business opportunities were impacted by the COVID-19 lockdowns, partly offset by continued strong retention rates;
- South Australia GWP decreased ~30% compared to the same period last year, off a relatively small premium base. This was driven by all CTP providers moving to the scheme floor price during the year and the claims service rating driving volatility in market share. SGIC has the leading market share, reflecting strong claims performance; and
- Relatively flat GWP in the Australian Capital Territory. IAG's share of CTP registrations (on a 12-month rolling average basis) was 49%, reducing from 51% in June 2021.

DIA 1H22 SHORT TAIL GWP – STATE/TERRITORY



Direct Commercial

Direct SME is a key focus area for growth. The growth strategy is centred around enhanced digital capability, personalised marketing, leveraging the personal short tail customer base and expanding national presence.

As a result of the NSW and Victorian lockdowns, Direct SME experienced net customer reductions and lower average premium in July and August. Since the end of lockdown, record new business growth has been achieved through full deployment of the NRMA Insurance brand. Positive new business sales

4. DIRECT INSURANCE AUSTRALIA

have resulted in 6% growth in in-force policies, offset by lower average premiums.

Customer Initiatives

DIA continues to enhance its product offerings, strengthen partnerships and improve the overall customer experience. Highlights included:

- The launch of NRMA Insurance into Western Australia and South Australia, enabling IAG to extend its customer value proposition with one of the most trusted brands across Australia. NRMA Insurance will be available alongside local support from IAG's SGIO and SGIC brands;
- The launch of the Direct SME "Setbacks are just opportunities for comebacks" campaign, with continued delivery of digital enhancements, including expansion to 300 occupations and business health checks;
- The launch of ROLLiN', a new digital business aimed to attract younger customers in their 20s and 30s with a subscription-like offering. ROLLiN' replaces IAG's Poncho offering and incorporates learnings from that brand;
- In accordance with new Product Design & Distribution Obligations, and to ensure IAG's products meet customer needs, IAG has:
  - developed and launched 'Target Market Determinations' for all retail insurance products;
  - established new product monitoring systems and processes to better analyse claims, complaints and sales insights; and
  - published policies on how IAG develops and distributes retail insurance products.
- Leveraging Carbar, a car-trading and subscription platform, whose capabilities are being used to source and replace motor vehicles for total losses. This has improved the customer experience and efficiency of the vehicle replacement process. Further opportunities to provide customer mobility services are also being explored;
- Car servicing and customer hub operations continuing through Motorserve across 31 sites. Car servicing operates across 19 sites, involving provision of quality mechanical services to ~80,000 customers. Customer hubs provide a one-stop shop for services including vehicle assessment, repair, servicing and onsite mobility options. Motorserve currently operates 19 customer hubs with plans for a further 5 sites in 2H22; and
- Improving the consistency and quality of repairs through Repairhub, a majority-owned joint venture with RACV and two repair partners. This has contributed to an improved customer experience through reduced cycle times, ensuring customers have their cars returned earlier. Repairhub is also capturing economies of scale though motor parts procurement. Repairhub currently manages 15 sites in metropolitan centres, with plans for a further five sites in 2H22.

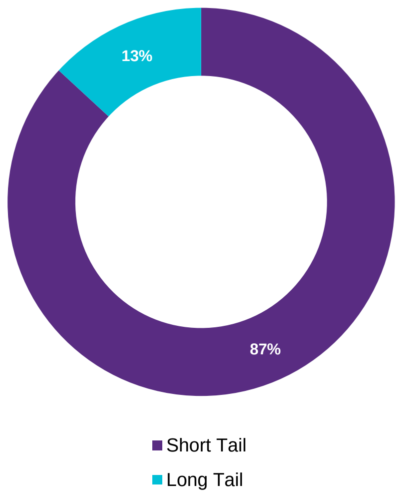
Digital Initiatives

Investment in digital initiatives is an ongoing priority for DIA and notable developments in 1H22 included:

- Continued online sales channel growth, with NRMA Insurance now conducting ~38% of new business sales and renewals online (1H21: 36%);
- Marketing initiatives for NRMA SME Direct to optimise paid search, resulting in a ~13% increase in new business;

NRMA Insurance now a national brand

DIA 1H22 GWP - TAIL



4. DIRECT INSURANCE AUSTRALIA

- Continued investment in personalised digital customer journeys including an enhanced Digital Expert Advice (robo advice) tool for small businesses to be launched in 2H22; and
- Streamlining and automating processes by using AI across the value chain. IAG now uses AI to predict whether a motor vehicle is a total loss after an accident, allowing customers to settle online once their vehicle has been assessed. 15,000 customers used this digital experience, settling claims in a few hours rather than weeks.

INSURANCE PROFIT

DIA reported an insurance profit of $189m in 1H22, compared to $421m in 1H21, which equates to a lower reported insurance margin of 10.5%, compared to 24.5% in 1H21 and 17.0% in 2H21. The lower reported margin reflects the combined effect of higher frequency of natural perils events, modest reserve strengthening and a lower credit spread profit.

Lower reported profitability from natural perils and reserve strengthening

INSURANCE MARGIN IMPACTS Direct Insurance Australia	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Underlying insurance profit	**398**	**347**	**745**	**391**
Reserve releases/(strengthening)	1	1	2	(28)
Natural perils	(153)	(215)	(368)	(354)
Natural perils allowance	145	145	290	172
Credit spreads	30	19	49	8
Reported insurance profit	**421**	**297**	**718**	**189**
Underlying insurance margin	**23.2%**	**19.8%**	**21.4%**	**21.8%**
Reserve releases/(strengthening)	0.1%	0.1%	0.1%	(1.6%)
Natural perils	(8.9%)	(12.3%)	(10.6%)	(19.7%)
Natural perils allowance	8.4%	8.3%	8.4%	9.6%
Credit spreads	1.7%	1.1%	1.4%	0.4%
Reported insurance margin	**24.5%**	**17.0%**	**20.7%**	**10.5%**

DIA continues to report healthy underlying margins, with 21.8% recorded in 1H22. This is slightly lower than the prior comparable half (1H21: 23.2%). The COVID-19 net impacts outlined in greater detail in the Group Results section were mostly experienced through DIA. COVID-19 adjustments to DIA's underlying performances were:

Underlying margins remained strong at 21.8% across 1H22

- $55-$65m in 1H22 (~330bps of 1H22 NEP), predominantly from reduced motor claims frequency partly offset by an allowance for related inflationary pressures in the post-lockdown environment for motor and home portfolios and some additional expenses such as customer support initiatives, business continuity costs and lower annual leave utilisation; and
- ~$65m in 1H21 (~380bps of 1H21 NEP).

If the estimated impact of COVID-19 is excluded, the underlying margin was around 18.5% in 1H22 (1H21: 19.3%). The reduction relative to 1H21 included:

- The positive effect of the earn through of rate increases across personal short tail lines;
- This was more than offset by:
  - An increase in motor and home claims inflation;
  - A ~160bps drag from a higher natural perils allowance; and
  - A reduction in the running yield on investments.

4. DIRECT INSURANCE AUSTRALIA

The main drivers of DIA's underlying and reported insurance profit are discussed in more detail below.

Underlying Claims Experience

DIA's underlying claims ratio (excluding reserve movements, natural perils and discount rate adjustments) was 51.2% in 1H22, an improvement on 51.7% in the prior year.

IMMUNISED LOSS RATIO Direct Insurance Australia	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Immunised underlying net claims expense	**888**	**965**	**1,853**	**920**
Discount rate adjustment	6	(17)	(11)	(20)
Reserving and perils effects	152	214	366	382
Reported net claims expense	**1,046**	**1,162**	**2,208**	**1,282**
Immunised underlying loss ratio	**51.7%**	**55.2%**	**53.5%**	**51.2%**
Discount rate adjustment	0.3%	(0.9%)	(0.3%)	(1.2%)
Reserving and perils effects	8.8%	12.2%	10.5%	21.3%
Reported loss ratio	**60.8%**	**66.5%**	**63.7%**	**71.3%**

This reflects the net effect of a few key factors:

- A broadly similar overall COVID-19 related impact relative to 1H21 driven by motor claims frequency benefits mainly in NSW and Victoria;
- The earned-through effect of higher premium rates;
- Mid-single digit increases in average motor claim costs mainly driven by disruption of the supply chain network partly offset by mix benefits, particularly in those regions that experienced prolonged lockdowns; and
- Higher average home claim costs particularly in NSW and Victoria driven by increases in the price of labour and materials offset by operational improvements and change in frequency of claims due to customer behaviour.

Some upward pressure on claims evident

DIA has continued to counter underlying claim inflation pressures through increased utilisation of its motor repair model across all brands.

Reserve Releases / Strengthening

Drivers of the overall strengthening of $28m include:

- Worse than anticipated development of claims associated with the old NSW CTP Scheme;
- A significant increase in NSW CTP benefit persistency levels in the new scheme, particularly during the September 2021 quarter, likely exacerbated by lockdowns and the withdrawal of government financial support as these trends started improving in the December 2021 quarter; and
- Higher than expected inflation in settling prior period short tail claims, including perils, also attributed as a COVID-19 effect.

Natural Perils

A detailed list of significant natural perils events and related costs is available in the Group Result section.

4. DIRECT INSURANCE AUSTRALIA

Expenses

Expenses grew from $308m in 1H21 to $326m in 1H22. This reflects:

- Increased technology and system spending, and further investment in risk and regulatory functions, as outlined in the Group section on expenses;
- A higher level of COVID-19 related expenses compared to 1H21;
- Higher earned through effect of Emergency Services Levies; and
- Movement in TEPLA reserving, as 1H21 included a favourable impact.

FEE-BASED INCOME & SHARE OF LOSS FROM ASSOCIATES

Fee-based business in DIA comprises contributions from two main sources:

- Investment in new businesses focusing on advanced technologies, data asset capabilities, innovation and mobility initiatives; and
- The car servicing operations of Motorserve.

The 1H22 overall fee-based result was a loss of $6m (1H21: $9m loss 2H21: $6m loss) which was in line with expectations given the stage of development of these businesses and the COVID-19 impact on operations. This included:

- A loss of ~$3m from Motorserve's car servicing activities, due to continued COVID-19 related volume challenges; and
- Net costs associated with digital initiatives of around $3m.

The $4m loss from associates predominantly relates to Home Trades Hub Australia's establishment costs.

Ongoing investment associated with technology and growth initiatives

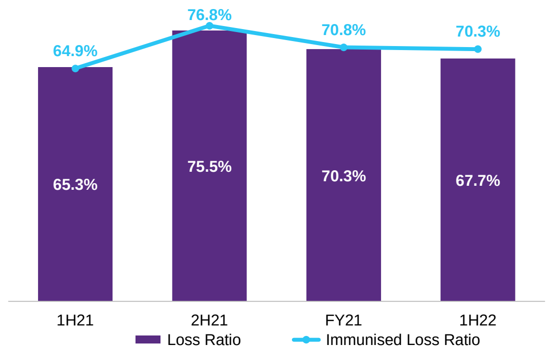
5. INTERMEDIATED INSURANCE AUSTRALIA

INTERMEDIATED INSURANCE AUSTRALIA	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Gross written premium	**1,962**	**2,086**	**4,048**	**2,136**
Gross earned premium	2,002	1,947	3,949	2,140
Reinsurance expense	(796)	(756)	(1,552)	(844)
Net earned premium	**1,206**	**1,191**	**2,397**	**1,296**
Net claims expense	(787)	(899)	(1,686)	(878)
Commission expense	(191)	(196)	(387)	(195)
Underwriting expense	(183)	(201)	(384)	(215)
Underwriting profit	**45**	**(105)**	**(60)**	**8**
Investment income on technical reserves	39	11	50	(12)
Insurance profit	**84**	**(94)**	**(10)**	**(4)**
Profit/(loss) from fee based business	4	-	4	4
Share of profit/(loss) from associates	-	-	-	-
Total divisional result	**88**	**(94)**	**(6)**	**-**

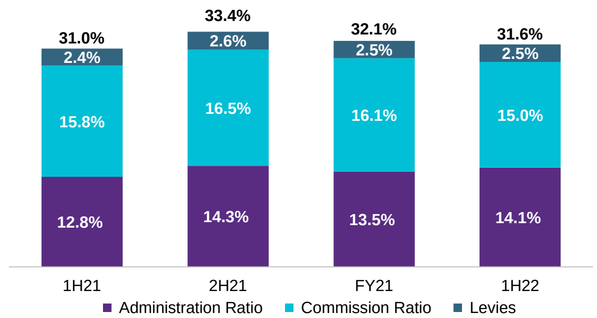
Insurance Ratios	1H21	2H21	FY21	1H22
Loss ratio	65.3%	75.5%	70.3%	67.7%
Immunised loss ratio	64.9%	76.8%	70.8%	70.3%
Expense ratio	31.0%	33.4%	32.1%	31.6%
Commission ratio	15.8%	16.5%	16.1%	15.0%
Administration ratio	15.2%	16.9%	16.0%	16.6%
Combined ratio	96.3%	108.9%	102.4%	99.3%
Immunised combined ratio	95.9%	110.2%	102.9%	101.9%
Reported insurance margin	7.0%	(7.9%)	(0.4%)	(0.3%)
Underlying insurance margin	3.8%	3.9%	3.9%	5.0%

INSURANCE RATIOS

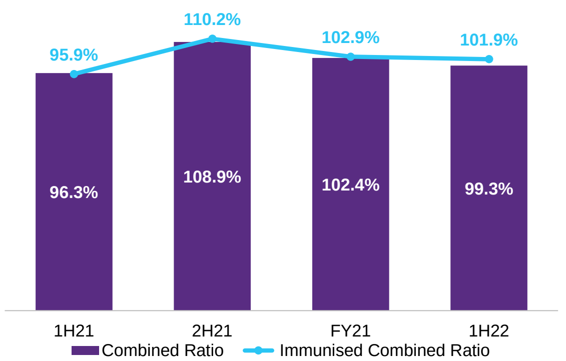
LOSS RATIO



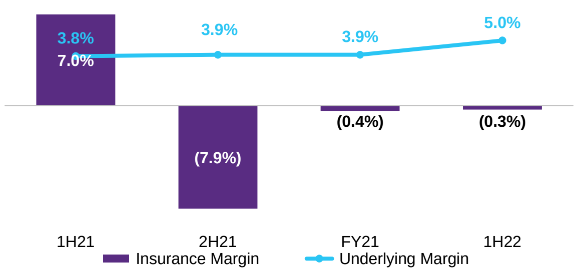
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



5. INTERMEDIATED INSURANCE AUSTRALIA

EXECUTIVE SUMMARY

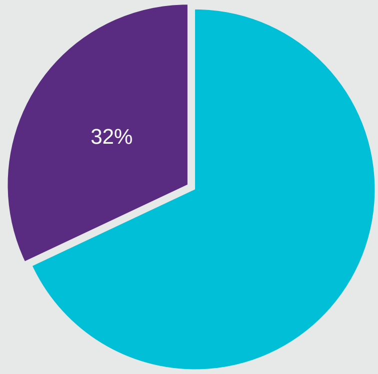
Intermediated Insurance Australia (IIA) snapshot

- IIA is a leading provider of general insurance products sold through a network of intermediaries to businesses and individuals across Australia
- Commercial insurance is sold under the CGU and WFI brands, with a significant share of the SME market and a leading presence in rural areas
- IIA also provides personal insurance primarily through broker and partner channels, including a leading retailer and a number of financial institution partnerships
- IIA's profitability and simplification focus will be a key driver of IAG's strategy to "Build better businesses"
- Longer term, IIA is also targeting growth, to align to IAG's strategy to "Grow with our customers"

1H22 Performance

- Robust 8.9% GWP growth, with at least high single-digit growth achieved across all major classes
- Rate increases remain the dominant growth driver at ~9%
- Market backdrop remains supportive
- Volume growth achieved in select portfolios through new business and strong retention, offset by volume reductions through targeted underwriting including the exit of IAL Personal Lines
- Underlying margin continued to recover, improving to 5.0% in 1H22 (1H21: 3.8%), delivering steady progress towards IIA's $250m insurance profit target by FY24
- Elevated natural perils costs $62m above the allowance, the dominant driver of the reported insurance loss of $4m in 1H22 (1H21: $84m insurance profit 2H21: $94m loss)
- $17m of net strengthening confined to liability classes relating to bodily injury and complex property damage claims

IIA - % 1H22 Group GWP



PREMIUMS

IIA reported GWP of $2,136m in 1H22, an 8.9% increase compared to 1H21. Significant rate increases remain the dominant feature and averaged ~9% in 1H22. While IIA recorded relatively flat volumes overall, pockets of targeted new business growth were achieved, retention levels remained strong and the impact from portfolio optimisation was lower than expected earlier in the year.

While underlying growth momentum is expected to continue into 2H22, headline growth will be impacted by a number of non-recurring items, most notably the exit of IAL Personal Lines (~$100m), gradual transition of the HBF portfolio to DIA and lower volumes of multi-year workers' compensation policies that positively impacted 2H21.

Ongoing rate driven premium growth, with less impact from portfolio optimisation

INTERMEDIATED INSURANCE AUSTRALIA GWP	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m	GWP Growth 1H22 vs 1H21
Commercial short tail	940	957	1,897	1,030	9.6%
Commercial long tail	407	479	886	473	16.2%
Personal	615	650	1,265	633	2.9%
Total GWP	**1,962**	**2,086**	**4,048**	**2,136**	**8.9%**

5. INTERMEDIATED INSURANCE AUSTRALIA

Commercial short tail

Commercial short tail GWP grew by 9.6% in 1H22 and reflected:

- Varying rate movements across portfolios. Commercial SME packages achieved mid single-digit rate increases with double-digit rate changes achieved in a number of CGU lines, including property, construction & engineering and SME country packages;
- Some volume reductions occurred in certain lines however these were not at the level expected at the start of FY22, as retention levels generally held steady, particularly in rural packages;
- New business volumes above expectations across commercial SME business packages, property and construction & engineering; and
- A strong growth performance from agencies, including NTI, 360 Commercial and SUU, IAG's strata underwriting agency.

Commercial long tail

Commercial long tail GWP grew by 16.2% in 1H22 mainly through rate, with double-digit average increases across numerous classes of business to counter elevated claims inflation. Key drivers:

- Double-digit rate increases across professional risks and liability lines; and
- High single-digit average rate increases in workers' compensation, partly offset by targeted volume reductions.

Personal

IIA's personal insurance is primarily sold through broker and partner channels, including a leading retailer and several financial institution partnerships. GWP grew by 2.9% in 1H22, including:

- Strong growth in the broker personal lines portfolio, with mid single-digit rate increases supplemented by volume growth;
- The exit of IAL Personal Lines, effective 1 November 2021. The adverse impact on 1H22 GWP was $26m and a further ~$100m reduction is expected in 2H22; and
- Mid single-digit rate increase in partnered channels, partly offset by volume reductions largely due to the staged transfer of the HBF portfolio to DIA upon renewal.

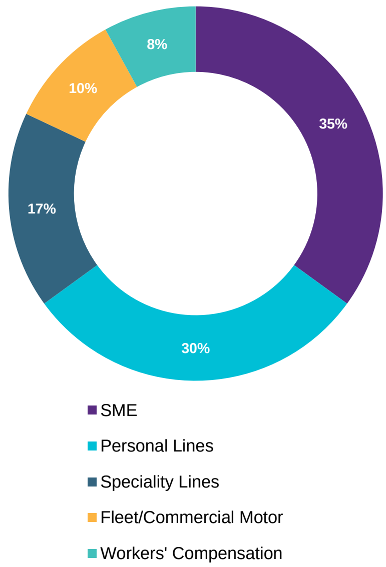
Digital initiatives and underwriting actions

IIA continues to enhance its product offerings, strengthen its partnerships and improve the quality of its customer service. In 1H22 there was an enhanced focus on continual development of technical pricing and underwriting capabilities. Key activities included:

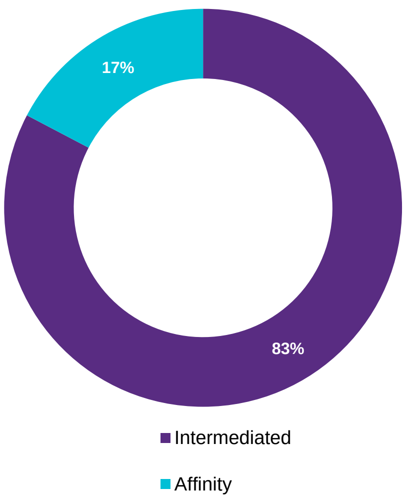
- Simplification and improvement of digital broker and partner platforms;
- Implementation of a digital workflow management solution within CGU to simplify ways of working, uplift productivity and enable efficiencies;
- The launch of a new service model in CGU called BrokerPoint, which will deliver an improved broker experience and more efficient servicing, underpinned by digital capability;
- Expansion of IIA's broker traded product offerings, enabling IIA to write commercial motor policies via Steadfast's trading platform;
- Launch of the "PRICE" perils tool to ensure more accurate pricing of IAG's natural perils exposure at an individual product level; and
- Introduction of a dedicated broker claims team for workers' compensation to enhance our partner experience.

Ongoing rate driven premium growth in all key classes

IIA 1H22 GWP – CLASS



IIA 1H22 GWP – CHANNEL



5. INTERMEDIATED INSURANCE AUSTRALIA

INSURANCE PROFIT

IIA reported an insurance loss of $4m in 1H22 (1H21: $84m insurance profit; 2H21: $94m loss). Natural perils costs were particularly severe in 1H22 and the main driver of the overall result. FY21 was affected mainly by reserve strengthening on long tail commercial classes and this has had a significantly lower impact in 1H22.

Reported insurance result impacted by increase in natural perils

INSURANCE MARGIN IMPACTS Intermediated Insurance Australia	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Underlying insurance profit	**46**	**47**	**93**	**65**
Reserve releases/(strengthening)	(34)	(85)	(119)	(17)
Natural perils	(86)	(200)	(286)	(224)
Natural perils allowance	137	137	274	162
Credit spreads	21	7	28	10
Reported insurance profit	**84**	**(94)**	**(10)**	**(4)**
Underlying insurance margin	**3.8%**	**3.9%**	**3.9%**	**5.0%**
Reserve releases/(strengthening)	(2.8%)	(7.1%)	(5.0%)	(1.3%)
Natural perils	(7.1%)	(16.8%)	(11.9%)	(17.3%)
Natural peril allowance	11.4%	11.5%	11.4%	12.5%
Credit spreads	1.7%	0.6%	1.2%	0.8%
Reported insurance margin	**7.0%**	**(7.9%)**	**(0.4%)**	**(0.3%)**

IIA's underlying margin continued to recover over the period, improving to 5.0% in 1H22, 120bps higher than 3.8% in 1H21. The division has delivered steady progress towards its $250m insurance profit target by FY24.

The overall net impact from COVID-19 was not material during 1H22 (consistent with the prior year). The benefit from reduced motor claims frequency, particularly during lockdown periods, was offset by the combined impact of some increased average claims costs and higher operating expenses.

Steady improvement in underlying performance

Key drivers of the underlying margin improvement on 1H21 included:

- 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;

This was partly offset by:

- Around a 200bps drag from the higher natural perils allowance; and
- Elevated expenses, including COVID-19 related effects.

The main drivers of IIA's underlying and reported insurance profit are discussed in more detail below.

Underlying Claims Experience

Initiatives to address IIA's profitability and the favourable pricing backdrop for the industry are evident in the improving underlying claims ratio in recent halves (excluding reserve movements, natural perils and discount rate adjustments). This was 51.7% in 1H22, a 330bps improvement compared to 1H21 (55.0%) and a 120bps improvement versus 2H21 (52.9%).

5. INTERMEDIATED INSURANCE AUSTRALIA

IMMUNISED LOSS RATIO Intermediated Insurance Australia	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Immunised underlying net claims expense	**663**	**630**	**1,293**	**670**
Discount rate adjustment	4	(16)	(12)	(33)
Reserving and perils effects	120	285	405	241
Reported net claims expense	**787**	**899**	**1,686**	**878**
Immunised underlying loss ratio	**55.0%**	**52.9%**	**53.9%**	**51.7%**
Discount rate adjustment	0.4%	(1.3%)	(0.5%)	(2.6%)
Reserving and perils effects	9.9%	23.9%	16.9%	18.6%
Reported loss ratio	**65.3%**	**75.5%**	**70.3%**	**67.7%**

Market factors and IIA initiatives underpinning significant loss ratio improvement

The underlying claims performance included the net effect of various factors. On the positive side, the ratio benefited from:

- The earn-through effect of higher premium rates ahead of elevated claims inflation in a number of classes;
- Improved working and large claims experience, particularly in property, construction & engineering and commercial SME packages;
- A favourable performance from rural packages compared to 1H21 from lower claims experience and portfolio enhancements including continued tactical initiatives, planned divestments and portfolio segmentation;
- Some improvement in the personal lines home portfolio driven by reduced claims frequency; and
- An improvement in long tail portfolio loss ratios compared to 1H21 reflecting active portfolio management.

These improvements have been partly offset by an increase in some underwriting agencies' underlying claims due to a normalisation of the unseasonably low claims experience in 1H21.

Reserve Releases / Strengthening

Further reserve strengthening in the liability portfolio

$17m 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 FY21.

Natural Perils

A list of significant perils costs is available in the Group section.

Expenses

Underwriting expenses grew from $183m in 1H21 to $215m in 1H22, impacting the administration expense ratio by 140bps against the prior comparable period, while this ratio held relatively steady compared to 2H21. This reflects:

- Increased technology and system spending, and further investment in risk and regulatory functions, as outlined in the Group section; and
- A particular focus on core infrastructure and capabilities to uplift digital engagement with intermediaries and reduce costs of trading with IAG.

The commission ratio of 15.0% in 1H22 has reduced compared to 1H21 driven by changes in the portfolio mix during the period including higher rates of growth in products that attract lower commission rates and product exits.

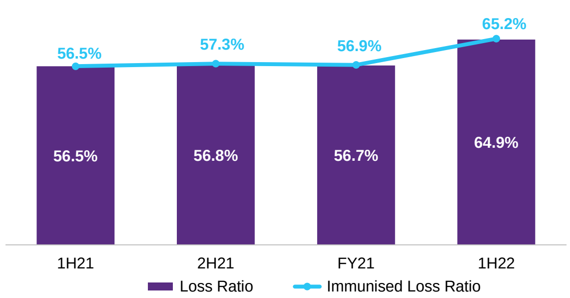
6. NEW ZEALAND

FINANCIAL PERFORMANCE

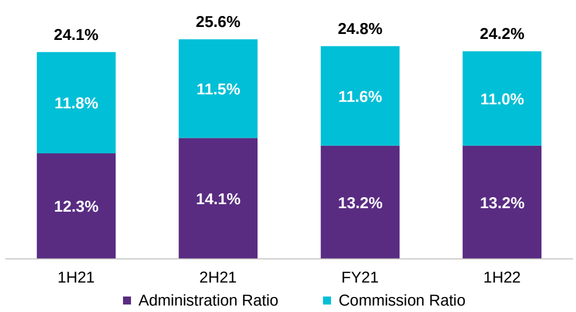
NEW ZEALAND	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Gross written premium	**1,368**	**1,410**	**2,778**	**1,481**
Gross earned premium	1,362	1,368	2,730	1,455
Reinsurance expense	(566)	(558)	(1,124)	(585)
Net earned premium	**796**	**810**	**1,606**	**870**
Net claims expense	(450)	(460)	(910)	(565)
Commission expense	(94)	(93)	(187)	(96)
Underwriting expense	(98)	(114)	(212)	(115)
Underwriting profit	**154**	**143**	**297**	**94**
Investment income on technical reserves	8	-	8	5
Insurance profit	**162**	**143**	**305**	**99**
Insurance Ratios	**1H21**	**2H21**	**FY21**	**1H22**
Loss ratio	56.5%	56.8%	56.7%	64.9%
Immunised loss ratio	56.5%	57.3%	56.9%	65.2%
Expense ratio	24.1%	25.6%	24.8%	24.2%
Commission ratio	11.8%	11.5%	11.6%	11.0%
Administration ratio	12.3%	14.1%	13.2%	13.2%
Combined ratio	80.6%	82.4%	81.5%	89.1%
Immunised combined ratio	80.6%	82.9%	81.7%	89.4%
Reported insurance margin	20.4%	17.7%	19.0%	11.4%
Underlying insurance margin	18.6%	14.3%	16.4%	16.8%

INSURANCE RATIOS

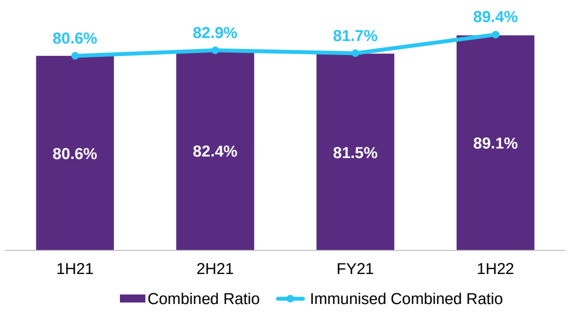
LOSS RATIO



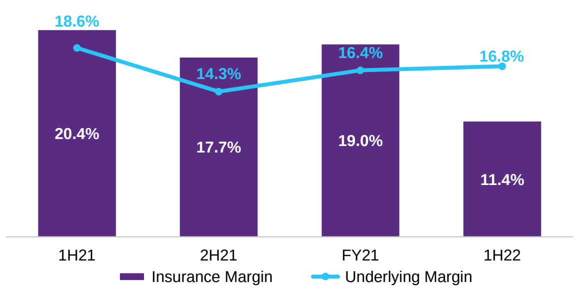
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



6. NEW ZEALAND

EXECUTIVE SUMMARY

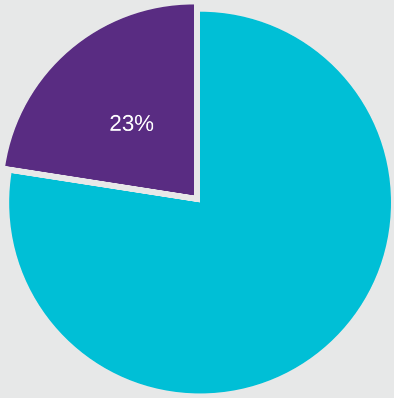
New Zealand snapshot

- IAG is the largest general insurer in New Zealand, trading under the State, NZI, AMI and Lumley brands
- New Zealand sells products through a combination of direct and intermediated channels
- The Consumer division sells products directly to customers under the State, AMI and Lantern brands, and distributes products through IAG's banking partners ASB, Westpac, BNZ and the Co-Operative Bank
- The Business division distributes products through a nationwide network of qualified and experienced brokers under the NZI and Lumley brands
- The immediate focus of New Zealand's five-year strategy is to strengthen its foundations through simplification, transform the claims experience and deliver a customer-led culture
- New Zealand will then build on these strong foundations and accelerate investment in growth opportunities

1H22 Performance

- GWP growth of 8.3%, with local currency growth of 5.9%
- Significant shift in growth momentum driven by rate increases across all key portfolios and a strong performance in commercial lines
- Looking through half on half volatility in FY21, the strong 1H22 underlying margin of 16.8% has improved compared to 16.4% in FY21

New Zealand - % 1H22 Group GWP



PREMIUMS

New Zealand's local currency GWP grew by 5.9% in 1H22 to NZ$1,554m. This significant shift in momentum compared to recent years was driven mainly by rate increases and a notable uplift in commercial property insured values, with negligible volume growth recorded. It reflects:

- Strong GWP growth from Business, driven by higher rates across all key portfolios; and
- Sound GWP growth from Consumer, with increased rates across all key portfolios, volume growth through the direct commercial motor book and volume reductions elsewhere.

NEW ZEALAND GWP	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m	GWP Growth 1H22 vs 1H21
Business	588	630	1,218	662	12.6%
Consumer	780	780	1,560	819	5.0%
Total GWP	**1,368**	**1,410**	**2,778**	**1,481**	**8.3%**

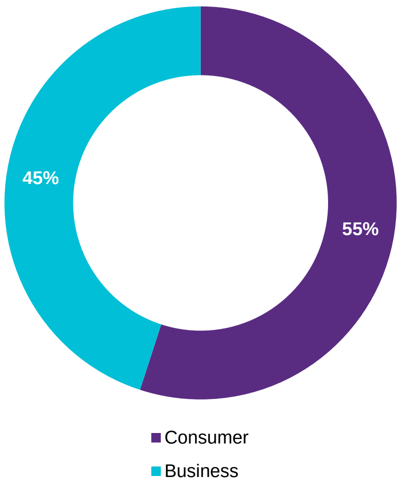
Business

Business represented 45% of New Zealand's GWP in 1H22 (1H21: 43%), with robust local currency GWP growth of 10.1%. This was achieved through:

- Strong growth across all commercial lines portfolios through a combination of higher rates, an uplift in commercial property insured values and new business growth, particularly in the construction and engineering portfolio;

Local currency GWP growth of 5.9%

NEW ZEALAND 1H22 GWP - DIVISION



6. NEW ZEALAND

- Strong retention rates across all key commercial lines portfolios. New business growth in the commercial property portfolio was broadly in line with prior year levels, while commercial motor was down on the same period; and
- GWP growth was also experienced in Business' personal lines GWP, where higher rates were partly offset by volume loss across all key portfolios as the division continues to exercise disciplined underwriting and price appropriately.

Consumer

Consumer represented 55% of New Zealand's GWP in 1H22 (1H21: 57%) and achieved local currency GWP growth of 2.6% versus 1H21. This reflected:

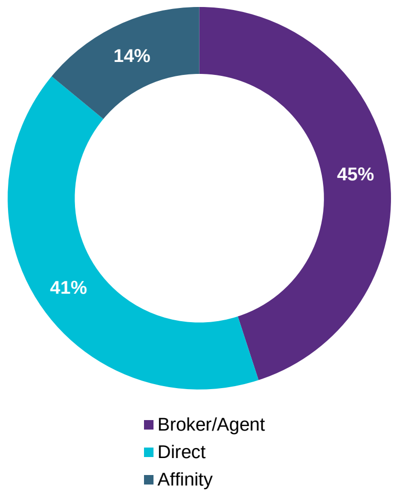
- Growth led by the direct (State and AMI) brands, primarily through rate increases across all key personal lines portfolios, and volume growth in key commercial lines portfolios;
- Ongoing strong direct retention rates, with all personal lines portfolios ahead of 1H21. However, direct new business levels were down on prior year levels. As with prior COVID-19 lockdowns, a reduction in new business activity in 1H22's lockdown was observed. This recovered to pre-lockdown levels by November;
- GWP for personal line products written through bank partners was slightly up on 1H21, including higher rates and slightly improved retention levels partly offset by lower new business growth; and
- Strong GWP growth in Consumer's direct commercial lines portfolio driven by rate increases across all key portfolios along with volume growth in direct commercial motor and AMI liability books.

Strong fundamentals in Business, lower new business in Consumer

Customer Initiatives

- The expansion of the Repairhub model into metropolitan areas is a central part of New Zealand's strategy to "Build Better Businesses".
  - Repairhub sites are world-class facilities, designed through customer input to provide faster, high-quality repairs and a better overall experience with sustainability front of mind.
  - The cost to repair is 20% lower than external market providers and it's delivering a customer experience with high customer advocacy.
  - Following success with the East Tamaki and Christchurch sites, a third Repairhub site opened in Auckland in November 2021, and five additional sites are planned for 2022 and 2023.
- AMI partnered with Habitat for Humanity in May 2021 to help improve the lives of New Zealanders living in sub-standard homes. Through the partnership, AMI has donated the equivalent of four kilometres of fully lined curtains to help keep families warm.
- AMI is also providing customers the option to donate household contents with minimal damage to their local Habitat ReStore at claim settlement time. This initiative addresses a common pain point amongst customers who want to discard household items that could still be of value.
- Ensuring a strong customer experience and building brand awareness continues to be a key focus. As a result, State's brand awareness has increased to 67% from 64% at June 2021, while AMI has also increased to 60% from 59% at June 2021.

NEW ZEALAND 1H22 GWP - CHANNEL



Digital Initiatives

COVID-19 was the catalyst for a marked shift to digital channels as customers benefited from having more flexibility in how and when they interact. Progress on digital initiatives included:

6. NEW ZEALAND

- The Claims Optimisation programme, which is focused on driving digital capabilities, automating processes and reducing cost to service:
  - All direct private motor windscreen claims can now be lodged online, a key enhancement in customers' digital claims experience;
  - 40% of AMI's and State's digital private motor claims are now being auto-verified. This new feature enables faster processing of digital motor claims, with handle time on auto-verified claims reduced from fifteen to five minutes, ensuring a seamless and consistent customer experience; and
  - Automation of supplier payment initiatives are also being prioritised;
- Moving NZI's Broker Portal onto a new platform in September 2021 to provide a more intuitive and effective online experience. Since the launch, 77% of brokers have activated their Broker Portal account and nearly 40,000 quotes have been produced;
- Extension of AMI's partnership with SeniorNet to continue to support older AMI customers to embrace technology. Over 1,000 AMI customers over 50 years have accessed SeniorNet's range of digital support; and
- Digital sales contributed 31% of direct new business in 1H22 as IAG continues to enhance digital functionality and develop online propositions.

Continued investment in digital channels

INSURANCE PROFIT

New Zealand achieved an insurance profit of $99m in 1H22, compared to $162m in 1H21. This translated to a reported insurance margin of 11.4% (1H21: 20.4%), reflecting the significant increase in natural perils costs in 1H22.

INSURANCE MARGIN IMPACTS New Zealand	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Underlying insurance profit	**148**	**115**	**263**	**146**
Reserve releases/(strengthening)	18	18	36	8
Natural perils	(51)	(37)	(88)	(103)
Natural perils allowance	47	47	94	48
Reported insurance profit	**162**	**143**	**305**	**99**
Underlying insurance margin	**18.6%**	**14.3%**	**16.4%**	**16.8%**
Reserve releases/(strengthening)	2.3%	2.2%	2.2%	0.9%
Natural perils	(6.4%)	(4.6%)	(5.5%)	(11.8%)
Natural perils allowance	5.9%	5.8%	5.9%	5.5%
Reported insurance margin	**20.4%**	**17.7%**	**19.0%**	**11.4%**

New Zealand's 1H22 underlying margin of 16.8% was below 1H21 (1H21: 18.6% 2H21: 14.3%). It is more relevant to compare 1H22 to the full year underlying margin of 16.4% given volatility in large commercial property claims between halves in FY21 and some transitional costs associated with IAG's new operating model in 2H21.

1H22 underlying margin consistent with FY21 exit run-rate

New Zealand also benefited from COVID-19 motor claims frequency over the half. Similar to 1H21 and 2H21, net COVID-19 benefits were not material, taking into account additional related claims costs and expenses.

The main drivers of New Zealand's underlying and reported insurance profit are discussed in more detail below.

6. NEW ZEALAND

Underlying Claims Experience

New Zealand incurred a higher underlying loss ratio of 54.3% in 1H22 (1H21: 52.4%). This was also moderately higher than 53.6% in FY21.

IMMUNISED LOSS RATIO New Zealand	1H21 A$m	2H21 A$m	FY21 A$m	1H22 A$m
Immunised underlying net claims expense	**417**	**445**	**862**	**472**
Discount rate adjustment	-	(4)	(4)	(2)
Reserving and perils effects	33	19	52	95
Reported net claims expense	**450**	**460**	**910**	**565**
Immunised underlying loss ratio	**52.4%**	**54.9%**	**53.6%**	**54.3%**
Discount rate adjustment	-	(0.5%)	(0.2%)	(0.3%)
Reserving and perils effects	4.1%	2.4%	3.3%	10.9%
Reported loss ratio	**56.5%**	**56.8%**	**56.7%**	**64.9%**

Compared to 1H21, the softer underlying loss ratio was influenced by the following main factors:

- Higher large commercial property claims (>NZ$100,000) due to a number of high-value fire events in 1H22, increasing these larger claims over the half relative to a particularly benign 1H21; and
- A partial offset from lower motor claim frequency, mostly due to COVID-19 lockdown restrictions.

Large claims experience increased after a benign 1H21

Reserve Releases / Strengthening

Prior period reserve releases of $8m were recognised in 1H22, compared to releases of $18m in 1H21. The releases were predominantly attributable to prior year natural perils and working claims across a number of portfolios.

Natural Perils

A detailed list of significant natural perils costs for New Zealand is available in the Group Results section.

Canterbury earthquake settlements

Good progress continues to be made with the settlement of claims associated with the FY11 Canterbury earthquake events. At 31 December 2021 over NZ$7.1bn of claim settlements had been completed, with less than 600 claims remaining open out of more than 90,000 received. Given the signficant reduction in financial risk, IAG will no longer provide updates on the Canterbury earthquake claims in future periods.

Expenses

The administration expense ratio increased from 12.3% in 1H21 to 13.2% in 1H22 however was lower than 14.1% in 2H21, This was a function of:

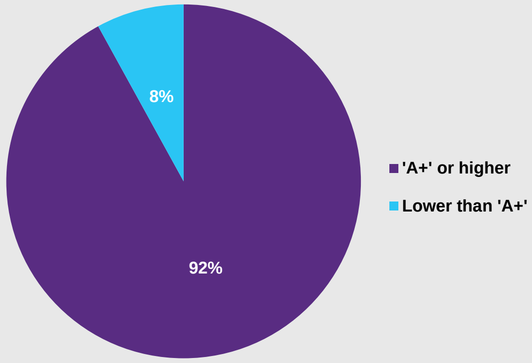
- Increased technology and system spending, and further investment in risk and regulatory functions, as outlined in the Group section on expenses;
- Higher employee costs mainly due to repatriation of offshore teams back onshore along with investment in automation and digitisation initiatives; and
- Non-recurring property consolidation and operating model costs in 2H21.

7. REINSURANCE

EXECUTIVE SUMMARY

- Calendar 2022 gross catastrophe cover up to $10bn unchanged from 2021
- Catastrophe cover placed to 67.5% to reflect quota share agreements
- FY22 aggregate protection ($236m in excess of $270m (post-quota share)
- Estimated $209m erosion of the $270m aggregate deductible to 31 December 2021 (post-quota share)
- Post-quota share Group maximum event retention (MER) of $95m at 1 January 2022

Counter-Party Risk - Catastrophe Program (as at 1 January 2022)



REINSURANCE STRATEGY

Reinsurance is an important part of IAG's approach to capital management. IAG maintains a philosophy of limiting its main catastrophe retention to a maximum of 4% of gross earned premium. Current retentions are below this level.

IAG determines its reinsurance requirements for Australia and New Zealand on a modified whole-of-portfolio basis (where modified whole-of-portfolio is the sum of all correlated risk). The limit purchased at 1 January 2022 continues to reflect IAG's conservative approach to catastrophe protection. IAG procures a limit greater than the Australian regulator's 1-in-200-year return period requirement, and also above the 1-in-1,000-year return period requirement for New Zealand. The higher limit purchased is to compensate for possible deficiencies in the current catastrophe models.

IAG's Australia-based reinsurance unit manages 100% of the total external reinsurance treaty premium spend on behalf of the Australian and New Zealand business. A key responsibility of this unit is to capture and manage counter-party and regulatory exposures.

MARKET ENVIRONMENT

Globally, the reinsurance industry experienced an active period of large natural perils losses throughout 2021. When coupled with low investment yields and claims inflation concerns, reinsurers' appetite remained limited on layers and programs which experienced significant attritional loss activity. This resulted in reinsurance capacity continuing to be allocated on a program by program basis influenced by loss experience, risk appetite and relationship longevity.

Active period of large natural peril losses

Overall, the reinsurance market remained robust with sufficient capacity available, which ensured that insurance company coverage obligations continued be secured. The cost of IAG's 2022 program placed on 1 January 2022 increased by mid-single digits, in line with the assumptions incorporated into IAG's internal planning processes.

WHOLE-OF-ACCOUNT QUOTA SHARE

IAG employs reinsurance capital via whole-of-account quota shares, with 32.5% of IAG's business subject to these arrangements which include:

- A ten-year, 20% arrangement with Berkshire Hathaway which commenced 1 July 2015; and

32.5% of consolidated business remains subject to quota share

7. REINSURANCE

- Three agreements for a combined 12.5% from 1 January 2018, with Munich Re, Swiss Re and Hannover Re. The average initial term of these agreements at inception was in excess of five years.

The smallest of these agreements (2.5%) expires on 30 June 2022 and it is IAG's current intention to maintain the overall quota share at a similar level.

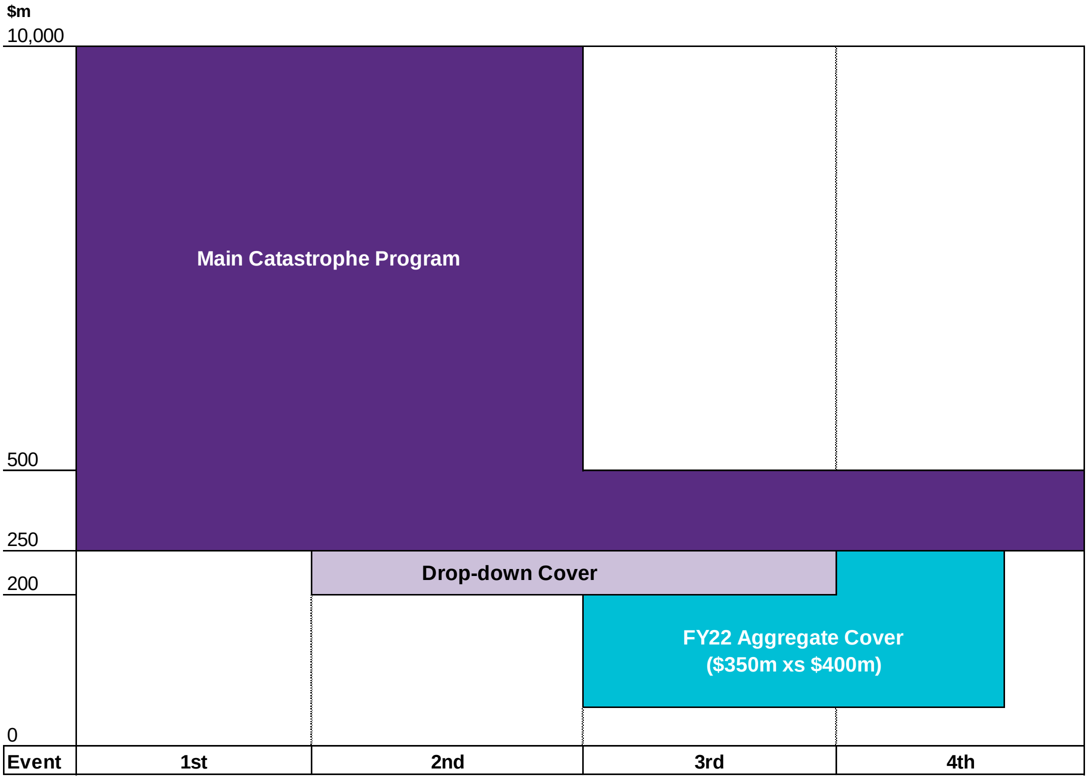
All the individual agreements deliver similar benefits and financial effects, on a pro-rata basis. These include:

- Reduced earnings volatility, as insurance risk is effectively exchanged for a more stable fee income stream;
- A lower requirement for catastrophe reinsurance limit and reduced exposure to volatility in associated premium rates; and
- A reduction in IAG's regulatory capital needs.

CATASTROPHE COVER

IAG's catastrophe reinsurance protection runs to a calendar year, operates on an excess of loss basis and covers all territories in which IAG operates.

GROSS CATASTROPHE REINSURANCE – AS AT 1 JANUARY 2022



The main features at a gross (pre-quota share) level include:

- A main catastrophe cover for losses up to $10bn, including one prepaid reinstatement;
- IAG retaining the first $250m (2021: $250m) of each loss;
- Second and third event drop-down covers of $50m, reducing the cost of these events to $200m (2021: $50m for a second and third event); and
- Three prepaid reinstatements secured for the lower layer ($250m excess of $250m) of the main program (2021: three).

The overall credit quality of the 2022 program is strong, with over 90% placed with entities rated A+ or higher, an increase compared to 2021.

Gross catastrophe cover of up to $10bn, placed to 67.5% to reflect quota shares

7. REINSURANCE

The aggregate sideways cover for the 12-month period to 30 June 2022 provides $350m of protection in excess of $400m. Qualifying events are capped at $200m excess of $50m per event. An estimated $310m erosion of the $400m deductible occurred during the six months to 31 December 2021 ($209m post-quota share).

After allowance for the cumulative quota share arrangements in place, the combination of all catastrophe covers resulted in IAG having a MER of $95m at 1 January 2022.

CATASTROPHE REINSURANCE PROGRAM		
Cover	**Gross**	**Net of quota share (67.5%)**
Main cover	$9.75bn xs $250m	$6.58bn xs $169m
Aggregate cover	$350m xs $400m	$236m xs $270m
Aggregate cover qualifying events	$200m xs $50m	$135m xs $34m
Retentions at inception	**Gross**	**Net of quota share (67.5%)**
First event	$250m	$169m
Second event	$200m	$135m
Subsequent event	$100m	$68m

CTP QUOTA SHARE

IAG has a quota share agreement with Munich Re in respect of 30% of its combined CTP book. Following completion of an initial four-year period from 1 July 2016, this was extended for a minimum period of 24 months to 30 June 2022. This book of business is currently being reviewed and a decision on the continuation of this quota share agreement will be forthcoming in 2H22. The agreement covers all CTP written in NSW, the ACT and South Australia. The CTP quota share runs in conjunction with the whole-of-account agreements, meaning 62.5% of IAG's CTP book is currently subject to quota share.

Maintained CTP quota share at 30%

OTHER COVERS

IAG has a comprehensive suite of per risk and proportional reinsurances for property and casualty which protect it in all territories in which it underwrites. These were renewed at 30 June 2021 with little change to the expiring placements.

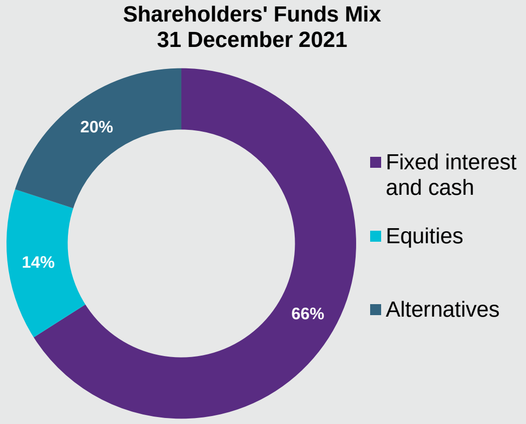
Where required by statute, unlimited cover is purchased where available and for other lines cover is placed up to the original underwriting limits for each class. Cover is also secured for potential accumulations within a class or between classes of business.

In February 2016, IAG completed reinsurance transactions with Berkshire Hathaway that materially mitigate IAG's exposure to its two largest run-off portfolios: New Zealand February 2011 earthquake and asbestos.

8. INVESTMENTS

EXECUTIVE SUMMARY

- Total investments of $12.2bn as at 31 December 2021
- Investment allocation remains conservatively positioned
- Technical reserves of $7.7bn invested in fixed interest and cash
- Shareholders' funds of $4.5bn – defensive asset weighting of 66%
- Investment return on technical reserves impacted by interest rates moving sharply higher
- Positive returns in shareholders' funds growth assets



INVESTMENT PHILOSOPHY

IAG's investment philosophy is to:

- Invest the assets backing technical reserves, wherever possible, in securities with interest rate sensitivities that align to the underlying insurance liabilities;
- Invest shareholders' funds to maximise the return on capital, consistent with IAG's risk appetite and flexibility requirements; and
- Invest IAG's assets so that the contribution of investment risk to earnings volatility should not dominate the contribution from insurance risk.

Technical reserves invested to align with liability interest rate risk

INVESTMENT STRATEGIES

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).

IAG's allocation to growth assets (equities and alternatives) was 34% of shareholders' funds at 31 December 2021, 4% higher than the level at 30 June 2021.

Distinct investment strategies for technical reserves and shareholders' funds

INVESTMENT ASSETS

Total investments of $12.2bn as at 31 December 2021 decreased by $200m compared to the position at 30 June 2021, reflecting the combined effect of:

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

INVESTMENT ASSETS	1H21 A$bn	FY21 A$bn	1H22 A$bn
Technical reserves	7.1	7.4	7.7
Shareholders' funds	4.6	5.0	4.5
Total investment assets	**11.7**	**12.4**	**12.2**

Total investments decreased by $200m, largely due to dividend payments

8. INVESTMENTS

ASSET ALLOCATION

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 1H21, IAG's growth assets weighting in shareholders' funds has typically been in the range of 40-50%, 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.

Nearly 90% of total investments in fixed interest and cash

Carbon reduction targets established

ASSET ALLOCATION

SHAREHOLDERS' FUNDS	1H21 %	FY21 %	1H22 %	1H22 A$m
Australian equities	4.4	5.2	5.8	264
International equities	5.8	7.3	8.4	386
Alternatives	16.5	17.2	20.0	915
Fixed interest and cash	73.3	70.3	65.8	3,004
Total	**100.0**	**100.0**	**100.0**	**4,569**
TECHNICAL RESERVES	%	%	%	A$m
Fixed interest and cash	100.0	100.0	100.0	7,670
Total	**100.0**	**100.0**	**100.0**	**7,670**
TOTAL SHAREHOLDERS' FUNDS AND TECHNICAL RESERVES	%	%	%	A$m
Australian equities	1.7	2.1	2.2	264
International equities	2.3	2.9	3.2	386
Alternatives	6.5	6.9	7.4	915
Fixed interest and cash	89.5	88.1	87.2	10,674
Total	**100.0**	**100.0**	**100.0**	**12,239**

Alternative investments totalled $915m (FY21: ~$860m), or approximately 20% of shareholders' funds. The allocation to alternative investments currently includes higher yielding credit strategies, global convertible bonds, hedge funds and private equity.

ALTERNATIVES	1H21 A$m	FY21 A$m	1H22 A$m
Global convertible bonds	171	225	229
Higher yielding credit	365	381	388
Hedge funds	139	139	178
Private equity	82	115	120
Total Alternatives	**757**	**860**	**915**

$120m in private equity includes IAG's residual investment in Bohai in China and the Firemark Ventures fund.

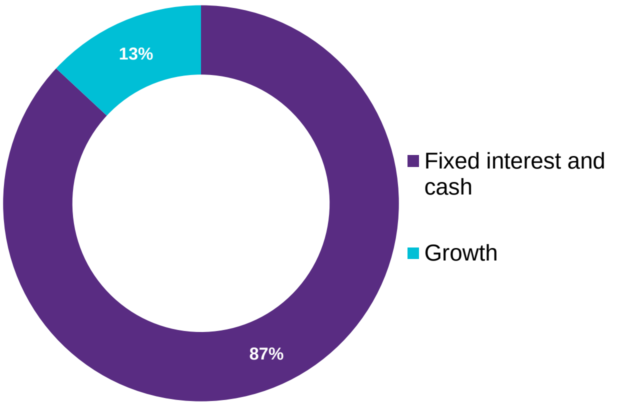
8. INVESTMENTS

CREDIT QUALITY OF ASSETS

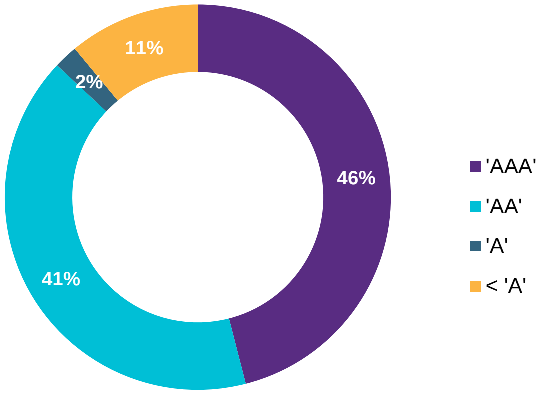
The credit quality of IAG's investment book remains strong, with close to 90% of the fixed interest and cash portfolio rated 'AA' or higher.

Strong credit quality maintained

ASSET ALLOCATION – 31 DECEMBER 2021



CREDIT QUALITY – 31 DECEMBER 2021



*Cash and securities issued with a short-term rating are included in the rating category with the equivalent APRA counterparty grade

INVESTMENT PERFORMANCE

Investment Income on Technical Reserves

Investment income on technical reserves for 1H22 was a loss of $7m, compared to $101m in 1H21. Influences included:

- Higher average investment assets of approximately $7.5bn (1H21: ~$6.5bn) mainly due to the business interruption provision established towards the end of 1H21;
- A significant increase in risk free rates in 1H22 leading to mark-to-market losses;
- An $18m gain mainly due to credit spreads and yield curve effects, compared to a profit of $51m in 1H21. 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 a ~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.

Broadly similar average yield on technical reserves compared to 1H21

After allowance for the factors outlined above, the average investment income yield in 1H22 was slightly lower than 1H21.

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

Investment Income on Shareholders' Funds

Investment income on shareholders' funds was a profit of $53m, compared to a profit of $138m in 1H21, reflecting:

- A strong performance across alternative assets, primarily from higher yielding credit strategies;
- Positive equity returns in 1H22 reflecting strong market performances (S&P ASX200 Accumulation Index increased by 3.8% and the MSCI World Total Return Index (AUD Hedged) posted an increase of 8.4%);
- A loss on defensive investments as a result of interest rates increasing; and

Profit on shareholders' funds driven by market recovery

8. INVESTMENTS

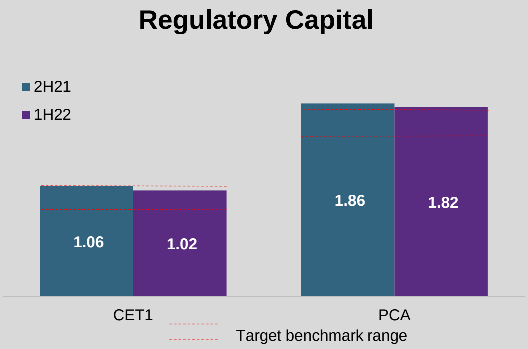
- Negative fair value adjustments in the Firemark Ventures investment portfolio, reflecting investment market changes.

SHAREHOLDERS' FUNDS INCOME	1H21 A$m	1H22 A$m
Equities	41	42
Alternatives	80	32
Fixed interest and cash	25	(10)
Total investment return	**146**	**64**
Foreign exchange and interest rate hedging costs	-	(1)
Fair value adjustments - Bohai / Firemark Ventures	(5)	(6)
Management fees	(3)	(4)
Total shareholders' funds income	**138**	**53**

9. BALANCE SHEET & CAPITAL

EXECUTIVE SUMMARY

- Strong balance sheet and capital position
- CET1 multiple of 1.02 vs. benchmark of 0.9-1.1
- PCA multiple of 1.82 vs. benchmark of 1.6-1.8
- Debt and hybrids 38.9% of total tangible capitalisation – towards top end of targeted range
- S&P 'AA-' rating of core operating subsidiaries
- Potential issuance of a new NZ$ Tier 2 instrument in 2H22



BALANCE SHEET

	1H21 A$m	FY21 A$m	1H22 A$m
Assets			
Cash held for operational purposes	418	326	388
Investments	11,714	12,417	12,239
Investments in joint ventures and associates	341	30	31
Trade and other receivables	4,223	4,354	4,335
Reinsurance and other recoveries on outstanding claims	6,868	7,272	7,577
Deferred insurance expenses	3,594	3,601	3,795
Goodwill and intangible assets	3,176	3,220	3,310
Assets held for sale	37	348	305
Other assets	1,989	1,881	1,868
Total assets	**32,360**	**33,449**	**33,848**
Liabilities			
Outstanding claims	12,579	13,312	13,951
Unearned premium	6,271	6,527	6,596
Interest bearing liabilities	1,976	1,987	2,023
Trade and other payables	2,842	2,975	3,032
Liabilities held for sale	20	19	-
Other liabilities	2,000	2,073	1,765
Total liabilities	**25,688**	**26,893**	**27,367**
Net assets	**6,672**	**6,556**	**6,481**
Equity			
Equity attributable to holders of ordinary shares	6,380	6,246	6,144
Non-controlling interests	292	310	337
Total equity	**6,672**	**6,556**	**6,481**

9. BALANCE SHEET & CAPITAL

CAPITAL

Capital Adequacy

IAG remains strongly capitalised with total regulatory capital of $4,497m at 31 December 2021. The CET1 ratio is IAG's primary capital measure and continues to meet targeted levels at 1.02 times the Prescribed Capital Amount (PCA). This compares to a targeted range of 0.9 to 1.1 times and a regulatory minimum requirement of 0.6 times.

IAG remains strongly capitalised

The CET1 ratio is a slight reduction from 1.06 at 30 June 2021, owing to the net effect of:

- The payment of the FY21 final dividend;
- Higher capital deductions, including an increase in intangible assets and deferred tax losses in Australia, partly offset by utilisation of New Zealand tax losses;
- Earnings in the period; and
- An overall modest reduction in risk charges.

GROUP COVERAGE OF REGULATORY CAPITAL REQUIREMENT	1H21 A$m	FY21 A$m	1H22 A$m
Common Equity Tier 1 Capital (CET1)			
Ordinary shares	7,385	7,386	7,386
Reserves	11	13	27
Retained earnings	(982)	(1,120)	(1,243)
Technical provisions in excess of liabilities	567	576	617
Minority interests	292	310	337
Less: Deductions	(4,506)	(4,530)	(4,611)
Total Common Equity Tier 1 Capital	**2,767**	**2,635**	**2,513**
Additional Tier 1 Capital			
Hybrid equities	404	404	404
Total Tier 1 Capital	**3,171**	**3,039**	**2,917**
Tier 2 Capital			
Subordinated term notes	1,577	1,576	1,580
Total Tier 2 Capital	**1,577**	**1,576**	**1,580**
Total Regulatory Capital	**4,748**	**4,615**	**4,497**
Prescribed Capital Amount (PCA)			
Insurance risk charge	1,089	1,143	1,167
Insurance concentration risk charge	169	192	169
Diversified asset risk charge	1,273	1,389	1,347
Aggregation benefit	(571)	(614)	(605)
Operational risk charge	371	377	390
Total Prescribed Capital Amount	**2,331**	**2,487**	**2,468**
PCA multiple	**2.04**	**1.86**	**1.82**
CET1 multiple	**1.19**	**1.06**	**1.02**

Deferred tax losses have increased by ~$60m since 30 June 2021, which reflects an increase in Australia, offset by tax loss utilisation in New Zealand. Total deferred tax losses for the Group stood at ~$680m at 31 December 2021 (Australia ~$510m; New Zealand ~$170m).

9. BALANCE SHEET & CAPITAL

Allowing for the interim dividend which will be paid in March 2022, the CET1 ratio at 31 December 2021 would reduce to 0.96.

The proposed sale of AmGeneral is expected to result in an increase in IAG's regulatory capital position of approximately $150m on completion, a ~0.06 improvement in the CET1 ratio. This is expected to occur in 2H22.

Interest Bearing Liabilities

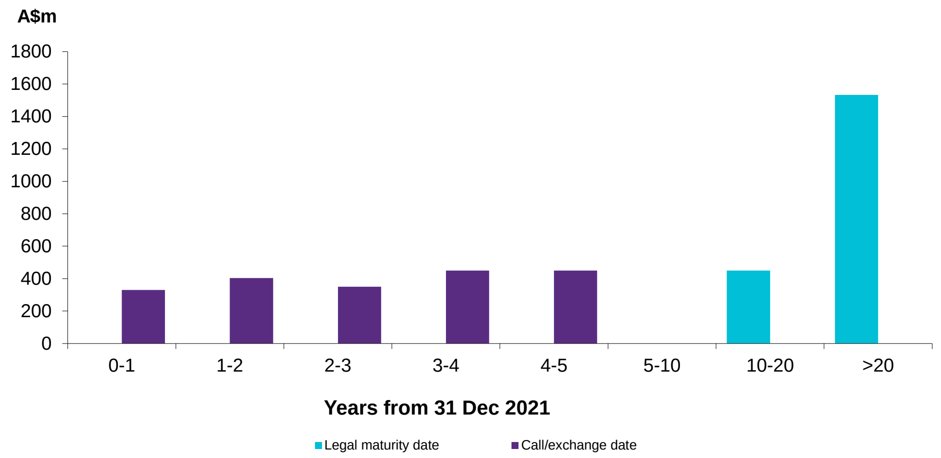
IAG's interest bearing liabilities stood at ~$2.0bn at 31 December 2021, roughly equivalent to the balance at 30 June 2021.

INTEREST BEARING LIABILITIES	1H21 A$m	FY21 A$m	1H22 A$m
Subordinated debt	1,577	1,576	1,580
Capital Notes	404	404	404
Subtotal interest bearing liabilities	**1,981**	**1,980**	**1,984**
Capitalised transaction costs/other	(5)	7	39
Total interest bearing liabilities	**1,976**	**1,987**	**2,023**

GROUP DEBT & HYBRID CAPITAL	Principal amount A$m	A$m	Yield %	Rate	First Call or Exchange date	S&P rating
Subordinated fixed rate notes	NZ$350	330	5.15%	Fixed	Jun-22	'BBB'
Subordinated term notes (issue Mar-18)[1]	A$350	350	2.16%	Variable	Jun-24	'BBB'
Subordinated term notes (issue Mar-19)[2]	A$450	450	2.41%	Variable	Jun-25	'BBB'
Subordinated term notes (issue Aug-20)[3]	A$450	450	2.51%	Variable	Dec-26	'BBB'
Total Debt		**1,580**				
AUD Capital Notes (IAGPD)[4]	A$404	404	4.76%	Variable	Jun-23	'N/R'

[1] Stated yield based on 3M BBSW + margin of 2.10%
[2] Stated yield based on 3M BBSW + margin of 2.35%
[3] Stated yield based on 3M BBSW + margin of 2.45%
[4] The Capital Notes pay floating rate quarterly interest. The yield shown is the current cash yield.

DEBT MATURITY PROFILE



9. BALANCE SHEET & CAPITAL

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) 60-70%; and
- Debt and hybrids 30-40%.

Capital mix within targeted ranges

CAPITAL MIX	1H21 A$m	FY21 A$m	1H22 A$m
Shareholder equity	6,672	6,556	6,481
Intangibles and goodwill	(3,176)	(3,220)	(3,310)
Tangible shareholder equity	**3,496**	**3,336**	**3,171**
Interest bearing liabilities	1,976	1,987	2,023
Total tangible capitalisation	**5,472**	**5,323**	**5,194**
Debt to total tangible capitalisation	**36.1%**	**37.3%**	**38.9%**

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

IAG's NZ$350m subordinated notes first optional redemption date is on 15 June 2022. As such, IAG may seek to issue a new NZ$ 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.

Credit Ratings

Standard & Poor's (S&P) accords 'very strong' 'AA-' insurer financial strength and issuer credit ratings to IAG's core operating subsidiaries, as well as an 'A' issuer credit rating to the non-operating holding company, Insurance Australia Group Limited. The outlook on all entities is stable.

Retain intent to manage capital to CET1 benchmark range over longer term

10. ESG, CLIMATE CHANGE AND SAFER COMMUNITIES

IAG's purpose is to make your world a safer place. The Safer Communities enterprise-wide business plan supports the delivery of this purpose, IAG's four strategic pillars, and the management of sustainability and ESG risks and opportunities for IAG.

IAG continued to deliver on its purpose in 1H22, including the launch of its new Climate & Disaster Resilience Action Plan (Action Plan). The Action Plan evolves and strengthens IAG's approach to managing climate risks and opportunities, supports customer and community resilience by collaborating with government, business, and community partners, and will deliver a continued scaled reduction in IAG's own emissions.

Safer Communities Business Plan **Ambition:** Work with people and communities to improve their resilience, so they increasingly feel ready for anything		
Priority area: where IAG can make the most meaningful difference	**Climate and Disaster Resilience** IAG focuses on enabling communities in Australia and New Zealand to better prepare for, adapt and respond to the impacts of natural hazards and climate change. IAG does this by reducing risk, playing a role in community-led resilience and managing its own climate risk and impacts. Using its unique capabilities to deliver this work allows IAG to create commercial opportunities	
Foundations: maintaining IAG's social licence to operate and connecting its people to purpose	**Responsible and Ethical Business** IAG delivers commercial benefit and an uplift in trust by being a responsible and ethical business that meets the expectations of its customers and communities. It does this through robust ESG risk management and transparent sustainability disclosure	**IAG Community Connection** IAG plays a role in safer and more resilient communities by connecting its people to IAG's purpose through its community partners. This supports their personal development and increases employee engagement and advocacy

IAG's environmental, social and governance (ESG) priorities are informed by its material issues and external frameworks such as the United Nations' Sustainable Development Goals and the Glasgow Climate Agreement. Climate change and disaster resilience is a key material issue for IAG and management of the issue has been embedded in enterprise strategy setting and risk management.

CLIMATE & DISASTER RESILIENCE

Climate & Disaster Resilience Action Plan launch

IAG's FY22-24 Action Plan was launched in November 2021 at an important time in the global and regional context of climate change. On the international scene, the Glasgow COP26 United Nations' Climate Summit highlighted the urgent need for governments and organisations to accelerate plans to decarbonise activities. In Australia, the severe storms that struck South Australia, Victoria and parts of South-East Queensland at the end of October were further evidence of the impact that climate change is having on natural perils.

Against this backdrop, IAG's evolved enterprise-wide Action Plan further commits to reducing the climate impacts that pose a direct risk to IAG's core business. Building on the foundations of IAG's first public Climate Action Plan, IAG will focus on three areas: Transforming the System, Rethinking Risk, and Driving to Zero.

Accountability for the commitments within the Action Plan are embedded at the Group Executive level, ensuring IAG delivers scalable action on climate change and disaster resilience for its customers and communities, while supporting IAG's commercial success. The Action Plan can be found under the Safer Communities section at www.iag.com.au

Launched updated three-year Climate & Disaster Resilience Action Plan

Commitment to net zero by 2050; 50% emissions reduction by 2030

10. ESG, CLIMATE CHANGE AND SAFER COMMUNITIES

Collaborating on disaster resilience

As climate risk increases, IAG continues to collaborate with a range of partners to help build disaster resilience among customers and communities. This includes supporting them to take actions to reduce their risk and increase preparedness. Key collaborations over the past six months include:

- In November 2021, NRMA Insurance and the Minderoo Foundation founded the Australian Resilience Corp (ARC), a national volunteer network to harness the collective power of communities to help improve resilience. ARC represents a huge opportunity to uplift and scale preparedness action, bringing IAG's purpose to life;
- The launch of the ARC followed the release of "A Fire Inside", a feature length documentary made possible by NRMA Insurance that aims to educate, inspire and celebrate the resilience of Australians following the Black Summer bushfires;
- IAG, in collaboration with NAB, CSIRO, state government agencies, the Australian Government, and the Bushfire Building Council of Australia, is developing the Resilience Investment Vehicle (RIV) program. Pilot projects have been selected to explore how public and private capital can be directed to finance infrastructure that builds resilience and reduces disaster risk whilst deriving a financial return; and
- NRMA Insurance has worked with the NSW State Emergency Service on community preparedness campaigns in high-risk flood locations that have reached over 400,000 people, with the Georges River Campaign resulting in a 14% increase in flood awareness.

Launched Australian Resilience Corp in November 2021

10. ESG, CLIMATE CHANGE AND SAFER COMMUNITIES

ESG / RESPONSIBLE & ETHICAL BUSINESS

The Safer Communities Business Plan recognises the importance of managing ESG risks through being a responsible and ethical business. In 1H22, IAG continued to actively manage ESG risks in its operations, including:

- Successful attestation of its Financial Inclusion Action Plan (FIAP), developed in partnership with Good Shepherd and EY. The FIAP provided tangible support for customers, including offering standardised access to independent interpreter services for more than 150 languages and launching specialist IAG teams in both Australia and New Zealand trained and committed to supporting customers experiencing vulnerability;
- Publishing its second Modern Slavery statement in December 2021, which details the actions taken to identify, assess and remediate Modern Slavery risks in its operations, supply chains and investments. Key achievements detailed in the Statement include developing an on-site audit pilot for high-risk suppliers and developing and deploying Modern Slavery training across IAG;
- Supporting employees through the COVID-19 pandemic, by providing paid vaccination leave and expanding the IAG Thrive platform, a Group wide initiative to support employee health and wellbeing. IAG is also working to minimise the risks presented by COVID-19 to its business partners, customers and the communities in which it operates, maintaining a dynamic response to COVID-19; and
- Proving feedback in support of the APRA draft Prudential Practice Guide CPG 229 on Climate Change Financial Risks, which also helped inform the commitments in the Action Plan.

As the regulatory landscape shifts, IAG is encouraged by the emergence of the International Sustainability Standards Board (ISSB), which aims to standardise sustainability disclosures. With goals and commitments detailed in the Action Plan, IAG is well positioned to address the ISSB Climate Prototype and other upcoming climate disclosure requirements.

These requirements also include IAG's commitments to the New Zealand Climate Leaders Coalition. Details of IAG's progress on assessing and disclosing climate change risks in New Zealand will be released in a new report in 2022.

Safer Communities Business Plan recognises the importance of ESG

Benchmarking our performance

	2021	2020
CDP	B	A-
DJSI*	67**	65

* Member of Australia Index
** 85th Percentile

CDP

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

COMMUNITY CONNECTION

IAG continues to support the communities in which it operates through challenges presented by COVID-19 and the compounding impacts of extreme weather events. In September 2021, NRMA Insurance and RACV provided $2m in funding to the GIVIT platform, which provides people and communities impacted by the pandemic and natural perils events with critical items and services. IAG's support has enabled over 290,000 individual donations and supported 174 new charity registrations to the platform. The funding provides IAG's people with the opportunity to support those Australians most in need through the GIVIT platform.

11. GLOSSARY

The following is a glossary of the terms used in this report, including those commonly used in the insurance industry.

ACCC	Australian Competition and Consumer Commission
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities & Investments Commission
CAPITAL NOTES	Capital Notes were issued by IAG in December 2016 and are quoted as IAGPD on the ASX.
CASH EARNINGS	IAG defines cash earnings as net profit/(loss) after tax attributable to IAG shareholders, adjusted for the post-tax effect of any unusual items and the amortisation and impairment of acquired identifiable intangibles. This definition is used for the purposes of IAG's dividend policy. It is non-IFRS financial information that has not been audited or reviewed.
CASH ROE	IAG defines cash ROE as reported ROE adjusted for the post-tax effect of any unusual items and the amortisation and impairment of acquired identifiable intangibles.
CLAIMS HANDLING EXPENSES	Those administration costs incurred in the investigation, assessment and settlement of a claim.
COMBINED RATIO	Represents the total of net claims expense, commission expense and underwriting expense, expressed as a percentage of net earned premium. It is equivalent to the sum of the loss ratio and expense ratio.
COMMON EQUITY TIER 1 CAPITAL (CET1)	The highest quality component of capital, as defined by APRA under its LAGIC regime. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date.
CREDIT SPREAD	The credit spread is the difference between the average yield to maturity of a portfolio of non-government securities and the average yield to maturity of the liability profile, valued using Commonwealth Government of Australia yields.
CTP	Compulsory Third Party insurance, which is liability cover that motorists are obliged to purchase in Australia.

11. GLOSSARY

DEFERRED ACQUISITION COSTS (DAC)	Accounting standards require acquisition costs incurred in obtaining and recording general insurance contracts to be deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the income statement in subsequent periods. Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the related general insurance contracts.
DISCOUNT RATE	In accordance with Australian Accounting Standards, outstanding claim liabilities are discounted to account for the time value of money. IAG uses a risk free discount rate.
DRP	Dividend Reinvestment Plan, where shareholders receive shares as consideration for dividends. IAG can elect to issue shares or have them acquired on market for DRP participants.
EPS	Earnings per share.
EXCHANGE COMMISSION	A fee, comprising fixed and variable components, paid under a quota share agreement by a reinsurance company to a ceding insurer to cover administrative costs, acquisition expenses and access to the underwriting profits of the ceded business.
EXPENSE RATIO	The ratio of expenses to net earned premium. Expenses are split into administration (underwriting) and commission, with ratios calculated on the same basis.
FIRE SERVICE LEVIES	Fire service levies are taxes on insurers to assist government funding for fire and emergency services. In Australia, where they remain (the Emergency Services Levy (ESL) in NSW and the Fire Services Levy (FSL) in Tasmania (commercial property lines only)), they are an expense of the insurer, rather than government charges directly upon those insured. In these instances, the insurer is responsible for paying these levies, usually in arrears, and they are included in GWP and expenses for reporting purposes.
FRANKING CREDITS	Also known as an imputation credit, a franking credit is a type of tax credit that allows Australian companies to pass on tax paid to shareholders. The benefit to a shareholder is that franking credits can be used to reduce Australian income tax paid on dividends received. IAG also receives franking credits from its Australian equity investment portfolio.
GICOP	General Insurance Code of Practice
GROSS EARNED PREMIUM	Premium is recognised in the income statement as it is earned. The insurer estimates the pattern of the incidence of risk over the period of the contract for direct business, or over the period of indemnity for reinsurance business, and the premium revenue is recognised in the income statement in accordance with this pattern.
GROSS WRITTEN PREMIUM (GWP)	The total premiums relating to insurance policies underwritten by a direct insurer or reinsurer during a specified period and measured from the date of attachment of risk and before payment of reinsurance premiums. The attachment date is the date the insurer accepts risk from the insured.

11. GLOSSARY

IFRS	International Financial Reporting Standards.
IMMUNISED RATIO	An immunised ratio is used to compare underwriting results between periods, as it normalises the ratio for the effects of changes in the risk free rate used to discount liabilities.
INSURANCE MARGIN	The ratio of insurance profit to net earned premium.
INSURANCE PROFIT	Underwriting result plus investment income on assets backing technical reserves.
LAGIC	Life and General Insurance Capital.
LIABILITY ADEQUACY TEST (LAT)	Accounting standards require an assessment of the sufficiency of the unearned premium liability be performed each reporting period by considering the expected future cash flows relating to future claims arising from the unearned premium, net of reinsurance and deferred acquisition costs. If the unearned premium liability is considered deficient then the entire deficiency is recognised in the income statement, firstly through the writedown of deferred acquisition costs and with any remaining amount recognised in the balance sheet as an unexpired risk liability.
LONG TAIL	Classes of insurance (such as CTP and workers' compensation) with an average period generally greater than 12 months between the time when earned premiums are collected and final settlement of claims occurs.
LOSS RATIO	The ratio of net claims expense to net earned premium.
MER	Maximum Event Retention, representing the maximum cost which could be incurred in the event of a further major catastrophe event, after allowing for reinsurance cover.
NATURAL PERILS	Natural perils events include, but are not limited to, storm, wind, flood, earthquake and bushfire.
NATURAL PERILS ALLOWANCE	The natural perils expense forecast to be incurred within a specified period of time based upon previous experience and management judgement, which is reflected in the pricing of related insurance products for the same period.
NATURAL PERILS EXPENSE	Losses arising from natural perils after deducting any applicable reinsurance recoveries.
NET CLAIMS EXPENSE	Insurance claim losses incurred plus claims handling expenses, net of recoveries from reinsurance arrangements.
NET EARNED PREMIUM (NEP)	Gross earned premium less reinsurance expense.
PCA	Prescribed Capital Amount, as defined by APRA under its LAGIC regime.

11. GLOSSARY

PROBABILITY OF ADEQUACY (POA)	The estimated probability that the amounts set aside to settle claims will be equal to or in excess of the amounts eventually paid in respect of those claims. This estimation is based on a combination of prior experience and expectations, actuarial modelling and judgement. It is also known as the probability of sufficiency (PoS). APRA's prudential standard GPS 310 requires general insurers to maintain a minimum value of insurance liabilities that is greater than a 75% level of sufficiency.
QUOTA SHARE	A form of reinsurance in which an insurer cedes an agreed percentage of every risk it insures that falls within a class or classes of business, subject to a reinsurance treaty.
RECOVERIES	The amount of claims recovered from reinsurers, third parties or salvage.
RESERVE MOVEMENTS	Prior year reserve movements refer to the change in the ultimate cost of claims incurred to the previous balance date. These changes arise when, on the basis of emerging experience, claim numbers or loss costs are considered to differ from the actuarial assumptions inherent in the prior estimate for outstanding claim liabilities.
RISK FREE RATE	The risk free rate is the rate of return on a range of Commonwealth Government bonds. It is deemed to be risk free as there is a very low risk the Commonwealth Government of Australia will default on its obligations.
RISKS IN FORCE	Risk refers to the subject matter that an insurance policy or contract protects (for example, number of vehicles, houses, employees). An insurance policy may cover one risk or many risks, depending on the terms of the policy. Risks in force are a measure of the total number of risks covered by an insurance company at a point in time.
ROE	Return on equity, being net profit/(loss) after tax divided by average equity attributable to owners of the company.
SHAREHOLDERS' FUNDS	The investment portfolio of assets held in excess of the amount backing technical reserves, representing shareholders' equity not used in day-to-day operations.
SHORT TAIL	Classes of insurance (such as motor, home and SME commercial) with an average period generally less than 12 months between the time when premiums are earned and final settlement of claims occurs.
SME	Small-to-medium-sized enterprise.
TECHNICAL RESERVES	The investments held to back the outstanding claims liability (including incurred but not reported (IBNR) and incurred but not enough reported (IBNER)) and unearned premium, net of recoveries and premium debtors.

11. GLOSSARY

TEPLA

Transitional Excess Profits and Losses Adjustment (TEPLA) is the adjustment required to ensure profit recognition under the CTP scheme in NSW is in line with the legislated capped level. In accordance with accounting requirements, TEPLA is treated as part of levies (alongside fire service levies), within underwriting expenses.

TREASURY SHARES

Ordinary IAG shares held by the company. These are primarily for the purposes of meeting share-based remuneration plan obligations.

TSR

Total shareholder return.

UNDERLYING MARGIN

IAG defines underlying margin as the reported insurance margin adjusted for:

- Net natural perils claims costs less related allowance;
- Prior year reserve releases changes; and
- Credit spread movements.

The underlying margin is non-IFRS financial information that has not been audited or reviewed. It is provided to give management's view of normalised performance and can also be referred to as underlying result, underlying performance, underlying insurance profit or underlying profitability.

UNDERWRITING

The process of examining, accepting or rejecting insurance risk, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.

UNDERWRITING EXPENSES

Those expenses incurred as a result of underwriting activities, including risk assessment and other acquisition expenses.

UNDERWRITING PROFIT/(LOSS)

Net earned premium less net claims expense, commission expenses and underwriting expenses.

UNEARNED PREMIUM

Premium applicable to the unexpired portion of an insurance contract, which has not been recognised in the income statement and is identified in the balance sheet as an unearned premium liability. The unearned premium liability is to meet the costs, including the claims handling costs, of future claims that will arise under current general insurance contracts and the deferred acquisition costs that will be recognised as an expense in the income statement in future reporting periods.

WACC

Weighted average cost of capital.

DIRECTORY

SECURITIES EXCHANGE LISTINGS

ASX Limited (ASX):

- Ordinary Shares (**IAG**): 2,465,100,206 on issue at 31 December 2021
- Capital Notes (**IAGPD**): 4,041,265 on issue at 31 December 2021

NZX Limited (NZDX):

- Unsecured Subordinated Convertible Notes due 2043 (**IAGFB**): NZ$350m outstanding at 31 December 2021

KEY DATES

Interim dividend – ordinary shares	
• Ex-dividend date	15 February 2022
• Record date	17 February 2022
• DRP record date	18 February 2022
• Payment date	24 March 2022
Payment date for IAGPD and IAGFB quarterly distributions	15 March 2022
Payment date for IAGPD and IAGFB quarterly distributions	15 June 2022
Closing date for receipt of nominations for IAG Board	4 August 2022
Announcement of full year results to 30 June 2022	12 August 2022
Final dividend – ordinary shares	
• Ex-dividend date	18 August 2022
• Record date	19 August 2022
• DRP record date	22 August 2022
• Payment date	22 September 2022
Payment date for IAGPD and IAGFB quarterly distributions	15 September 2022
Annual General Meeting	21 October 2022
Payment date for IAGPD and IAGFB quarterly distributions	15 December 2022

**These dates are indicative only and are subject to change. Any change will be advised through the Australian Securities Exchange (ASX).*

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