Investor report HY23

13 February 2023

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

IMPORTANT INFORMATION

This report contains general information current as at 13 February 2023 (unless otherwise stated) and is not a recommendation or advice in relation to any product or service offered by Insurance Australia Group Limited or its subsidiaries (IAG or the Group). It presents financial information on both a statutory basis (prepared in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (IFRS)) and non-IFRS basis. This report is not an invitation, solicitation, recommendation or offer to buy, issue or sell securities or other financial products in any jurisdiction.

The report should not be relied upon as advice as it does not take into account the financial situation, investment objectives or particular needs of any person. The report should be read in conjunction with IAG's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange (available at www.iag.com.au) and investors should consult with their own professional advisers.

No representation or warranty, express or implied, is made as to the accuracy, adequacy, completeness or reliability of any statements (including forward-looking statements or forecasts), estimates or opinions, or the accuracy or reliability of the assumptions on which they are based.

Any forward-looking statements, opinions and estimates in this report are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. This includes statements regarding IAG's targets, goals, ambitions, intent, belief, objectives and current expectations regarding IAG's business, results, financial condition, capital adequacy, risk management practices and market conditions.

Forward-looking statements may generally be identified by the use of words such as "should", "would", "could", "will", "may", "expect", "intend", "plan", "forecast", "aim", "anticipate", "believe", "outlook", "estimate", "project", "target", "goal", "ambition", "continue", "guidance", "aspiration" or other similar words. While IAG believes the forward-looking statements to be reasonable, such statements involve risks (both known and unknown) and assumptions, many of which are beyond IAG's control (including the impact of climate change and disruptions stemming from outbreaks of COVID-19 and global economic uncertainties). This may cause actual results, outcomes, conditions or circumstances to differ from those expressed, anticipated or implied in such statements.

In addition, there are particular risks and uncertainties associated with implementation of IAG's strategy and related targets, ambitions and goals. As the targets, ambitions and goals span a number of years, they are subject to assumptions and dependencies which have greater levels of uncertainty than guidance given for FY23. IAG's ability to execute its strategy and realise its targets, ambitions and goals will depend upon its ability to respond and adjust its business plans (as and when developed) to any changes in such assumptions and dependencies, including disruptions or events that are beyond IAG's control.

Neither IAG, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this report will actually occur and undue reliance should not be placed upon such statements. IAG assumes no obligation to update such information (except as required by law). Past performance is no guarantee or indication of future performance.

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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.

Further information, including IAG's business structure, portfolio and partnerships is available on IAG's website at https://www.iag.com.au/about-us/what-we-do.

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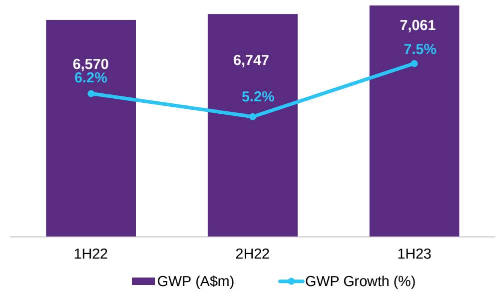
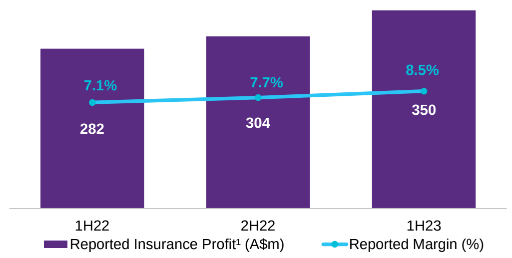
1H23 RESULTS

KEY RESULTS	1H22 A$m	2H22 A$m	1H23 A$m	1H23 vs 1H22 Mvt
Gross written premium (GWP)	**6,570**	**6,747**	**7,061**	**+7.5%**
Net earned premium (NEP)	3,963	3,946	4,113	+3.8%
Insurance profit[1]	**282**	**304**	**350**	**+24.1%**
Net profit/(loss) after tax	173	174	468	+170.5%
Cash earnings	**176**	**37**	**223**	**+26.7%**
Reported insurance margin	7.1%	7.7%	8.5%	+140bps
Underlying insurance margin[2]	**15.1%**	**14.1%**	**10.7%**	**-440bps**
Diluted EPS (cents per share)	6.64	6.69	17.62	+165.4%
Diluted cash EPS (cents per share)	6.77	1.50	8.92	+31.7%
Cash return on equity (ROE)	5.7%	1.2%	7.0%	+130bps
Dividend (cents per share)	**6.0**	**5.0**	**6.0**	**0%**
Prescribed Capital Amount (PCA) multiple	1.82	1.80	2.01	+19pts
Common Equity Tier 1 Capital (CET1) multiple	1.02	0.97	1.11	+9pts

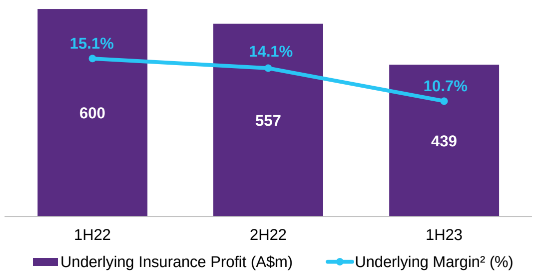
GWP GROWTH



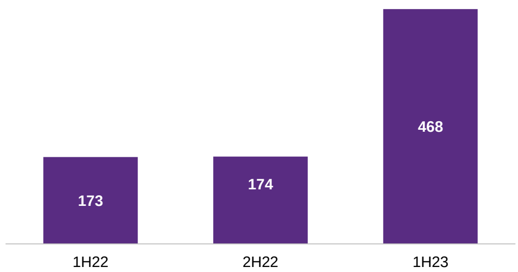
REPORTED INSURANCE PROFIT & MARGIN



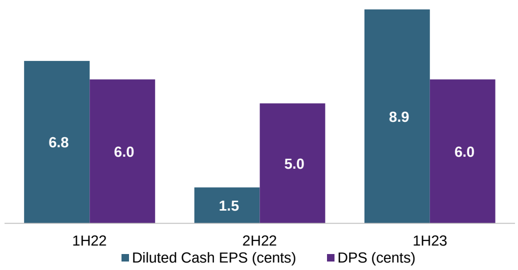
UNDERLYING INSURANCE PROFIT & MARGIN



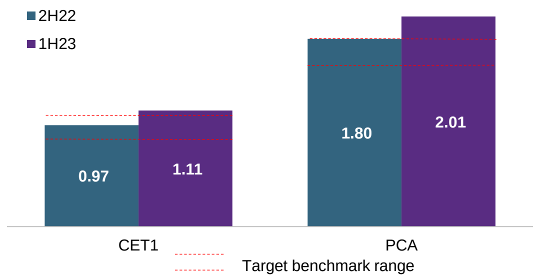
NET PROFIT/(LOSS) AFTER TAX (A$M)



DILUTED CASH EPS & DPS



REGULATORY CAPITAL (MULTIPLE)



[1]*The 1H23 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 1H23 Financial Report (Appendix 4D). A reconciliation between the two is provided on page 6 of this document and on page 3 of the 1H23 Financial Report to comply with the Australian Securities and Investments Commission's Regulatory Guide 230. IAG's 1H23 net profit after tax is the same in this document and in the 1H23Financial Report.*

[2]*IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural perils claims costs less the related allowance; prior year reserve releases or strengthening and credit spread movements.*

1. EXECUTIVE SUMMARY

GROUP HIGHLIGHTS

- Strong GWP growth, predominantly rate driven with volume growth in key strategic portfolios
- Upgraded FY23 GWP guidance to 'around 10%' growth (previously 'mid-to-high single digit')
- Reported margin improved to 8.5% (1H22: 7.1%)
- Underlying margin of 10.7% (15.1% in 1H22) impacted by motor and home claims inflation
- FY23 reported margin expected to be around 10%
- NPAT of $468m (1H22: $173m) includes benefit of post-tax $252m reduction in Business Interruption provision
- Cash earnings of $223m (1H22: $176m) with Cash ROE 7.0% (1H22: 5.7%)
- Group strategy now in execution phase, with significant progress on key initiatives

GROSS WRITTEN PREMIUM

- Strong GWP growth of 7.5% (1H22: 6.2%)
- Substantial rate increases in Australia and NZ reflecting claims inflation, natural perils expectation and higher reinsurance costs
- Unit growth of ~2.3% in direct personal short tail classes in Australia

INSURANCE PROFITABILITY

- Improved reported insurance margin of 8.5% compared to 7.4% in FY22 (1H22: 7.1% 2H22: 7.7%) was below expectations due mainly to the sustained impact of higher inflation on claims costs
- Underwriting expenses down 4.5% demonstrating focus on cost discipline
- Natural perils costs above allowance by $70m (1H22: $299m above allowance)
- Strengthening of prior year reserves of $48m (1H22: $37m) driven by home and motor claims inflation
- Investment income on technical reserves of $89m (1H22: $7m loss) including credit spread gains of $29m (1H22: $18m) and underlying yield of 3.7%

DIRECT INSURANCE AUSTRALIA (DIA) HIGHLIGHTS

- GWP growth of 9.0% primarily due to premium increases with solid volume growth including 4.4% home customer growth driven by roll-out of NRMA Insurance in Western Australia & South Australia
- Reported insurance margin of 8.9% impacted by claims inflation and natural perils

INTERMEDIATED INSURANCE AUSTRALIA (IIA) HIGHLIGHTS

- GWP growth of 7.8% including impact of targeted portfolio exits
- Rate increases averaging over 10% with solid retention
- Underlying margins trend positively despite inflationary impacts
- Reported margin of 3.6% demonstrates continued progress towards the $250m reported insurance profit target in FY24

NEW ZEALAND HIGHLIGHTS

- GWP growth of 3.9%, impacted by NZ$ devaluation
- Local currency growth of 9.1%, increases to 10.1% after adjusting for estimated EQC changes
- Reported margin 15.2% (1H22: 11.4%)

CAPITAL & DIVIDENDS

- Interim dividend of 6.0¢ per share, franked to 30% (1H22: 6.0cps unfranked)
- Payout ratio of 68% of NPAT adjusted for post-tax business interruption provision release (1H22: 84% of cash earnings)
- Strong CET1 ratio at 1.11 (0.94 after interim dividend and assuming completion of on-market buyback)

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***.

IAG's trusted brands, established supply chain, 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*'**.

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

Grow with our customers

- IAG will grow as Australians and New Zealanders grow by delivering outstanding 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 by continuing to focus on underwriting expertise, active portfolio management and pricing excellence; 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 modernising 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 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.

2. STRATEGY

IAG's 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 outstanding 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 and growing 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

GROUP RESULTS	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Gross written premium	**6,570**	**6,747**	**13,317**	**7,061**
Gross earned premium	6,515	6,457	12,972	6,853
Reinsurance expense	(2,552)	(2,511)	(5,063)	(2,740)
Net earned premium	**3,963**	**3,946**	**7,909**	**4,113**
Net claims expense	(2,725)	(2,490)	(5,215)	(2,911)
Commission expense	(347)	(347)	(694)	(366)
Underwriting expense	(602)	(574)	(1,176)	(575)
Underwriting profit	**289**	**535**	**824**	**261**
Investment income on technical reserves	(7)	(231)	(238)	89
Insurance profit	**282**	**304**	**586**	**350**
Net corporate expense	-	200	200	353
Interest	(47)	(46)	(93)	(64)
Profit/(loss) from fee-based business	(13)	(21)	(34)	(14)
Share of profit/(loss) from associates	8	9	17	(8)
Investment income on shareholders' funds	53	(158)	(105)	72
Profit/(loss) before income tax and amortisation	**283**	**288**	**571**	**689**
Income tax expense	(77)	(63)	(140)	(213)
Profit/(loss) after income tax (before amortisation)	**206**	**225**	**431**	**476**
Non-controlling interests	(30)	(47)	(77)	(6)
Profit/(loss) after income tax and non-controlling interests (before amortisation)	**176**	**178**	**354**	**470**
Amortisation and impairment	(4)	(3)	(7)	(2)
Profit/(loss) attributable to IAG shareholders from continuing operations	**172**	**175**	**347**	**468**
Net profit/(loss) after tax from discontinued operations	1	(1)	-	-
Profit/(loss) attributable to IAG shareholders	**173**	**174**	**347**	**468**

Insurance Ratios - Continuing Business	1H22	2H22	FY22	1H23
Loss ratio	68.8%	63.1%	65.9%	70.8%
Immunised loss ratio	70.1%	69.0%	69.6%	72.1%
Expense ratio	24.0%	23.3%	23.7%	22.9%
Commission ratio	8.8%	8.8%	8.8%	8.9%
Administration ratio	15.2%	14.5%	14.9%	14.0%
Combined ratio	92.8%	86.4%	89.6%	93.7%
Immunised combined ratio	94.1%	92.3%	93.3%	95.0%
Reported insurance margin	**7.1%**	**7.7%**	**7.4%**	**8.5%**
Underlying insurance margin	**15.1%**	**14.1%**	**14.6%**	**10.7%**

Key Financial Metrics - Total Operations	1H22	2H22	FY22	1H23
Cash earnings ($m)	176	37	213	223
Reported ROE (average equity) (% pa)	5.6%	5.6%	5.6%	14.7%
Cash ROE (average equity) (% pa)	**5.7%**	**1.2%**	**3.4%**	**7.0%**
Basic EPS (cents per share)	7.03	7.05	14.09	19.02
Diluted EPS (cents per share)	6.64	6.69	13.33	17.62
Cash EPS (cents per share)	7.15	1.50	8.65	9.07
Diluted cash EPS (cents per share)	**6.77**	**1.50**	**8.49**	**8.92**
DPS (cents per share)	**6.00**	**5.00**	**11.00**	**6.00**
Probability of adequacy	90%	90%	90%	90%
CET1 multiple	**1.02**	**0.97**	**0.97**	**1.11**
PCA multiple	1.82	1.80	1.80	2.01

KEY FOREIGN EXCHANGE RATES APPLIED

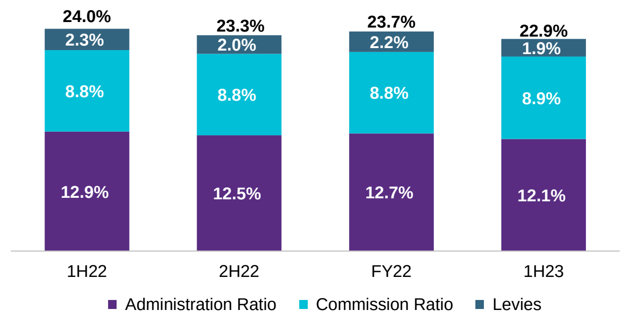
Units of foreign currency per A$	Balance Sheet (spot rate)			Income Statement (average rate)	
	1H22	2H22	1H23	1H22	1H23
New Zealand dollar	1.0619	1.1060	1.0723	1.0489	1.1020

3. GROUP RESULTS

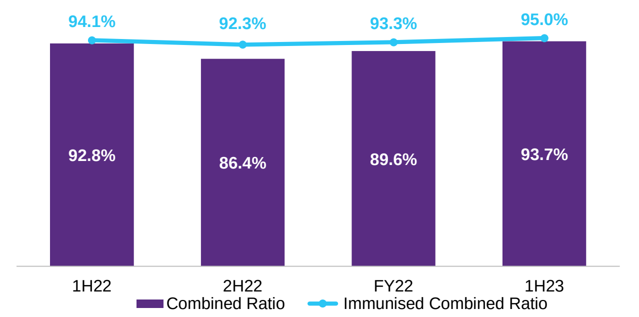
INSURANCE RATIOS

LOSS RATIO

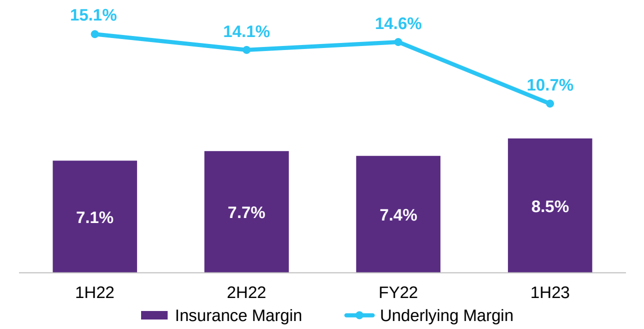
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



1H23 DIVISIONAL FINANCIAL PERFORMANCE

	Direct Insurance Australia		Intermediated Insurance Australia		New Zealand		Corporate & Other		Total	
	1H22 A$m	1H23 A$m	1H22 A$m	1H23 A$m	1H22 A$m	1H23 A$m	1H22 A$m	1H23 A$m	1H22 A$m	1H23 A$m
Gross written premium	**2,952**	**3,219**	**2,136**	**2,303**	**1,481**	**1,539**	**1**	**-**	**6,570**	**7,061**
Gross earned premium	2,919	3,097	2,140	2,270	1,455	1,486	1	-	6,515	6,853
Reinsurance expense	(1,122)	(1,223)	(844)	(923)	(585)	(593)	(1)	(1)	(2,552)	(2,740)
Net earned premium	**1,797**	**1,874**	**1,296**	**1,347**	**870**	**893**	**-**	**(1)**	**3,963**	**4,113**
Net claims expense	(1,282)	(1,443)	(878)	(916)	(565)	(551)	-	(1)	(2,725)	(2,911)
Commission expense	(55)	(61)	(195)	(206)	(96)	(99)	(1)	-	(347)	(366)
Underwriting expense	(271)	(255)	(215)	(207)	(115)	(113)	(1)	-	(602)	(575)
Underwriting profit/(loss)	**189**	**115**	**8**	**18**	**94**	**130**	**(2)**	**(2)**	**289**	**261**
Investment income on technical reserves	-	52	(12)	31	5	6	-	-	(7)	89
Insurance profit/(loss)	**189**	**167**	**(4)**	**49**	**99**	**136**	**(2)**	**(2)**	**282**	**350**
Profit/(loss) from fee-based business	(6)	(4)	4	(1)	-	-	(11)	(9)	(13)	(14)
Share of profit/(loss) from associates	(4)	(8)	-	-	-	-	12	-	8	(8)
Total divisional results	**179**	**155**	**-**	**48**	**99**	**136**	**(1)**	**(11)**	**277**	**328**
Insurance Ratios										
Loss ratio	71.3%	77.0%	67.7%	68.0%	64.9%	61.7%			68.8%	70.8%
Expense ratio	18.2%	16.9%	31.6%	30.7%	24.2%	23.8%			24.0%	22.9%
Commission ratio	3.1%	3.3%	15.0%	15.3%	11.0%	11.1%			8.8%	8.9%
Administration ratio	15.1%	13.6%	16.6%	15.4%	13.2%	12.7%			15.2%	14.0%
Combined ratio	89.5%	93.9%	99.3%	98.7%	89.1%	85.5%			92.8%	93.7%
Insurance margin	10.5%	8.9%	(0.3%)	3.6%	11.4%	15.2%			7.1%	8.5%
Underlying insurance margin	21.8%	13.2%	5.0%	5.7%	16.8%	13.2%			15.1%	10.7%

3. GROUP RESULTS

RECONCILIATION TO 1H23 FINANCIAL REPORT

The reported insurance profit reconciles to that in the 1H23 Financial Report after allowance for the reduction in the business interruption provision. These items were reclassified to net corporate expense for Investor Report purposes, as outlined below:

INSURANCE PROFIT	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Investor Report	**282**	**304**	**586**	**350**
Customer refunds provision	-	-	-	-
Business interruption provision	-	200	200	360
Payroll compliance provision	-	(12)	(12)	-
Financial Report (Appendix 4D/4E)	**282**	**492**	**774**	**710**

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.

PREMIUMS

Reported 1H23 GWP of $7,061m increased by 7.5% on the prior comparative period.

Reported GWP growth of 7.5% in 1H23

Growth of 9.0% to $3,219m was achieved in DIA comprising:

- Motor growth of 8.0% driven by higher average premiums of 7% and volume growth in Victoria, Western Australia and South Australia;
- Home growth of 13.3% from higher premiums and customer volume growth of around 4% driven by the roll-out of NRMA Insurance in Western Australia and South Australia;
- Retention levels for both motor and home have remained very high at more than 91% and 95% respectively; and
- CTP growth of 0.3% impacted by lower market share in South Australia.

Growth of 7.8% to $2,303m was achieved in IIA comprising:

- Commercial short-tail growth of 13.4% driven by ~10% rate increases and positive volume growth;
- Commercial long-tail growth of 15.6% with strong average premium and volume growth; and
- Personal reduction of 7.1% reflecting exits of portfolios including IAL

Growth of 3.9% in New Zealand to A$1,539m. In NZ$, growth was stronger at 9.1%, comprising

- Business growth of 13.6% with average rate increases over 10%, strong retention and positive volume growth;
- Direct growth of 6.3% with average rate increases of 7%, while volumes have remained steady; and
- Bank Partner growth of 3.5% with high single digit average rate increases and a small volume reduction.

3. GROUP RESULTS

INSURANCE MARGIN

IAG has maintained a consistent calculation of underlying margin which adjusts the reported margin for prior year reserve releases (or strengthening), natural perils claims costs above or below allowances and credit spread gains or losses.

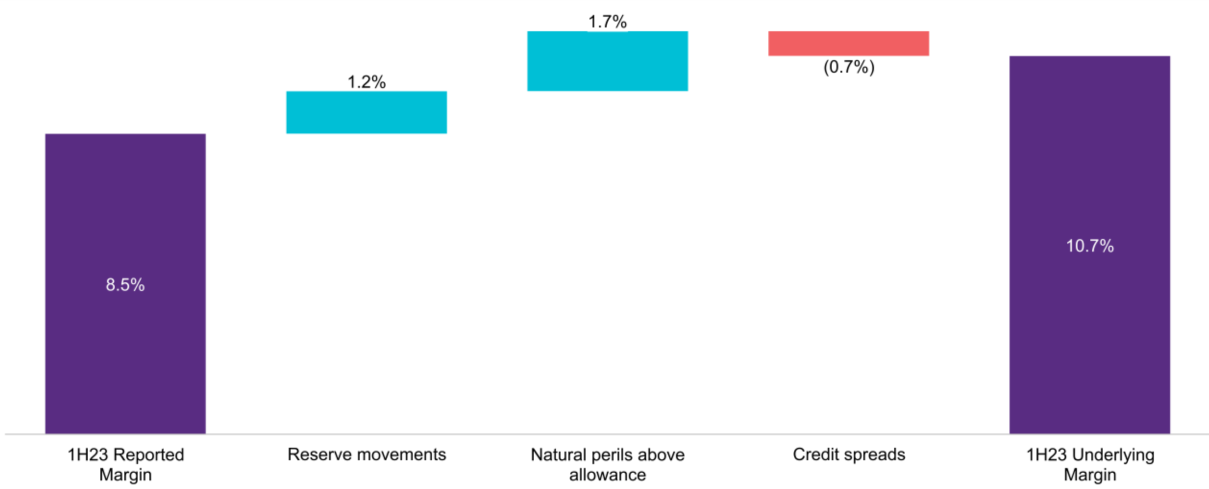
INSURANCE MARGIN IMPACTS - Continuing Business	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Underlying insurance profit	**600**	**557**	**1,157**	**439**
Reserve releases/(strengthening)	(37)	(135)	(172)	(48)
Natural perils	(681)	(438)	(1,119)	(524)
Natural perils allowance	382	383	765	454
Credit spreads	18	(63)	(45)	29
Reported insurance profit[1]	**282**	**304**	**586**	**350**
Underlying insurance margin	**15.1%**	**14.1%**	**14.6%**	**10.7%**
Reserve releases/(strengthening)	(0.9%)	(3.4%)	(2.2%)	(1.2%)
Natural perils	(17.2%)	(11.1%)	(14.1%)	(12.7%)
Natural perils allowance	9.6%	9.7%	9.7%	11.0%
Credit spreads	0.5%	(1.6%)	(0.6%)	0.7%
Reported insurance margin[2]	**7.1%**	**7.7%**	**7.4%**	**8.5%**

Notes: (1) Reported insurance profit is the insurance profit on a management results basis. Based on the statutory results, the equivalent statutory insurance profit for the current half year is $710 million. Reported insurance profit in the prior corresponding half year for both statutory and management results was the same. (2) Reported insurance margin is the insurance profit as a percentage of NEP, both on a management results basis. Based on the statutory results, the equivalent statutory insurance margin for the current half year is 17.3%. Reported insurance margin in the prior corresponding half year for both statutory and management results was the same.

IAG's 1H23 underlying insurance margin was 10.7%, lower than 1H22 due to the impact of short-tail claims inflation. The underlying margin in 1H22 of 15.1% included a COVID-19 impact of lower claims frequency and was 13.6% without this benefit.

Underlying margin of 10.7%

GROUP INSURANCE MARGIN – REPORTED VS. UNDERLYING



The reduction in underlying margins from 13.6% in 1H22 to 10.7% in 1H23 reflects a combination of influences. On the positive side, this included:

- An increase in the underlying investment yield on technical reserves to 3.7% (1H22: 1.1%)

3. GROUP RESULTS

- A ~40bps benefit from discount rate timing difference as the impact of previous interest rate changes is recognised in the underlying margin.
- An improvement in the expense ratio of 110bps;

These positive factors were more than offset by:

- A ~140bps impact from the increase in the full year natural perils allowance from $765m to $909m;
- A ~470bps increase in the claims ratio due to inflationary impacts driving a significant increase in the average claims size of motor and home claims.

The 1H23 reported insurance profit of $350m, equated to an 8.5% reported insurance margin (1H22: 7.1%). In addition to the underlying margin influences outlined above, this included:

- Unfavourable net natural perils experience of $70m in 1H23, compared to unfavourable experience of $299m in 1H22;
- A $48m impact from strengthening prior year reserves, compared to a strengthening of $37m in 1H22; and
- A favourable impact from the narrowing of credit spreads of $29m (1H22: $18m).

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.

	1H22		2H22		FY22		1H23	
DIVISIONAL INSURANCE MARGINS	$	%	$	%	$	%	$	%
Direct Insurance Australia								
Underlying insurance profit/margin	391	21.8%	348	19.2%	739	20.5%	247	13.2%
Reported insurance profit/margin	189	10.5%	280	15.5%	469	13.0%	167	8.9%
Intermediated Insurance Australia								
Underlying insurance profit/margin	65	5.0%	65	5.1%	130	5.0%	76	5.7%
Reported insurance profit/margin	(4)	(0.3%)	(99)	(7.7%)	(103)	(4.0%)	49	3.6%
New Zealand								
Underlying insurance profit/margin	146	16.8%	143	16.8%	289	16.8%	118	13.2%
Reported insurance profit/margin	99	11.4%	121	14.3%	220	12.8%	136	15.2%

Notes: (1) Reported insurance margin in the current half year for both statutory and management results is the same for DIA and New Zealand and is 30.4% for IIA based on the statutory results. Reported insurance margin in the prior corresponding half year for both statutory and management results was the same.

DIA underlying margin impacted by claims inflation

DIA's underlying margin of 13.2% reflects the impact of higher claims inflation, with a delay in the earned-through effect of higher premium rates. The comparative 21.8% included significant COVID-19 benefits due to lower motor claims frequency. Excluding COVID-19 benefits, the underlying margin in 1H22 was around 18.5%.

The DIA reported margin of 8.9% was also impacted by higher natural peril events and short-tail reserve strengthening

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

IIA's underlying margin continued to improve despite the inflationary impact on short-tail personal claims. The 5.7% underlying margin in 1H23 (5.0% in 1H22) demonstrates the progress towards the $250m insurance profit target in FY24.

New Zealand's 1H23 underlying margin of 13.2% (1H22: 16.8%) was impacted by similar inflationary impacts on claims as Australian short-tail lines.

The reported insurance margin of 15.2% (1H22: 11.4%), improved due to lower natural peril costs.

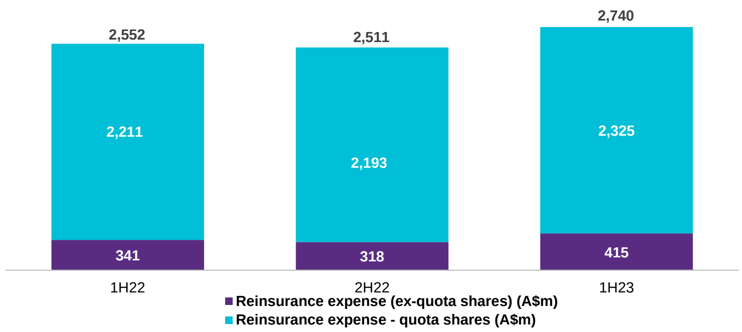
3. GROUP RESULTS

REINSURANCE EXPENSE

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

Non-quota share reinsurance expense increased 22%

REINSURANCE EXPENSE



Quota share-related reinsurance expense increased broadly in line with gross earned premium growth. Non-quota share reinsurance expense increased by 22% to $415m (1H22: $341m) reflecting growth in IAG's business and a hardening of the reinsurance market.

CLAIMS

IAG's immunised underlying loss ratio, which reflects trends in underlying or working claims, was 58.2% in 1H23, a significant increase on the 52.0% in 1H22. The increase reflects inflationary pressures and excludes all prior year reserve releases or strengthening, natural perils costs effects and discount rate adjustments.

IMMUNISED LOSS RATIO Continuing Business	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Immunised underlying net claims expense	**2,062**	**2,151**	**4,213**	**2,392**
Discount rate adjustment	(55)	(234)	(289)	(53)
Reserving and perils effects	718	573	1,291	572
Reported net claims expense[1]	**2,725**	**2,490**	**5,215**	**2,911**
Immunised underlying loss ratio	**52.0%**	**54.5%**	**53.3%**	**58.2%**
Discount rate adjustment	(1.3%)	(5.9%)	(3.7%)	(1.3%)
Reserving and perils effects	18.1%	14.5%	16.3%	13.9%
Reported loss ratio[2]	**68.8%**	**63.1%**	**65.9%**	**70.8%**

Notes: (1) Reported net claims expense in the current half year period is on a management results basis. Based on the statutory results, the equivalent statutory net claims expense in the current half year is $2,551 million. Reported net claims expense in the prior corresponding half year for both statutory and management results was the same (2) Reported loss ratio is net claims expense as a percentage of net earned premium. Based on the statutory results, the equivalent statutory loss ratio for the current year is 62.0%. Reported loss ratio in the prior corresponding half year for both statutory and management results was the same.

Underlying claims trends

At a Group level, underlying loss ratio of 58.2% has significantly increased on the 52.0% in the prior corresponding period which also included a ~200bps benefit from the COVID-19 impact resulting in lower motor claims frequency.

Underlying claim trends impacted by inflationary impacts

On the positive side, the ratio benefited from some early impact from the earn-through effect of higher premium rates. This was more than offset by:

- double-digit increases in average motor claim costs mainly driven by disruption of the supply chain network; and
- Higher average home claim costs driven by increases in the price of labour and materials.

Reserve Releases / Strengthening

Prior period reserve strengthening of $48m occurred in 1H23, a slight deterioration from $37m in 1H22 but a significant improvement on the $135m in 2H22.

Strengthening across personal short-tail in DIA

Adverse claim development in short-tail classes resulted from inflation-driven increases in claims settlement, particularly for prior period natural peril events. These totalled $30m in DIA and $29m in IIA and were partially offset by $10m in releases from CTP schemes and a $1m release from New Zealand.

Natural Perils

Net natural perils claims costs were $524m in (1H22: $681m). This was $70m above the allowance for the period, based on straight-line apportionment of the $909m FY23 allowance (1H22: $299m above allowance).

Net natural perils costs were $70m above allowance

1H23 NATURAL PERILS COSTS BY EVENT	A$m
East Coast Low NSW and Heavy Rain NZ (July 2022)	68
Complex Low and Nelson Floods NZ (August 2022)	19
Vic/Tas Heavy Rain and Flooding (October 2022)	84
SA/Vic Thunderstorms and Central West NSW Floods (November 2022)	61
Other events (<AUD$15m)	292
Total	**524**

Natural perils costs in 1H23 were driven by the La Nina weather pattern which delivered heavy rain and flooding across NSW, Victoria, South Australia and New Zealand.

None of the events in 1H23 were covered by IAG's catastrophe reinsurance or aggregate cover. At 31 December 2022, the $500m (pre-quota share) deductible attached to the FY23 aggregate cover had been eroded by $165m as a result of 1H23 peril events.

EXPENSES

Gross operating costs (excluding commissions; and on a pre-quota share basis) were $1,245m in 1H23, a 4.5% reduction on 1H22. 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 (FY22: $2,531m).

4.5% reduction in gross operating costs demonstrating strong cost discipline

GROSS OPERATING COSTS	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m	1H23 vs 1H22 Mvt
Gross underwriting expense ex levies[1]	890	862	1,752	879	(1.2%)
Claims handling and fee based expense	413	366	779	366	(11.4%)
Total gross operating costs	**1,303**	**1,228**	**2,531**	**1,245**	**(4.5%)**

Note: (1) The "Expenses" table later in this section illustrates how "Gross underwriting expense ex levies" reconciles to "Net Underwriting expense".

3. GROUP RESULTS

The 4.5% reduction in gross operating costs in 1H23 was a function of IAG's ongoing focus on financial discipline. Included in the costs for the 1H23 period is depreciation and ongoing technology and system investment across IAG's Enterprise Platform as part of an ongoing 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.

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.

Within gross operating costs, gross underwriting expense ex-levies decreased by 1.2% in 1H23.

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

EXPENSES	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m	1H23 vs 1H22 Mvt
Gross underwriting expense ex levies	890	862	1,752	879	(1.2%)
Levies	135	121	256	110	(18.5%)
Total gross underwriting expenses	**1,025**	**983**	**2,008**	**989**	**(3.5%)**
Gross commission expense	522	498	1,020	550	5.4%
Total gross expenses	**1,547**	**1,481**	**3,028**	**1,539**	**(0.5%)**
Reinsurance commission revenue	(598)	(560)	(1,158)	(598)	-
Net underwriting expense	*602*	*574*	*1,176*	*575*	*(4.5%)*
Net commission expense	*347*	*347*	*694*	*366*	*5.5%*
Total net expenses	**949**	**921**	**1,870**	**941**	**(0.8%)**

Note: Total net underwriting expense in the current and prior corresponding half year for both statutory and management results are the same

The administration ratio on an ex-levies basis reduced to 12.1% (1H22: 12.9%), with the commission ratio of 8.9% relatively steady reflecting a stable business mix.

INVESTMENT INCOME ON TECHNICAL RESERVES

Investment income on technical reserves contributed $89m in 1H23 (1H22: $7m loss) despite the portfolio reducing to $7.2bn at 31 December 2022 (30 June 2022: $7.7bn). The portfolio reduction is driven by the combined impact of the lower Business Interruption provision and increased discount rates.

Higher average yield on technical reserves

Key components of the investment return were:

- An underlying yield of $135m representing an annualised return of ~3.7%;
- $29m in gains from a net narrowing in credit spreads; and
- A negative impact of $75m from an ongoing increase in risk free rates in 1H23 leading to mark-to-market losses.

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

3. GROUP RESULTS

ADDITIONAL MATTERS

Provision for potential business interruption claims

Extensive scenario testing of business interruption provision adequacy

The total pre-tax net provision for business interruption claims associated with COVID-19 was $606m at 31 December 2022 ($975 million at 30 June 2022). During the current half year period, following the High Court of Australia's decision on 14 October 2022 to deny special leave to appeal the decision of the Full Court of the Federal Court of Australia in the second business interruption test case handed down in February 2022, the net provision was reduced by $360m. An adjustment to discount rates on the provision resulted in a further $9m adjustment.

The revised business interruption provision is based on IAG's actuarial modelling and includes a significant risk margin. As further information becomes available, IAG will review the provision and make adjustments accordingly.

IAG continues to defend 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

Maintain no net insurance exposure to trade credit policies

The complex issues around trade credit insurance claims continue to be managed and defended by Insurance Australia Limited (IAL), including the litigation arising out of the purported underwriting of Greensill and other trade credit policies by BCC Trade Credit Pty Ltd (BCC). Claims and litigation seeking confirmation of policy coverage and/or validity of claims was and remains anticipated and IAG will defend these litigated claims. IAL is currently defending proceedings brought against it in the Federal Court of Australia and the Supreme Court of New South Wales. Given the impending expiry of limitation periods by which claims are to be brought, the commencement of additional and significant litigated claims is expected and IAG anticipates that it will take a number of years to bring these matters to resolution.

As previously advised, IAG maintains that, through the protections it has put in place, it has no net insurance exposure to trade credit policies sold through BCC.

BCC is an underwriting agency that was authorised to underwrite trade credit insurance, in accordance with specific underwriting guidelines, through IAL. Trade credit insurance is designed to protect insured businesses who provide credit terms to their customers. The policies are designed to indemnify for losses arising from a failure to pay genuine debts owed by customers by covering an agreed percentage of defaults on the payment of the business' accounts receivable.

IAL's 50% interest in BCC was sold to Tokio Marine Management (Australasia) Pty Ltd (Tokio Marine) with effect from 9 April 2019. As part of the sale transaction arrangements, BCC continued to underwrite risks on behalf of IAL to 30 June 2019, with Tokio Marine & Nichido Fire Insurance Co Ltd (TMNF) retaining the risk for policies written during this period, and earlier written policies, net of reinsurance. In addition to reinsurance in place in respect of these policies, IAG entered into agreements with TMNF for it to hold any remaining exposure to trade credit insurance written by BCC on behalf of IAL before 30 June 2019.

3. GROUP RESULTS

IAL ceased underwriting trade credit insurance on 30 June 2019. The IAL trade credit portfolio is in run off with IAL managing existing and future claims. The existing claims include both claims relating to Greensill entities and claims related to the remainder of the BCC trade credit portfolio. IAG has revised the outstanding claims liability to $471m at 31 December 2022 (30 June 2022: $477m) 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 any new claims lodged during the year relating to the BCC portfolio. This has been determined in accordance with IAG's usual claims reserving practices, which takes into account an assessment of the validity of claims. IAG has also recognised $471m (30 June 22: $477m) of related reinsurance recoveries and indemnities in respect of trade credit related claims, although a reinsurer may challenge its obligations with respect to any claim exposures.

Asian interests

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.

IAG's only remaining Asian investment is a small stake in a Chinese insurer

OTHER PROFIT AND LOSS DRIVERS

Net corporate expense

Net corporate expense in 1H23 includes the $360m reduction in the provision for business interruption related claims (1H22: nil) and a $7m adjustment to the net proceeds from the divestment of AmGeneral Insurance Berhad (AmGeneral) in Malaysia announced on 19 July 2021.

Fee-based business

Fee-based business costs of $14m (1H22: $13m) reflect investment in new businesses aligned with IAG's strategy, focusing on advanced technologies, data asset capabilities, innovation and mobility initiatives, including:

- Net costs from the Ambiata specialist data activation business and from the innovation hubs run by Firemark Labs of ~$7m;
- Costs from the ongoing development of the Carbar digital car-trading platform business of ~$3m;
- Customer Loyalty Platform costs of ~$2m to leverage data and analytics to unify brands, products and services, and deliver better customer experiences with rewards for risk mitigating behaviours and loyalty; and
- A loss of ~$1m from Motorserve's car servicing activities (1H22: $3m loss).

Investment income on shareholders' funds

Investment income on shareholders' funds was a profit of $72m, compared to a profit of $53m in 1H22, reflecting:

- A return of $45m from fixed interest and cash (1H22: $10m loss);
- A return of $30m from equities (1H22: $42m);
- A loss of $3m from alternatives and other adjustments (1H22: $21m profit)

At 31 December 2022, the weighting to defensive assets (fixed interest and cash) in the shareholders' funds was 77%, compared to 68% at 30 June 2022.

Profit on shareholders' funds includes positive equity market performances

3. GROUP RESULTS

Tax expense

IAG reported a tax expense of $213m in 1H23, a significant increase on the $77m in 1H22 due to the increase in pre-tax earnings. IAG's effective tax rate (pre-amortisation and impairment) was ~31%. The difference between the effective tax rate and the Australian corporate rate of 30% is due to the non-deductible impact of the AmGeneral net proceeds adjustment and capital note payments.

Normalised effective 1H23 tax rate of ~31%

Non-controlling interests

Non-controlling interests reduced IAG's profits after tax by $6m (1H22: $30m).

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.

Non-controlling interests reduction reflect lower IMA earnings

IMA posted a reduced profit in 1H23 owing to the natural peril events in NSW and Victoria, along with inflationary impacts, as reflected in DIA's reported insurance margin reducing to 8.9% in 1H23 from 10.5% in 1H22.

Amortisation and impairment

A modest amortisation and impairment expense of $2m was recorded in 1H23 compared to $4m in 1H22.

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

Net profit after tax of $468m (1H22: $173m) reflected the aforementioned items. On a cash earnings basis, IAG delivered diluted cash EPS of 8.92c (1H22: 6.77c). 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
On Market Buyback	(15.2)
Balance at the end of the financial year	**2,449.9**
Average weighted shares on issue	2,461.8
Less: Treasury shares held in trust	(1.9)
Average weighted shares on issue - cash EPS	**2,459.9**
Add: Treasury shares held in trust	1.9
Add: Potential dilutionary issues from hybrid debt instruments	351.1
Average weighted potential shares on issue - diluted cash EPS[1]	**2,812.9**

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

3. GROUP RESULTS

CASH EARNINGS[1,2]	1H23 A$m
Net profit after tax	**468**
Acquired intangible amortisation and impairment	2
Unusual items:	
- BI provision release	(360)
- AmGeneral net proceeds adjustment	7
- Tax effect on corporate expenses	106
Cash earnings	**223**

Notes: (1) Cash earnings are used to calculate the targeted ROE 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 represents non-IFRS financial information.

DIVIDEND

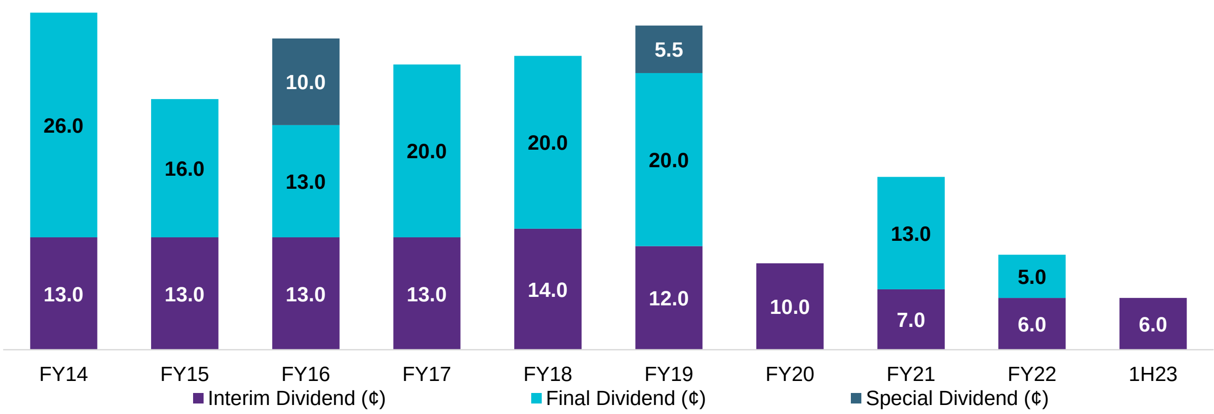
The Board has determined to pay an interim dividend of 6.0 cents per share, franked to 30% (1H22: 6.0cps unfranked) The interim dividend equates to a payout ratio of 68% of 1H23 NPAT adjusted for the business interruption provision release (1H22: 84% of cash earnings). The Dividend Reinvestment Plan (DRP) has been suspended for the interim dividend.

IAG's dividend policy is to pay out 60% to 80% of NPAT excluding the after-tax impact from releases from the business interruption provision.

Refer to the Directory page in this Investor Report for key dates.

Interim dividend of 6.0 cents – a pay-out ratio to 68% of NPAT adjusted for the Business Interruption provision release

DIVIDEND HISTORY – FY14-1H23



As at 31 December 2022, IAG had a $257m franking balance on a consolidated basis. The holding company, Insurance Australia Group Limited currently has $22m franking credits available for distribution.

The lower franking balance reflects tax losses in the holding company and minimal tax payable by the IAG tax consolidated group in Australia in FY20 and FY21, due to severe net natural perils claims costs and adverse reserving, including the business interruption provision.

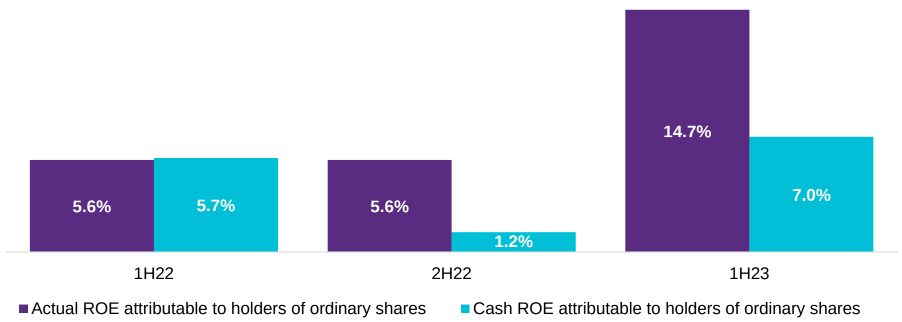
The franking rate of 30% will apply to the interim dividend and relevant distributions on the Capital Notes during the second half of the 2023 financial year.

RETURN ON EQUITY

IAG targets a reported ROE of 12% to 13%, excluding the benefit of business interruption provision releases, over the medium term. In 1H23, IAG delivered a cash ROE of 7.0% (1H22: 5.7%).

Cash ROE of 7.0%

RETURN ON EQUITY (ANNUALISED)



CAPITAL

IAG has a very strong capital position at 31 December 2022 with a CET1 ratio of 1.11, above the top of the target range of 0.9 to 1.1. On a pro-forma basis, adjusting for the payment of the interim dividend and assuming completion of the on-market buyback, the CET1 ratio is 0.94.

CET1 ratio of 1.11, above the target range

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 2022.

3. GROUP RESULTS

FY23 GUIDANCE AND OUTLOOK

FY23 GWP guidance upgraded to 'around 10%' growth

IAG's updated guidance for FY23 is based on the 1H23 financial results and the financial impact of the Auckland flooding event, resulting in:

- Forecast GWP growth of around 10%, an increase from earlier guidance of 'mid-to-high single digit' growth. This is primarily rate driven reflecting claims inflation, higher reinsurance costs and an increased natural peril expectation. Modest volume growth and an increase in customer numbers are expected;
- A reported insurance margin of around 10%, a reduction from earlier guidance of '14% to 16%', which assumes:
    - An improvement in the second half underlying margin based on:
        - increased net earned premium reflecting the benefit of higher premiums;
        - benefits of claims initiatives and a moderation of underlying inflation in the supply chain; and
        - expected increased underlying investment yields; partially offset by
        - a reinsurance reinstatement premium and higher commission expenses;
    - A natural peril expectation of $1,145 million;
    - No 2H23 material prior period reserve releases or strengthening; and
    - No 2H23 material movements in macro-economic conditions including foreign exchange rates or investment markets.

IAG retains its aspirational goal to achieve a 15% to 17% insurance margin and a reported ROE of 12% to 13% over the medium term. These goals are based on delivery of IAG's ambitions of:

- An increase in the customer base of 1 million to 9.5 million by FY26;
- An IIA insurance profit of at least $250m by FY24;
- $400m in value from DIA claims and supply chain cost reductions on a run-rate basis from FY26;
- Greater than 80% of customer interactions across digital channels; and
- Further simplification and efficiencies to maintain the Group's cost base at around $2.5 billion.

These goals and ambitions are subject to assumptions and dependencies, including that there are no material adverse developments in macro-economic conditions and disruptions or events beyond IAG's control (for example, natural perils events in excess of IAG's allowances).

4. DIRECT INSURANCE AUSTRALIA

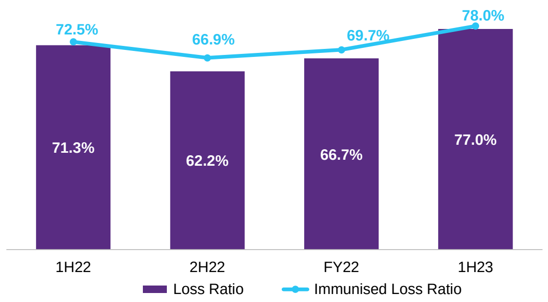
FINANCIAL PERFORMANCE

DIRECT INSURANCE AUSTRALIA	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Gross written premium	**2,952**	**3,084**	**6,036**	**3,219**
Gross earned premium	2,919	2,946	5,865	3,097
Reinsurance expense	(1,122)	(1,140)	(2,262)	(1,223)
Net earned premium	**1,797**	**1,806**	**3,603**	**1,874**
Net claims expense	(1,282)	(1,123)	(2,405)	(1,443)
Commission expense	(55)	(55)	(110)	(61)
Underwriting expense	(271)	(264)	(535)	(255)
Underwriting profit	**189**	**364**	**553**	**115**
Investment income on technical reserves	-	(84)	(84)	52
Insurance profit	**189**	**280**	**469**	**167**
Profit/(loss) from fee based business	(6)	(7)	(13)	(4)
Share of profit/(loss) from associates	(4)	(3)	(7)	(8)
Total divisional result	**179**	**270**	**449**	**155**

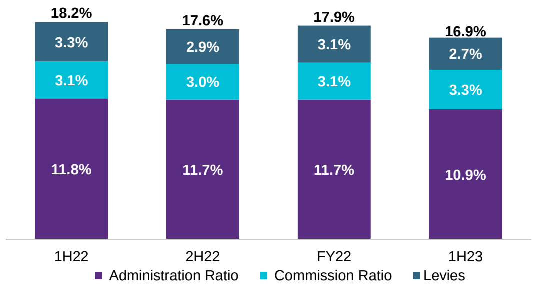
Insurance Ratios	1H22	2H22	FY22	1H23
Loss ratio	71.3%	62.2%	66.7%	77.0%
Immunised loss ratio	72.5%	66.9%	69.7%	78.0%
Expense ratio	18.2%	17.6%	17.9%	16.9%
Commission ratio	3.1%	3.0%	3.1%	3.3%
Administration ratio	15.1%	14.6%	14.8%	13.6%
Combined ratio	89.5%	79.8%	84.6%	93.9%
Immunised combined ratio	90.7%	84.5%	87.6%	94.9%
Reported insurance margin	10.5%	15.5%	13.0%	8.9%
Underlying insurance margin	21.8%	19.2%	20.5%	13.2%

INSURANCE RATIOS

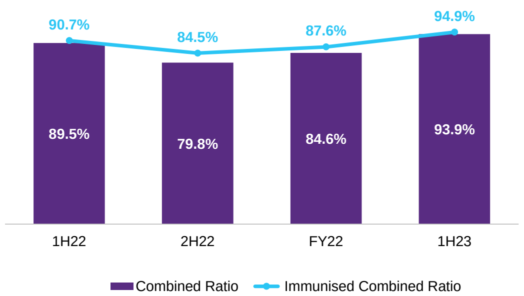
LOSS RATIO



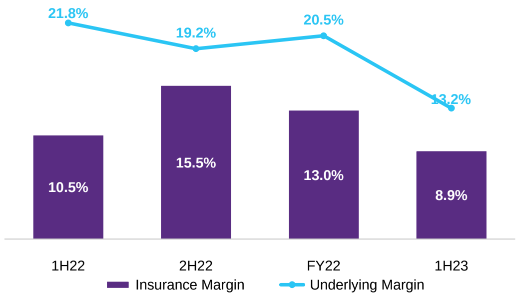
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



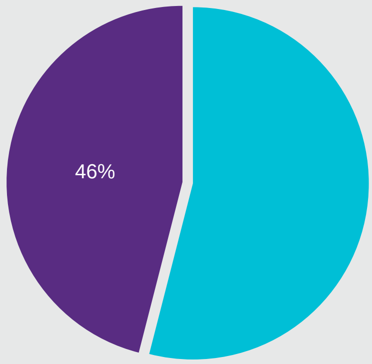
4. DIRECT INSURANCE AUSTRALIA

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 business

DIA - % Group GWP



1H23 Performance

- Served over 5 million customers holding ~8.5 million policies, an increase of over 100k customers over the past six months
- GWP grew 9% reflecting both premium rate increases and volume growth over 2% across personal short tail classes.
- Underlying margin of 13.2% (1H22: 21.8%), impacted by the absence of COVID-19 benefits that assisted 1H22 and adverse claims experience
- Reported margin of 8.9% (1H22: 10.5%) impacted by higher than expected natural peril costs
- Prior year reserve strengthening of $20m, with adverse development in small peril events and motor claims cancellation rate more than offsetting CTP releases and favourable motor recovery rate

PREMIUMS

DIA reported GWP of $3,219m in 1H23, an increase of 9.0% over 1H22. Growth was driven by higher rates to address claims inflation, an increased perils allowance and higher reinsurance costs. Volume growth of over 2.3% was achieved across personal short tail classes. Strong retention levels remain a key feature in DIA and have improved on prior year across most portfolios.

Personal short tail volume growth ~2.3%

DIRECT INSURANCE AUSTRALIA GWP	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m	GWP Growth 1H23 vs 1H22	1H23 vs 2H22
Motor	1,440	1,534	2,974	1,555	8.0%	1.4%
Home	995	1,008	2,003	1,127	13.3%	11.8%
Niche & Other	64	63	127	73	14.1%	15.9%
Personal Short Tail	**2,499**	**2,605**	**5,104**	**2,755**	**10.2%**	**5.8%**
CTP	353	372	725	354	0.3%	(4.8%)
Total Personal	**2,852**	**2,977**	**5,829**	**3,109**	**9.0%**	**4.4%**
Commercial	100	107	207	110	10.0%	2.8%
Total GWP	**2,952**	**3,084**	**6,036**	**3,219**	**9.0%**	**4.4%**

4. DIRECT INSURANCE AUSTRALIA

Personal short tail

Personal short tail GWP growth was strong at 10.2% compared to 1H22, with a blend of rate and volume growth. GWP grew 5.8% compared to 2H22 owing to a skew of motor renewals towards the end of the financial year. As a result, motor GWP increased 1.4% compared to 2H22. Personal short tail classes will play a significant role in meeting IAG's first strategic pillar to "Grow with our customers". Progress in 1H23 was encouraging, with strong growth achieved by RACV, NRMA in SA & WA, as well as ROLLiN', albeit off a smaller base.

Motor GWP increased 8.0%. This was driven by rate increases to address claims inflation, supplemented by strong retention across all states. Volume growth was 1%. Key drivers:

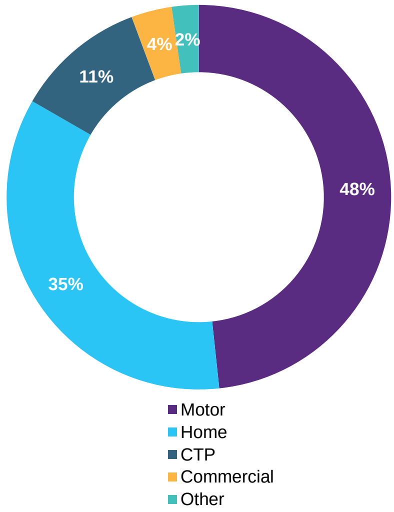
- Continued volume growth through the RACV brand in Victoria.
- Contributions to growth from the rollout of NRMA Insurance in Western Australia, South Australia and Northern Territory; and
- Slightly lower volumes in NSW, impacted by lower new business opportunities owing to soft new car sales.

Home GWP rose by 13.3%, primarily derived from rate increases. Volume was also strong at over 4% supported strong growth in RACV and by the NRMA brand rollout in WA. Key drivers:

- Double digit average rate increases, with rate increases matching claims inflation and higher natural peril reinsurance costs; and
- Higher ESL collection (~$15m).

Retention levels for both Motor and Home have remained high at more than 91% and 95% respectively.

DIA 1H23 GWP – BY CLASS

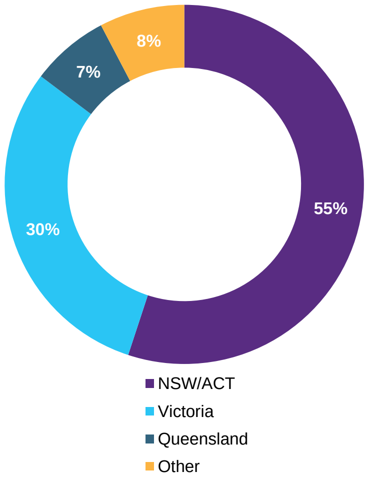


Personal long tail

Long tail (CTP) GWP grew at 0.3% compared to 1H22. This reflected:

- An overall 2.1% increase in NSW GWP, which reflects higher new business volumes and higher retention rates (1H23: ~83% vs 1H22: ~82%), partially offset by lower average premiums. NRMA Insurance maintained the leading market share in NSW CTP (31.1%) which is slightly better than June 2022 (30.9%). New business growth is on the back of lower base in 1H22, where volumes were impacted by the COVID-19 lockdowns;
- Australian Capital Territory GWP increased by 17.5%. This was driven by a favourable price position and strong brand in the ACT market. IAG's share of CTP registrations (on a 12-month rolling average basis) was ~49% December 2021, increasing to ~62% in December 2022; and
- South Australia GWP decreased ~26.3%. This was driven by a combination of new competitor entry, changes in Claimant Service rating, price position and embedment during NRMA brand transition. Market share has dropped from ~33% in December 2021 to ~23% in December 2022.

DIA 1H23 SHORT TAIL GWP – STATE/TERRITORY



Direct Commercial

Direct SME remains a focus area for significant growth with work completed to define the clear vision and strategy. Digital optimisation and innovation continues to be a priority with additional improvements to the quote and buy flow delivered in 1H23. Strong retention rates and continued new business levels are assisting in the achievement of overall GWP growth of 10%. Positive new business sales have resulted in 3.9% volume growth.

4. DIRECT INSURANCE AUSTRALIA

Customer Initiatives

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

- SGIO and SGIC customers in Western Australia and South Australia respectively are being transitioned to NRMA Insurance on renewal, following the launch of the Group's national brand into those States during 2022;
- The Customer Loyalty Program available to customers via the NRMA App recognises and rewards customers for their loyalty and risk mitigation action with over 90k customers enrolled. Further enhancements have enabled Hail alerts and additional payment options such as ApplePay;
- NRMA Insurance sponsorship of Cricket Australia and Channel Nine Weather to attract new customers;
- The launch of the Direct SME cover recommender supports customers with their choice of coverage options to suit their business needs;
- ROLLiN' continues to improve its digital customer experience to attract younger customers in their 20s and 30s with a subscription-like offering;
- Continued Car Servicing and Customer Hub operations through Motorserve. Car servicing is offered at 20 sites, delivering quality mechanical repairs and vehicle servicing to ~80,000 customers. Customer Hubs provide a one-stop shop for motor services including vehicle triage, transportation and customer mobility across 31 locations; and
- Improving the efficiency and quality of repairs through Repairhub, a majority-owned joint venture with RACV and two repair partners. Repairhub delivers high quality accident repair services through 19 metropolitan sites and has contributed to improved customer experience through reduced repair turnaround times, ensuring customers cars are returned earlier. Repairhub is also capturing economies of scale though motor parts procurement and will extend its footprint in FY23.

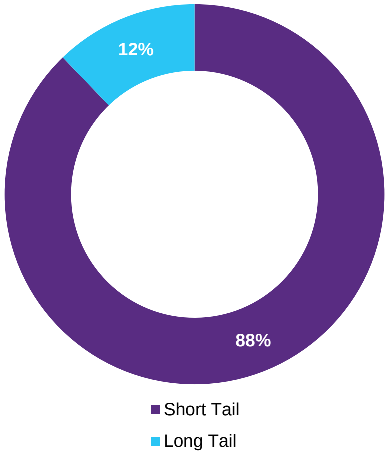
Transition of customers to the NRMA Insurance brand

Digital Initiatives

Delivering new digital capability is an ongoing priority for DIA and notable developments in 1H23 included:

- Continued online sales channel growth, with NRMA NSW/QLD/TAS Insurance now conducting ~42% of new business sales and ~39% renewals online (1H22: 37% new business, 39% renewals).
- Digital claim lodgements have nearly doubled compared to 1H22, with ~47% of Motor claims (~27% in 1H22) and ~36% of Home claims (~20% in 1H22) lodged online;
- Improvements to NRMA digital assets and search engine optimisation to increase engagement and enhance customer experience. Behavioural science utilised to develop customer centric digital content;
- Enhancement of our digital engagement tools including Nomi (web chat persona) and Norma (AI driven digital avatar) to assist customers in navigating NRMA's digital experience;
- Translation of Web pages to extend web site accessibility to our culturally and linguistically diverse customers, with Mandarin pages the first to be available;
- Customers can view the progress of their claim using the Claims Tracker, including the ability to monitor motor vehicle and building property repairs, view content items and applicable settlement offers, pay excess, upload documents and have access to Webchat. Since the introduction of Motor

DIA 1H23 GWP - TAIL



4. DIRECT INSURANCE AUSTRALIA

Claims Tracker in May and Property Tracker in September, there has been a total of 425,987 customers using the capability.

- Claims Self-Settlement for food spoilage claims has been enabled allowing customers to self-settle via their online account. This capability will be further extended, allowing Property and Motor customers to self-settle for all contents and personal items. To date, 548 food spoilage claims have been self-settled.
- Continued streaming and automation of processes by using AI. IAG now uses AI to predict whether a motor vehicle is a total loss after an accident, allowing customers to settle online quickly after their vehicle has been assessed. 45,541 customers have now used this digital experience.

INSURANCE PROFIT

DIA reported an insurance profit of $167m in 1H23, compared to $189m in 1H22, which equates to a lower reported insurance margin of 8.9%, compared to 10.5% in 1H22. The lower reported margin reflects an earnings lag from rate increases implemented to offset higher claims inflation and reinsurance costs, modest reserve strengthening, offset by higher investment returns.

Lower profitability owing to worsening underlying claims ratio

INSURANCE MARGIN IMPACTS Direct Insurance Australia	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Underlying insurance profit	**391**	**348**	**739**	**247**
Reserve releases/(strengthening)	(28)	4	(24)	(20)
Natural perils	(354)	(214)	(568)	(291)
Natural perils allowance	172	173	345	218
Credit spreads	8	(31)	(23)	13
Reported insurance profit	**189**	**280**	**469**	**167**
Underlying insurance margin	**21.8%**	**19.2%**	**20.5%**	**13.2%**
Reserve releases/(strengthening)	(1.6%)	0.2%	(0.7%)	(1.1%)
Natural perils	(19.7%)	(11.8%)	(15.8%)	(15.5%)
Natural perils allowance	9.6%	9.6%	9.6%	11.6%
Credit spreads	0.4%	(1.7%)	(0.6%)	0.7%
Reported insurance margin	**10.5%**	**15.5%**	**13.0%**	**8.9%**

DIA underlying margin of 13.2% in 1H23 is lower than the prior comparable half (1H22: 21.8%) with a key impact being the COVID-19 benefits in 1H22 (~330bps). Other impacts relative to 1H22 included:

- Double digit claims inflation across home and motor; and
- An increase in the natural perils allowance (~200bps impact).

These were partially offset by:

- An increase in the running yield on investments; and
- Increased net earned premium which will continue to grow as premium increases are earned through.

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

Underlying margin of 13.2% significantly impacted by claims inflation

4. DIRECT INSURANCE AUSTRALIA

Underlying Claims Experience

DIA's underlying claims ratio (excluding reserve movements, natural perils and discount rate adjustments) was 61.4% in 1H23, an increase on 51.2% in the prior year.

IMMUNISED LOSS RATIO Direct Insurance Australia	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Immunised underlying net claims expense	**920**	**998**	**1,918**	**1,150**
Discount rate adjustment	(20)	(85)	(105)	(18)
Reserving and perils effects	382	210	592	311
Reported net claims expense	**1,282**	**1,123**	**2,405**	**1,443**
Immunised underlying loss ratio	**51.2%**	**55.3%**	**53.1%**	**61.4%**
Discount rate adjustment	(1.2%)	(4.7%)	(2.9%)	(1.0%)
Reserving and perils effects	21.3%	11.6%	16.5%	16.6%
Reported loss ratio	**71.3%**	**62.2%**	**66.7%**	**77.0%**

This reflects the net effect of a few key factors:

- Motor collision claims frequency back to pre-pandemic levels compared to 1H22 which experienced lower claims volumes than historic trends (~330bps or $55m-$65m impact).
- Double digit increase in Motor inflation driven by total loss claims due to higher average used car prices, supply chain network challenges and third party costs.
- Earn-through premium lag of personal short tail rate increases which has resulted in a shortfall compared to current claims inflation. This is expected to improve in 2H as earned premium continues to develop; and
- Double digit increases in home claim costs driven by an increase in the price of labour and materials and higher volume of large loss fire claims during the last quarter of calendar year 2022 compared to a low inflationary prior year. Normalising for unusual level of large fire claims, inflation is high single digit.

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 $20m include:

- Higher than expected inflation in settling small peril claims;
- Change in Motor claims cancelation rate post COVID lockdowns; offset by
- CTP releases of $10m.

Natural Perils

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

Expenses

Total commission and underwriting expenses reduced to $316m (1H22: $326m) despite an increase in commission expense. Strong cost management including an operating model review, hiring restrictions and tight management of discretionary costs resulted in underwriting expenses reducing by $16m and the administration ratio declining to 13.6% (1H22: 15.1%).

4. DIRECT INSURANCE AUSTRALIA

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 1H23 overall fee-based result was a $4m loss (1H22: $6m loss) which was in line with expectations given the stage of development of these businesses. This included:

- Motorserve's car servicing activities were breakeven in 1H23. This represents a recovery post COVID-19 lockdowns; and
- Net costs associated with digital initiatives was neutral.

The $8m loss from associates predominantly relates to the Home Trades Hub Australia operations.

Ongoing investment associated with technology and growth initiatives

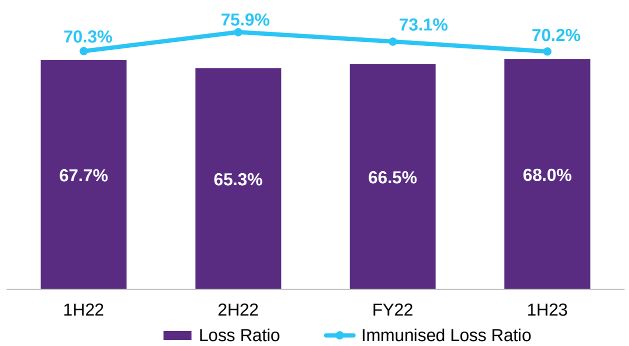
5. INTERMEDIATED INSURANCE AUSTRALIA

INTERMEDIATED INSURANCE AUSTRALIA	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Gross written premium	**2,136**	**2,153**	**4,289**	**2,303**
Gross earned premium	2,140	2,087	4,227	2,270
Reinsurance expense	(844)	(796)	(1,640)	(923)
Net earned premium	**1,296**	**1,291**	**2,587**	**1,347**
Net claims expense	(878)	(843)	(1,721)	(916)
Commission expense	(195)	(202)	(397)	(206)
Underwriting expense	(215)	(207)	(422)	(207)
Underwriting profit	**8**	**39**	**47**	**18**
Investment income on technical reserves	(12)	(138)	(150)	31
Insurance profit	**(4)**	**(99)**	**(103)**	**49**
Profit/(loss) from fee based business	4	(3)	1	(1)
Share of profit/(loss) from associates	-	-	-	-
Total divisional result	**-**	**(102)**	**(102)**	**48**

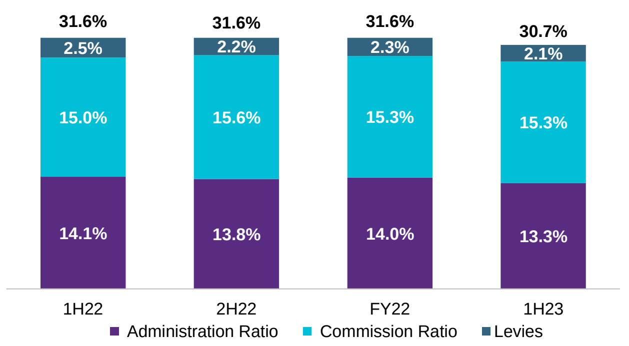
Insurance Ratios	1H22	2H22	FY22	1H23
Loss ratio	67.7%	65.3%	66.5%	68.0%
Immunised loss ratio	70.3%	75.9%	73.1%	70.2%
Expense ratio	31.6%	31.6%	31.6%	30.7%
Commission ratio	15.0%	15.6%	15.3%	15.3%
Administration ratio	16.6%	16.0%	16.3%	15.4%
Combined ratio	99.3%	96.9%	98.1%	98.7%
Immunised combined ratio	101.9%	107.5%	104.7%	100.9%
Reported insurance margin	(0.3%)	(7.7%)	(4.0%)	3.6%
Underlying insurance margin	5.0%	5.1%	5.0%	5.7%

INSURANCE RATIOS

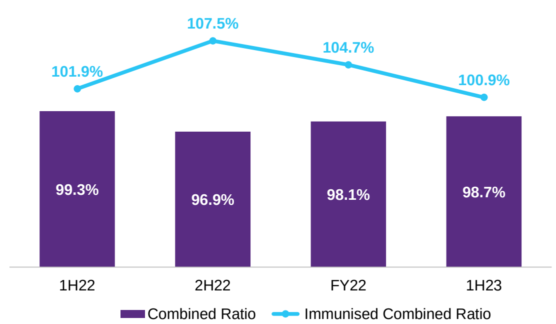
LOSS RATIO



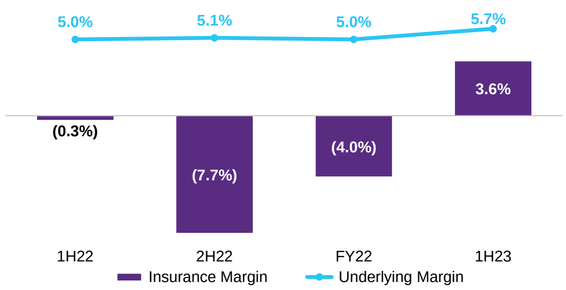
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



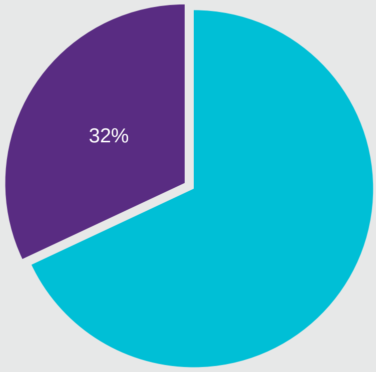
5. INTERMEDIATED INSURANCE AUSTRALIA

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 sold under the CGU and WFI brands, has 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 '

IIA - % Group GWP



1H23 Performance

- Strong GWP growth of 7.8%, with double digit growth achieved across all major classes on an underlying basis
- Rate increases remain the dominant growth driver at ~11%
- Volume growth achieved in select portfolios with retentions holding steady, offset by volume reductions through targeted underwriting decisions including the exit of IAL Personal Lines
- Underlying margin of 5.7% in 1H23 (1H22: 5%) driven by underwriting performance and uplift in investment returns; IIA continues to progress towards its $250m insurance profit target by FY24
- Insurance profit of $49m (1H22: $4m loss) benefitted from lower natural perils costs than 1H22

PREMIUMS

IIA reported GWP of $2,303m in 1H23, a 7.8% increase compared to 1H22 with the headline growth impacted by the HBF transfer and portfolio exits including IAL Steadfast. Excluding these impacts, underlying growth is 14% in 1H23.

Rate increases remain the dominant feature of the underlying GWP growth, and averaged ~11% across 1H23, continuing the strong momentum seen in FY22 (~9%). Solid overall retention levels have been supplemented by volume growth in select portfolios.

Ongoing rate driven premium growth, offset by portfolio exits

INTERMEDIATED INSURANCE AUSTRALIA GWP	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m	GWP Growth 1H23 vs 1H22	1H23 vs 2H22
Commercial Short Tail	1,030	1,032	2,062	1,168	13.4%	13.2%
Commercial Long Tail	473	551	1,024	547	15.6%	(0.7%)
Personal	633	570	1,203	588	(7.1%)	3.2%
Total GWP	**2,136**	**2,153**	**4,289**	**2,303**	**7.8%**	**7.0%**

5. INTERMEDIATED INSURANCE AUSTRALIA

Commercial short tail

Commercial short tail GWP grew by 13.4% in 1H23. Key drivers include:

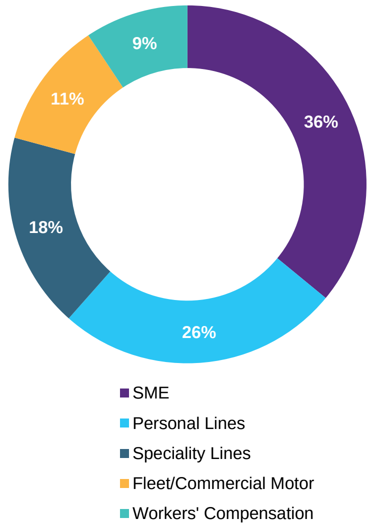
- Varying rate movements across portfolios with overall rate of ~10%. Commercial SME packages achieved mid-single digit rate increases with double-digit rate changes achieved in a number of CGU lines, including property, construction & engineering and country packages
- Volumes overall have increased, largely in NTI and SUU, partly offset by targeted slight reductions in retention levels in our packaged products via price increases
- A strong growth performance from agencies as rate and retentions continue to hold.

Commercial long tail

Commercial long tail GWP grew by 15.6% in 1H23. Key drivers include:

- Double-digit rate increases continue to be achieved to counter elevated claims inflation across professional risk and liability classes with retention levels holding steady.
- Workers' compensation growth driven by wage inflation and mid-single digit increases with strong new business wins, partly offset by active portfolio management of under-performing accounts with selective underwriting.
- Professional risks strong volume growth from scheme businesses
- Targeted volume reductions in liability from selective underwriting with retention levels holding steady.

IIA 1H23 GWP – CLASS



Personal

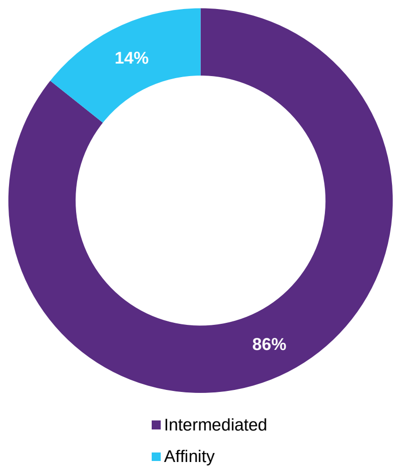
IIA's personal insurance is primarily sold through broker and partner channels, including a number of financial institution partnerships.

The decline in reported GWP has been driven by the IAL Steadfast exit and loss of Bupa and BankVic partners. At an underlying level, strong growth of ~14% against 1H22 was recorded, driven by:

- Double-digit rate increases implemented to address inflation and additional reinsurance costs
- Overall growth in the broker personal lines portfolio, with double-digit rate increases supplemented by volume growth in both new business and renewals

Partnered Channels double-digit rates have increased over the period to address inflationary pressures and additional reinsurance costs.

IIA 1H23 GWP – CHANNEL



Digital initiatives and underwriting actions

IIA continues to enhance its product offerings, strengthen its partnerships and improve the quality of its customer service. In 1H23 there was an enhanced focus on continual development of technical pricing and underwriting capabilities. Key activities included:

- Improved pricing for Agri products in WFI based on new technical pricing models;
- Implementation of CGU SME Labour Hire helping businesses to identify the risk of labour hire and allowing CGU to price the risk, through an automated process;

5. INTERMEDIATED INSURANCE AUSTRALIA

- Improving the process and execution of IIA's portfolio strategy from our underwriting teams through to the front line;
- Partner Pricing Platform was upgraded delivering key performance enhancements;
- CGU has entered a long term distribution agreement with ANZ to provide their banking customers with home, landlord and motor insurance product from July 2023; and
- Self-service claims tracker enabling customers to track their claims online providing an end-to-end digital claims experience

INSURANCE PROFIT

IIA delivered an insurance profit of $49m in 1H23 (1H22: $4m loss). The key driver of the improvement in the reported profit relative to 1H22 was a lower natural peril experience. Relative to 2H22, the improvement was due to materially lower prior year reserve strengthening and a benefit from credit spreads narrowing.

Reported insurance result improved driven by lower natural perils

INSURANCE MARGIN IMPACTS Intermediated Insurance Australia	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Underlying insurance profit	**65**	**65**	**130**	**76**
Reserve releases/(strengthening)	(17)	(134)	(151)	(29)
Natural perils	(224)	(160)	(384)	(176)
Natural perils allowance	162	162	324	168
Credit spreads	10	(32)	(22)	10
Reported insurance profit	**(4)**	**(99)**	**(103)**	**49**
Underlying insurance margin	**5.0%**	**5.1%**	**5.0%**	**5.7%**
Reserve releases/(strengthening)	(1.3%)	(10.4%)	(5.8%)	(2.2%)
Natural perils	(17.3%)	(12.4%)	(14.8%)	(13.1%)
Natural peril allowance	12.5%	12.5%	12.5%	12.5%
Credit spreads	0.8%	(2.5%)	(0.9%)	0.7%
Reported insurance margin	**(0.3%)**	**(7.7%)**	**(4.0%)**	**3.6%**

IIA's underlying margin of 5.7% in 1H23 was an improvement on the 5.0% in 1H22, continuing the steady progress towards the $250m insurance profit target in FY24. The key driver of the underlying margin improvement on 1H22 was an improvement in investment yields, which along with a lower expense raitio, more than offset a deterioration in the underlying loss ratio.

Steady improvement in underlying performance

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

Underlying Claims Experience

IIA's underlying claims ratio (excluding reserve movements, natural perils and discount rate adjustments) was 54.9%, a 320bps deterioration compared to 1H22 (51.7%) and 180bps compared to 2H22 (53.1%).

5. INTERMEDIATED INSURANCE AUSTRALIA

IMMUNISED LOSS RATIO Intermediated Insurance Australia	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Immunised underlying net claims expense	**670**	**686**	**1,356**	**740**
Discount rate adjustment	(33)	(137)	(170)	(29)
Reserving and perils effects	241	294	535	205
Reported net claims expense	**878**	**843**	**1,721**	**916**
Immunised underlying loss ratio	**51.7%**	**53.1%**	**52.5%**	**54.9%**
Discount rate adjustment	(2.6%)	(10.6%)	(6.6%)	(2.2%)
Reserving and perils effects	18.6%	22.8%	20.6%	15.3%
Reported loss ratio	**67.7%**	**65.3%**	**66.5%**	**68.0%**

Inflationary impacts drive increase in underlying claims ratio

The underlying claims performance included the net effect of various factors.

- Earn-through premium lag of personal lines double-digit rate increases has resulted in a shortfall compared to current claims inflation in low double digits. This is expected to improve in 2H as earned premium continues to develop.
- An increase in the number of large losses across all portfolios, with the exception of commercial property where we saw large loss frequency down in 1H23.
- Improvement in professional risk long tail loss ratio reflecting active portfolio management with workers compensation in line with 1H22.
- Liability loss ratio has deteriorated relative to 1H22 but is an improvement on 2H22. Elevated average claim size remains a key focus of remediation actions including significant rate increases

Reserve Releases / Strengthening

Reserve strengthening isolated to personal lines

Prior year reserve deterioration of $29m in 1H23 mostly occurred within personal lines classes which has been impacted by elevated claims inflation.

Natural Perils

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

Expenses

Underwriting expenses reduced by $8m from $215m in 1H22 to $207m in 1H23. This reflects:

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

The administration ratio decreased by 120bps to 15.4% in 1H23 and the commission ratio has remained broadly flat at 15.3% (1H22: 15.0%)

6. NEW ZEALAND

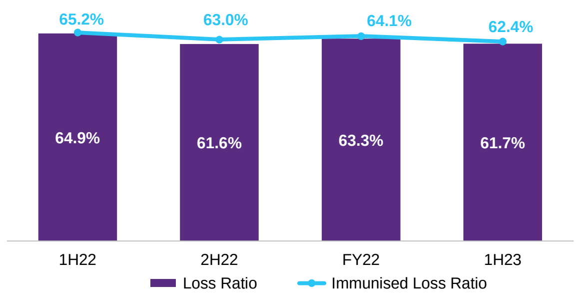
FINANCIAL PERFORMANCE

NEW ZEALAND	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Gross written premium	**1,481**	**1,510**	**2,991**	**1,539**
Gross earned premium	1,455	1,423	2,878	1,486
Reinsurance expense	(585)	(574)	(1,159)	(593)
Net earned premium	**870**	**849**	**1,719**	**893**
Net claims expense	(565)	(523)	(1,088)	(551)
Commission expense	(96)	(93)	(189)	(99)
Underwriting expense	(115)	(103)	(218)	(113)
Underwriting profit	**94**	**130**	**224**	**130**
Investment income on technical reserves	5	(9)	(4)	6
Insurance profit	**99**	**121**	**220**	**136**

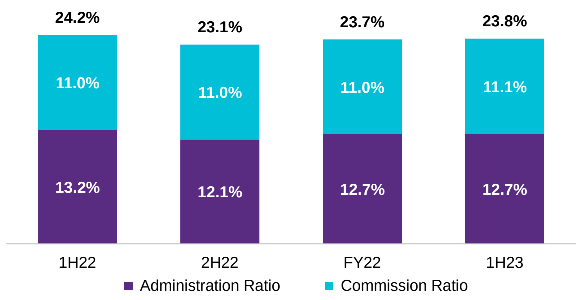
Insurance Ratios	1H22	2H22	FY22	1H23
Loss ratio	64.9%	61.6%	63.3%	61.7%
Immunised loss ratio	65.2%	63.0%	64.1%	62.4%
Expense ratio	24.2%	23.1%	23.7%	23.8%
Commission ratio	11.0%	11.0%	11.0%	11.1%
Administration ratio	13.2%	12.1%	12.7%	12.7%
Combined ratio	89.1%	84.7%	87.0%	85.5%
Immunised combined ratio	89.4%	86.1%	87.8%	86.2%
Reported insurance margin	11.4%	14.3%	12.8%	15.2%
Underlying insurance margin	16.8%	16.8%	16.8%	13.2%

INSURANCE RATIOS

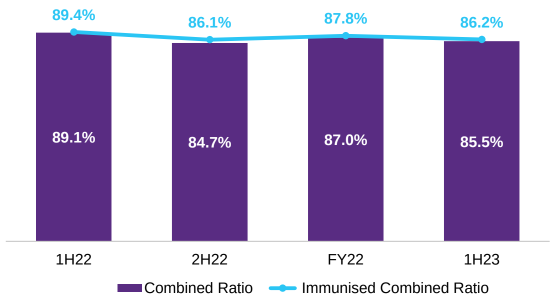
LOSS RATIO



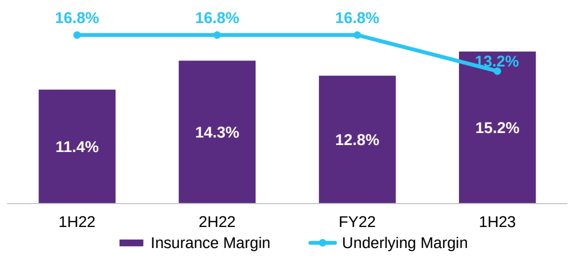
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN

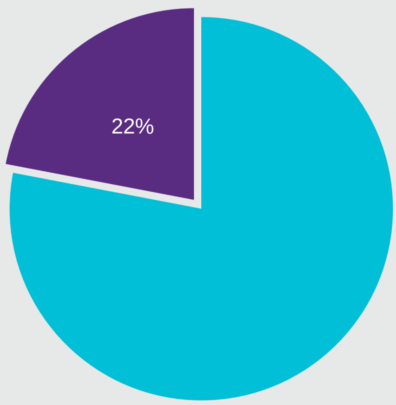


6. NEW ZEALAND

EXECUTIVE SUMMARY

New Zealand snapshot

- IAG is the largest general insurer in New Zealand selling products through a combination of direct and intermediated channels
- Products are sold directly to customers under the State, AMI, and Lantern brands
- The Business division distributes products through a nationwide network of qualified and experienced brokers under the NZI and Lumley brands
- IAG also distributes products through our banking partners ASB, Westpac, BNZ, and the Co-operative Bank
- The immediate focus of New Zealand's five-year strategy is to strengthen its foundations through organisational simplification which includes a significant technology uplift, transformation of the customer experience with a focus on the claims experience, building out our supply chain and adjacency offering, and to build on a customer-led culture
- New Zealand is in the first phase of our foundational build and is accelerating our investment in growth opportunities. Concurrently we are focusing on ensuring the business is successfully navigating the current inflationary environment including carefully managing our supply chain and operational costs, and implementing rate increases through key lines of business to mitigate the rising cost of claims



1H23 Performance

- Local currency GWP growth of 9.1% and underlying local currency GWP growth of 10.1% (after allowing for the estimated impact of the EQC cap change on 1 October)
- GWP growth driven by rate increases across all key portfolios
- Overall volumes flat, with some growth in the commercial motor portfolio
- Underlying margin impacted by claims experience and earn through premium lag

PREMIUMS

New Zealand's A$ GWP of $1,539m grew 3.9% and was significantly impacted by the NZ$ depreciation over the half. In local currency terms, GWP grew by 9.1% in 1H23 to NZ$1,696m. After allowing for the estimated impact of the EQC cap change, local currency GWP grew by 10.1%. The growth was largely rate driven with overall volumes broadly flat.

6. NEW ZEALAND

NEW ZEALAND GWP	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m	GWP Growth 1H23 vs 1H22	GWP Growth 1H23 vs 2H22
Business	662	699	1,361	717	8.3%	2.6%
Direct	605	608	1,213	612	1.2%	0.7%
Bank Partners	214	203	417	210	(1.9%)	3.4%
Total GWP	**1,481**	**1,510**	**2,991**	**1,539**	**3.9%**	**1.9%**

Local currency GWP growth of 9.1%

Business

Business represented 46% of New Zealand's GWP in 1H23 (1H22: 45%), with local currency GWP growth of 13.6%. Underlying local currency GWP growth was 14.1% after allowing for the estimated impact of the EQC cap change and reflected:

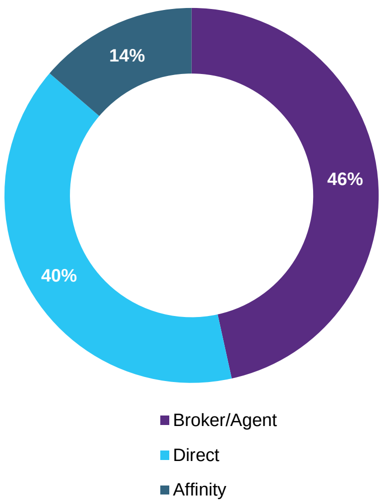
- Strong growth across all key commercial lines portfolios largely through rate increases alongside an uplift in commercial property insured values and commercial motor volume growth; and
- Strong retention which improved on prior year levels across all key commercial lines portfolios. However, new business growth in these portfolios was down on 1H22 levels.

Direct

Direct represented 40% of New Zealand's GWP in 1H23 (1H22: 41%) and achieved local currency GWP growth of 6.3%. Underlying local currency GWP growth was 7.7% after allowing for the estimated impact of the EQC cap change. This included:

- All key personal lines portfolios experienced growth in the half through rate increases, most notably double digit increases in the home owner portfolio through a blend of increases in rate and sum insured values, while overall volumes have remained steady;
- Direct retention rates have remained strong, with key personal lines portfolios ahead of 1H22. Private motor new business levels are up on the same period last year, while home owner and home contents levels have remained steady; and
- Direct commercial lines experienced robust growth led by the commercial motor portfolio through double-digit rate increases and volume growth.

NEW ZEALAND 1H23 GWP - CHANNEL



Bank Partners

The bank partner distribution channel represented 14% of New Zealand's GWP in 1H23 (1H22: 14%) and achieved local currency growth of 3.5%. Underlying local currency GWP growth was 4.9% after allowing for the estimated impact of the EQC cap change.

GWP for key personal lines products was up on 1H22 driven by higher rates, partially offset by lower volume. Retention levels and new business growth has remained largely in line with prior year levels.

Customer Initiatives

New Zealand has continued to strengthen its customer value propositions, product offerings and partner network to ensure they meet our customers' needs. Our industry leading Repairhub offering has continued to lead the way in the motor vehicle repair sector in New Zealand. Highlights included:

6. NEW ZEALAND

- The continued expansion of the Repairhub model into metropolitan areas with our fifth Repairhub site opened in Sydenham, Christchurch. Two further sites are due to open in 2023.
- Repairhub continues to lead the industry with its exceptional customer experiences resulting in an industry leading NPS of +92. Examples of our latest repair innovations include:
  - High speed paint booths servicing up to 15 cars a day while saving up to 70% on energy compared to traditional repairs;
  - An in-house plastic repair division - making it quick and easy to repair bumpers, headlights and the majority of plastic parts on cars;
  - The latest technology, including a new 'Moonwalk' paint robot with the ability to match paint colours and determine the exact amount required, reducing costs and wastage;
  - A fleet of late model courtesy cars, Hybrids and an Uber option available; and
  - New Zealand's first repair academy to train the next generation of repairers and increase female participation in the industry.
- The integration of our First Rescue offering to AMI, State, and our partners allowing our customers to add cover for roadside assistance to their policy. First Rescue is our nationwide network of over 500 providers and assessors offering 24/7 roadside assistance, accident towing, and vehicle assessments.
- AMI launched a new partnership with MTF Finance, who provide innovative finance solutions to New Zealanders through their 50-strong franchised branch network, vehicle dealers, and partners. The partnership provides MTF customers seeking insurance with a dedicated AMI team member. To further strengthen our partnership, we are looking to have AMI team members onsite at MTF franchises in 2023.
- For many of our customers their most important asset is their home. To ensure they have adequate coverage, we have set up a virtual Home team who are highly experienced in Home insurance and can help customers navigate through their Home insurance needs including the recent EQC changes.
- To deliver on our purpose of making your world a safer place, initiatives that assist customers to reduce risk have been implemented including:
  - The NZI Risk Consulting team now includes electrical inspectors. These electrical experts will play a key role in identifying some of our customers' electrical risks to help avoid future losses due to electrical fires.
  - To improve driver safety across truck and heavy vehicle operators, NZI partnered with the Taupo District Council to host the first NZI Truckie Rest Zone in August 2022. The team will look to expand these in 2023.
  - AMI in partnership with Fleetcoach launched AMI Safe Driver in August 2022, helping young drivers stay safe on the road with a new online driver safety training course. As an added incentive for AMI young drivers (under-25s), a reduced car insurance excess will be applied when making a claim for 'at fault' accidental damage while driving, if they have completed the course.

Digital Initiatives

Continued investment in digital channels

New Zealand has continued to develop its digital capability to ensure we are servicing and interacting with our customers in a manner that best suits them. Notable developments include:

6. NEW ZEALAND

- A continued shift to the digital channel, interactions with digital sales contributed to nearly 38% (1H22: 31%) of direct new business in 1H23.
- The relaunch and continued uplift of the AMI and State apps allowing our customers to fully interact with their policies in a mobile app for the first time. Since the launch in late June 2022, over 150,000 of our customers have downloaded, and over 20% who have the app, have used it in the last month.
- The continued expansion of our digital claims lodgement capability for home and motor claims with 31% of our customers choosing to lodge their claims digitally.
- The recent launch of in app claims tracking functionality. This enables customers who make a claim for a single vehicle accident to lodge and track their claim via the app.
- App integration with First Rescue was completed in December 2022, allowing customers to appoint First Assist as their preferred tow driver at the point of accident if their vehicle is not safe to drive. It also offers geo-tracking to their location to enable an alternate provider to pick them up safely. 200 tow requests have been made in the first weeks since launch.

INSURANCE PROFIT

Increased reported insurance margin of 15.2%

New Zealand achieved an insurance profit of $136m in 1H23, compared to $99m in 1H22. The improved reported insurance margin of 15.2% (1H22: 11.4%), reflects considerably lower natural perils costs in 1H23.

INSURANCE MARGIN IMPACTS New Zealand	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Underlying insurance profit	**146**	**143**	**289**	**118**
Reserve releases/(strengthening)	8	(6)	2	1
Natural perils	(103)	(64)	(167)	(57)
Natural perils allowance	48	48	96	68
Credit spreads	-	-	-	6
Reported insurance profit	**99**	**121**	**220**	**136**
Underlying insurance margin	**16.8%**	**16.8%**	**16.8%**	**13.2%**
Reserve releases/(strengthening)	0.9%	(0.7%)	0.1%	0.1%
Natural perils	(11.8%)	(7.5%)	(9.7%)	(6.4%)
Natural perils allowance	5.5%	5.7%	5.6%	7.6%
Credit spreads	-	-	-	0.7%
Reported insurance margin	**11.4%**	**14.3%**	**12.8%**	**15.2%**

The 1H23 underlying margin of 13.2% (1H22: 16.8%) has reduced due to higher non-peril claims costs and an increase in the perils allowance, which was partially offset by a decrease in the expense ratio.

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

Underlying Claims Experience

New Zealand incurred a higher underlying loss ratio of 56.1% in 1H23 (1H22: 54.3%).

6. NEW ZEALAND

IMMUNISED LOSS RATIO New Zealand	1H22 A$m	2H22 A$m	FY22 A$m	1H23 A$m
Immunised underlying net claims expense	**472**	**465**	**937**	**501**
Discount rate adjustment	(2)	(12)	(14)	(6)
Reserving and perils effects	95	70	165	56
Reported net claims expense	**565**	**523**	**1,088**	**551**
Immunised underlying loss ratio	**54.3%**	**54.8%**	**54.5%**	**56.1%**
Discount rate adjustment	(0.3%)	(1.4%)	(0.8%)	(0.7%)
Reserving and perils effects	10.9%	8.2%	9.6%	6.3%
Reported loss ratio	**64.9%**	**61.6%**	**63.3%**	**61.7%**

Higher frequency and average claims size in the motor portfolios

Compared to 1H22, the increased underlying loss ratio was influenced by the following main factors:

- Higher motor claim frequency levels in the absence of COVID-19 lockdown restrictions; and
- Higher average claims costs in the home and motor portfolios driven by inflationary pressures and supply chain constraints as well as a change in mix in the commercial motor portfolio towards heavy vehicles; partially offset by
- Lower large (greater than NZ$100,000) claims across all classes. 1H22 was impacted by several high-value fire events.

New Zealand will continue to leverage its strong supply chain network and adjacent businesses to address inflationary claims pressures and put through rate increases to ensure we are pricing appropriately for the higher cost of claims.

Reserve Releases / Strengthening

Prior period reserve releases of $1m were recognised in 1H23, compared to $8m in 1H22.

Natural Perils

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

Expenses

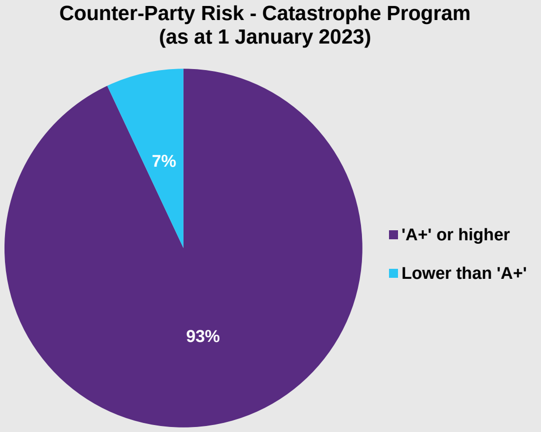
While the commission ratio has remained broadly flat at 11.1% (1H22: 11.0%), the administration expense ratio has improved from 13.2% in 1H22 to 12.7% in 1H23 reflecting:

- The impact of higher net earned premium;
- Ongoing disciplined cost management; partially offset by
- Higher employee costs due to inflationary pressures; and
- Investment in digital initiatives and automation.

7. REINSURANCE

EXECUTIVE SUMMARY

- Calendar 2023 gross catastrophe cover up to $10bn unchanged from 2022
- Catastrophe cover placed to 67.5% to reflect quota share agreements
- FY23 aggregate protection ($236m in excess of $338m post-quota share)
- 30% of 32.5% whole-of-account quota shares renewed
- Post-quota share Group maximum event retention (MER) of $236m at 1 January 2023



REINSURANCE STRATEGY

Reinsurance is an important part of IAG's approach to capital management and its design balances the needs of the Group with the requirements of our external stakeholders including customers, reinsurers, regulators, rating agencies and shareholders.

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 2023 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 a 1-in-1,000-year return period for New Zealand. The higher limit purchased provides further protection against 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

Active period of large natural peril losses

Significant natural perils losses were experienced globally throughout 2022. Australia's East Coast was also impacted by heavy rainfall and flooding in February and March with considerable losses reported across the insurance industry. When this loss activity is coupled with low investment yields and claims inflation concerns, there was a notable decrease in reinsurer appetite for property catastrophe exposures at renewal. Reinsurers allocated capacity on a program-by-program basis influenced by loss experience, risk appetite, terms and relationship longevity. Overall, IAG continued to receive strong support from its reinsurance partners. However, IAG's first event retention increased from 1 January 2023 reflecting the effects of the contraction within the reinsurance market and the associated impact of the loss experience. Notwithstanding, there remained sufficient reinsurance market capacity to ensure that IAG's coverage requirements were secured.

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:

7. REINSURANCE

- A 20% arrangement with Berkshire Hathaway which was renewed on 1 January 2023 for a term of seven years with the option to extend for a further three years;
- A 10% arrangement with Munich Re and Swiss Re which was renewed on 1 January 2023 for a term of five years; and
- A 2.5% agreement with Hannover Re that is due to expire on 30 June 2023. Renewal negotiations for the final 2.5% are expected to be completed over the coming months.

All the individual agreements deliver similar benefits and financial effects which include:

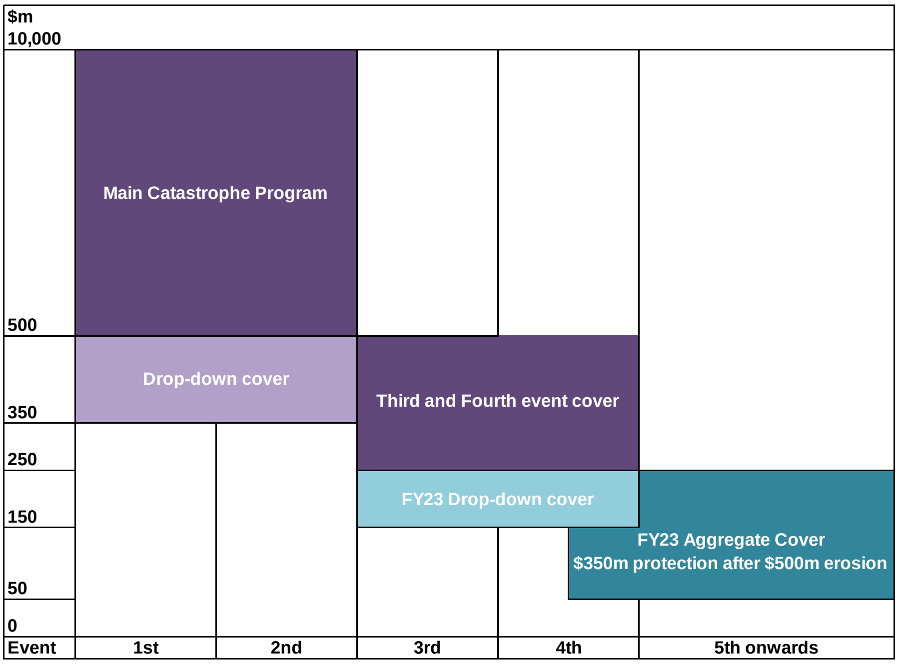
- Reduced earnings volatility, as insurance risk is effectively exchanged for a more stable fee income stream;
- A lower requirement for excess of loss catastrophe reinsurance capacity and reduced exposure to volatility in associated reinsurance premium rates; and
- A reduction in IAG's regulatory capital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

32.5% of consolidated business remains subject to quota share

CATASTROPHE COVER

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

GROSS CATASTROPHE REINSURANCE – AS AT 1 JANUARY 2023



The main features include:

- A main catastrophe cover for two events up to $10bn, with a retention of $338m (67.5% of $500m);
- A drop-down cover of $150m with an excess of $350m, reducing IAG's retention on the first two events to $236m (67.5% of $350m) with an additional premium payable if the drop-down cover is utilised on a first event; and
- Third and fourth event covers of $250m excess of $250m.

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

7. REINSURANCE

The overall credit quality of the 2023 program remains strong, with over 90% placed with entities rated A+ or higher, in line with 2022.

For the remainder of FY23, IAG's reinsurance protection also includes further drop-down cover of $100m with an excess of $150m for third and fourth events which reduce the retention to $101m (67.5% of $150m) and aggregate cover of $350m excess of $500m with qualifying events capped at $200m excess of $50m per event. An estimated $165m erosion of the $500m deductible occurred during the six months to 31 December 2022 ($111m post-quota share).

After allowance for the cumulative quota share arrangements in place, the combination of all catastrophe covers resulted in IAG having MER of $236m at 1 January 2023. Following the Auckland flooding event which commenced on 27 January 2023, the MER for a subsequent event reduced to $192m. An additional New Zealand drop down cover is in place which further reduces the MER to $108m for a New Zealand event.

CATASTROPHE REINSURANCE PROGRAM		
Cover	**Gross**	**Net of quota share (67.5%)**
Main cover	$9.5bn xs $500m	$6.4bn xs $338m
Drop down cover	$150m xs $350m	$101m xs $236m
Aggregate cover	$350m xs $500m	$236m xs $338m
Aggregate cover qualifying events	$200m xs $50m	$135m xs $34m
Retentions	**Gross**	**Net of quota share (67.5%)**
First event	$350m	$236m
Second event	$350m	$236m
Subsequent event	$150m	$101m

CTP QUOTA SHARE

IAG has a quota share agreement with Munich Re in respect of 30% of its combined CTP book. This was renewed at 1 July 2022 for a period of three years to 30 June 2025. 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

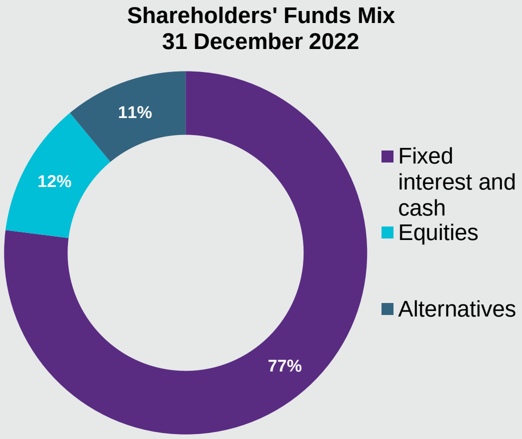
IAG purchases a comprehensive suite of per risk and proportional reinsurances for property, casualty and specialty classes which provide protection for all territories in which it underwrites. The structure of the covers renewed at 30 June 2022 and 1 January 2023 were broadly aligned with the expiring 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.

8. INVESTMENTS

EXECUTIVE SUMMARY

- Total investments of $12.2bn as at 31 December 2022
- Investment allocation remains conservatively positioned
- Technical reserves of $7.2bn invested in fixed interest and cash
- Shareholders' funds of $5.0bn – defensive asset weighting of 77%
- Investment return on technical reserves benefiting from higher yields
- Positive returns in shareholders' funds from fixed interest and cash and equities



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 ~90% of total investments in fixed interest and cash as at 31 December 2022**.** 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 ~23% of shareholders' funds at 31 December 2022, ~9% lower than the level at 30 June 2022.

Distinct investment strategies for technical reserves and shareholders' funds

INVESTMENT ASSETS

Total investments of $12.2bn as at 31 December 2022 increased by ~$400m compared to the position at 30 June 2022, reflecting the combined effect of:

- Proceeds from the sale of AmGeneral;
- Net proceeds from the issuance of Capital Notes 2 and partial redemption of Capital Notes 1;
- Positive return on the investment portfolio; and
- Operating earnings for the half year; partially offset by
- Payment of the FY22 final dividend and on-market share buyback.

8. INVESTMENTS

GROUP INVESTMENT ASSETS	1H22 A$bn	FY22 A$bn	1H23 A$bn
Technical reserves	7.7	7.7	7.2
Shareholders' funds	4.5	4.1	5.0
Total investment assets	**12.2**	**11.8**	**12.2**

ASSET ALLOCATION

Since 30 June 2022, the growth assets mix in shareholders' funds has decreased from around 32% to 23%. This largely reflects:

- An increase in the allocation to defensive assets; and
- Redemption of hedge fund investments.

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.

Over 90% of total investments in fixed interest and cash

Carbon reduction targets established

ASSET ALLOCATION

SHAREHOLDERS' FUNDS	1H22 %	FY22 %	1H23 %	1H23 A$m
Australian equities	5.8	5.1	4.8	238
International equities	8.4	8.2	6.9	346
Alternatives	20.0	19.1	11.4	568
Fixed interest and cash	65.8	67.6	76.9	3,844
Total	**100.0**	**100.0**	**100.0**	**4,996**
TECHNICAL RESERVES	**%**	**%**	**%**	**A$m**
Fixed interest and cash	100.0	100.0	100.0	7,179
Total	**100.0**	**100.0**	**100.0**	**7,179**
TOTAL SHAREHOLDERS' FUNDS AND TECHNICAL RESERVES	**%**	**%**	**%**	**A$m**
Australian equities	2.2	1.8	2.0	238
International equities	3.2	2.9	2.8	346
Alternatives	7.4	6.7	4.7	568
Fixed interest and cash	87.2	88.6	90.5	11,023
Total	**100.0**	**100.0**	**100.0**	**12,175**

8. INVESTMENTS

Alternative investments totalled $568m (FY22: ~$790m), or approximately 11% of shareholders' funds. The allocation to alternative investments currently includes higher yielding credit strategies, global convertible bonds and private equity. During 1H23, the investments in hedge funds were redeemed.

ALTERNATIVES	1H22 A$m	FY22 A$m	1H23 A$m
Global convertible bonds	229	196	185
Higher yielding credit	388	333	248
Hedge funds	178	134	-
Private equity	120	128	135
Total Alternatives	**915**	**791**	**568**

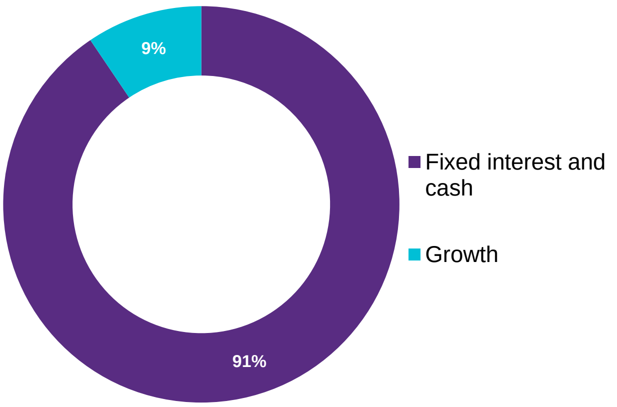
$135m in private equity includes the Firemark Ventures fund and IAG's residual investment in Bohai in China.

CREDIT QUALITY OF ASSETS

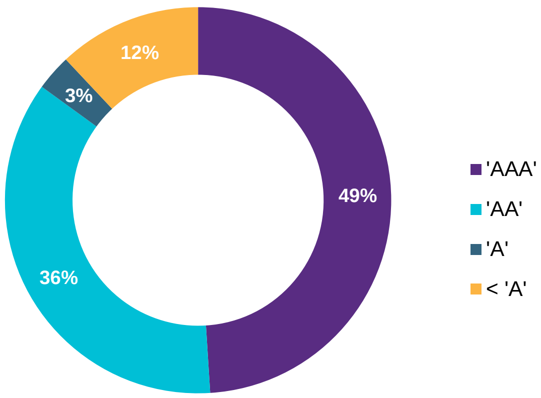
The credit quality of IAG's investment book remains strong, with 85% of the fixed interest and cash portfolio rated 'AA' or higher.

Strong credit quality maintained

ASSET ALLOCATION – 31 DECEMBER 2022



CREDIT QUALITY – 31 DECEMBER 2022



*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 1H23 was $89m, compared to a loss of $7m in 1H22. Influences included:

- Higher average yield of ~3.7% on investment assets;
- A negative impact from the increase in risk-free rates of $75m, predominantly offset by a positive impact on claims costs from higher discount rates; and
- A $29m gain due to credit spreads effects, compared to a gain of $18m in 1H22.

Higher average yield on technical reserves compared to 1H22

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

8. INVESTMENTS

Investment Income on Shareholders' Funds

Investment income on shareholders' funds was a profit of $72m, compared to a profit of $53m in 1H22, reflecting:

- A strong performance across the fixed interest and cash portfolio;
- Positive equity returns in 1H23 reflecting solid market performances (S&P ASX200 Accumulation Index increased by 9.8% and the MSCI World Total Return Index (AUD Hedged) posted an increase of 1.8%); and
- A $3m loss from the alternatives portfolio reflecting a small negative performance in the credit and hedge funds, offset by positive performance in the convertible bonds.

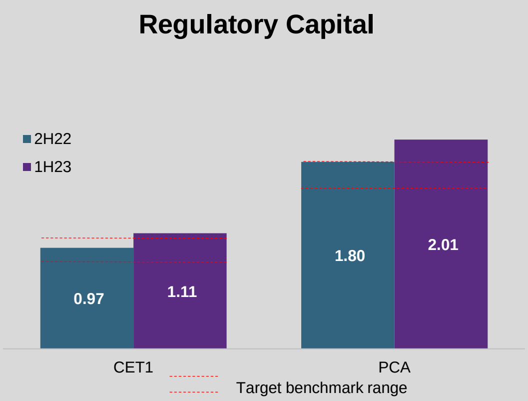
SHAREHOLDERS' FUNDS INCOME	1H22 A$m	1H23 A$m
Equities	42	30
Alternatives	32	(3)
Fixed interest and cash	(10)	45
Total investment return	**64**	**72**
Foreign exchange and interest rate hedging costs	(1)	4
Fair value adjustments - Bohai / Firemark Ventures	(6)	2
Management fees	(4)	(6)
Total shareholders' funds income	**53**	**72**

Profit on shareholders' funds of $72m

9. BALANCE SHEET & CAPITAL

EXECUTIVE SUMMARY

- Very strong balance sheet and capital position
- CET1 multiple of 1.11 is above benchmark of 0.9-1.1
- PCA multiple of 2.01 also above benchmark of 1.6-1.8
- S&P ‘AA-’ rating of core operating subsidiaries
- Completed $73m of proposed $350m on-market share buyback at 31 December 2022
- Issued $500m in new Tier 1 Capital Notes 2 at lower margin (350bps) than previous Capital Notes 1 issued in 2016 (470bps)



BALANCE SHEET

	1H22 A$m	FY22 A$m	1H23 A$m
Assets			
Cash held for operational purposes	388	350	396
Investments	12,239	11,813	12,175
Investments in joint ventures and associates	31	31	25
Trade and other receivables	4,335	4,580	4,865
Reinsurance and other recoveries on outstanding claims	7,577	7,886	7,601
Deferred insurance expenses	3,795	3,834	4,126
Goodwill and intangible assets	3,310	3,411	3,552
Assets held for sale	305	342	-
Other assets	1,868	1,836	1,688
Total assets	**33,848**	**34,083**	**34,428**
Liabilities			
Outstanding claims	13,951	13,964	13,560
Unearned premium	6,596	6,831	7,084
Interest bearing liabilities	2,023	2,055	2,373
Trade and other payables	3,032	3,013	3,052
Liabilities held for sale	-	-	-
Other liabilities	1,765	1,720	1,540
Total liabilities	**27,367**	**27,583**	**27,609**
Net assets	**6,481**	**6,500**	**6,819**
Equity			
Equity attributable to holders of ordinary shares	6,144	6,163	6,494
Non-controlling interests	337	337	325
Total equity	**6,481**	**6,500**	**6,819**

9. BALANCE SHEET & CAPITAL

CAPITAL

Capital Adequacy

IAG is very strongly capitalised with total regulatory capital of $5,220m at 31 December 2022 ($4,380m at 30 June 2022). The CET1 ratio is IAG's primary capital measure and continues to meet targeted levels at 1.11 times the Prescribed Capital Amount (PCA). This compares to the target range of 0.9 to 1.1 times and regulatory minimum requirement of 0.6 times.

IAG is very strongly capitalised

The CET1 ratio increase from 0.97 at 30 June 2022, reflects the net effect of:

- Earnings in the period;
- The completion of the sale of AmGeneral;
- Lower capital deductions, reflecting a decrease in deferred tax assets offset by an increase in capitalised software;
- The payment of the FY22 final dividend and shares purchased to date as part of the on-market buyback;
- An overall increase in risk charges, primarily the insurance concentration risk charge.

GROUP COVERAGE OF REGULATORY CAPITAL REQUIREMENT	1H22 A$m	FY22 A$m	1H23 A$m
Common Equity Tier 1 Capital (CET1)			
Ordinary shares	7,386	7,386	7,313
Reserves	27	3	45
Retained earnings	(1,243)	(1,201)	(851)
Technical provisions in excess of liabilities	617	592	512
Minority interests	337	337	325
Less: Deductions	(4,611)	(4,753)	(4,467)
Total Common Equity Tier 1 Capital	**2,513**	**2,364**	**2,877**
Additional Tier 1 Capital			
Hybrid equities	404	404	720
Total Tier 1 Capital	**2,917**	**2,768**	**3,597**
Tier 2 Capital			
Subordinated term notes	1,580	1,612	1,623
Total Tier 2 Capital	**1,580**	**1,612**	**1,623**
Total Regulatory Capital	**4,497**	**4,380**	**5,220**
Prescribed Capital Amount (PCA)			
Insurance risk charge	1,167	1,158	1,167
Insurance concentration risk charge	169	211	365
Diversified asset risk charge	1,347	1,262	1,277
Aggregation benefit	(605)	(592)	(627)
Operational risk charge	390	400	414
Total Prescribed Capital Amount	**2,468**	**2,439**	**2,596**
PCA multiple	**1.82**	**1.80**	**2.01**
CET1 multiple	**1.02**	**0.97**	**1.11**

9. BALANCE SHEET & CAPITAL

Allowing for the interim dividend which will be paid in March 2023 and assuming the completion of the on-market buyback, the CET1 ratio at 31 December 2022 would reduce to 0.94.

Interest Bearing Liabilities

IAG's interest bearing liabilities stood at ~$2.4bn at 31 December 2022, ~$300m greater than the balance at 30 June 2022, following the net proceeds raised from the new Capital Notes issued. Under the Capital Notes 1 Terms, IAG may elect to exchange the outstanding Capital Notes 1 on 15 June 2023, subject to APRA's prior written approval, further conditions and IAG's absolute discretion..

INTEREST BEARING LIABILITIES	1H22 A$m	FY22 A$m	1H23 A$m
Subordinated debt	1,580	1,612	1,623
Capital Notes	404	404	720
Subtotal interest bearing liabilities	**1,984**	**2,016**	**2,343**
Capitalised transaction costs/other	39	39	30
Total interest bearing liabilities	**2,023**	**2,055**	**2,373**

GROUP DEBT & HYBRID CAPITAL	Principal amount $m	Principal amount A$m	Interest rate %	Rate	First Call or Exchange date	Maturity date	S&P rating
Subordinated fixed rate notes (issue Apr-22)	NZ$400	373	5.32%	Fixed	Jun-28	Jun-38	'BBB'
Subordinated term notes (issue Mar-18)[1]	A$350	350	5.27%	Variable	Jun-24	Jun-44	'BBB'
Subordinated term notes (issue Mar-19)[2]	A$450	450	5.52%	Variable	Jun-25	Jun-45	'BBB'
Subordinated term notes (issue Aug-20)[3]	A$450	450	5.62%	Variable	Dec-26	Dec-36	'BBB'
Total Debt		**1,623**					
Capital Notes 1 (IAGPD)[4]	A$220	220	6.97%	Variable	Jun-23	Perpetual	'N/R'
Capital Notes 2 (IAGPE)[5]	A$500	500	5.95%	Variable	Jun-29	Perpetual	'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 1 (IAGPD) pay floating rate quarterly interest. The Interest Rate shown is the current cash distribution rate. If mandatory conversion conditions are met, Capital Notes 1 (IAGPD) will be converted into IAG ordinary shares on 16 June 2025.

[5] The Capital Notes 2 (IAGPE) pay floating rate quarterly interest. The Interest Rate shown is the current cash distribution rate. If mandatory conversion conditions are met, Capital Notes 2 (IAGPE) will be converted into IAG ordinary shares on 15 March 2032.

Capital Mix

IAG's capital mix is defined by regulatory capital targets. IAG's intent remains to manage regulatory capital to its 1.6 to 1.8 times PCA benchmark over the longer term.

During the current half year period, the Company issued $500m in new Capital Notes 2 which qualify as Additional Tier 1 Capital for regulatory capital purposes. As part of this offer, certain eligible holders of Capital Notes 1 issued in 2016 were invited to reinvest their Capital Notes 1 into Capital Notes 2 and ~$184m in Capital Notes 1 were redeemed as part of this offer.

Capital levels well above targeted ranges

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.

10. CLIMATE CHANGE AND ESG

IAG plays an important role in communicating, managing, and mitigating the evolving risks individuals and communities face across Australia and New Zealand under the changing climate. To ensure IAG can continue to act in this role and deliver for its customers, climate change and ESG risk management is aligned with IAG's strategy. This helps to guide decision-making and ensures that value is being created for both the community and the business.

In November 2022, the IAG Board approved an updated Social and Environmental Framework. The Framework outlines IAG's commitments to managing social and environmental risks and opportunities across the business, including the role its people are expected to play in supporting and delivering on these commitments. IAG's climate change and ESG performance is further supported by its Climate & Disaster Resilience Action Plan, Responsible Investment Policy, Reconciliation Action Plan, and annual Modern Slavery Statement. These can be found at www.iag.com.au.

CLIMATE & DISASTER RESILIENCE

Net Zero Roadmap published

In October 2022, IAG published refreshed science-based targets for scope 1 and 2 emissions to align with 1.5°C of warming. The new scope 1 and 2 emissions target calls for a 38%[1] reduction in emissions by 2030 using a baseline year of FY21. IAG also shared its Net Zero Roadmap outlining its key activities to manage and reduce direct and indirect emissions sources, including scope 3 emissions. This includes determining methodologies and systems to measure, baseline and report material scope 3 emissions (as the rules and standards for attribution of these emissions are being developed) for customers and supply chain.

The Net Zero Roadmap is aligned with the Insurance Council of Australia's (ICA) Climate Change Roadmap. IAG will review its Roadmap and associated interim targets regularly and make updates to ensure that they remain relevant to IAG's strategy and aligned to changes in the science, methodologies, regulations, and stakeholder expectations.

The below table is a snapshot of the activities underway that will work towards delivery of the commitments in IAG's Climate & Disaster Resilience Action Plan.

Activity and progress
Rethinking risk
Climate change and capital management: IAG's FY23 Annual Capital Stress Test focused on climate-related physical risks. Findings and key recommendations were shared with senior leaders, including the Group Board, at the end of 2022 with the intent to broaden the stress tests to include climate transition and liability risks in the future. **Responsible underwriting:** IAG is continuing to develop an enterprise-wide responsible underwriting approach to help integrate a more comprehensive ESG lens into underwriting decisions. The approach will also support IAG to deliver on its UN-convened Net-Zero Insurance Alliance (NZIA) commitments to reduce insurance-associated emissions, and support opportunities that enable a just transition to net zero. **ESG and climate risk management:** Building on the ESG and climate risk statement, which was included in the Group Risk Appetite Statement at the end of FY22, initiatives are underway to uplift the management of these risks and associated controls across all areas of the business to further align them with IAG's operations.
Preparedness action

[1] To simplify communications the target is rounded up to 38%, where the exact science-based target is 37.8%.

10. CLIMATE CHANGE AND ESG

Customer and community preparedness: In November 2022, IAG held its first organisation-wide Resilience Day, in which over 3,800 employees across Australia and New Zealand (nearly a third of IAG's Group workforce) were mobilised to engage on climate action and disaster resilience.

Resilience Day opportunities varied from short, self-led sessions for employees to build their personal disaster resilience, to working with IAG partners – including The Australian Resilience Corps and Habitat for Humanity New Zealand – on bush regeneration and building more climate-resilient communities.

Reducing our emissions

Net zero target: IAG's recently published Net Zero Roadmap outlines its proposed plan to reduce emissions to net zero by 2050, with an ambition for 50% emissions reduction by 2030. The plan includes establishing and reaching interim targets across the full value chain: underwriting, investments, commuting and business travel, supply chain, and subsidiaries.

There is more work needed to define and improve understanding of IAG's scope 3 emissions footprint across its supply chain and underwriting portfolios to support further emissions reduction activities.

Scope 1 and 2 emissions: IAG is focused on introducing more renewable energy into its Australian energy mix – including for its subsidiaries – over the next three years. An electric vehicle pilot is now underway in the Australian tool of trade fleet, complementing the ongoing transition of the New Zealand corporate vehicle fleet to electric and hybrid vehicles.

Scope 3 emissions: IAG is working with a third-party consultant to identify the supply chain categories to prioritise for measuring and reducing emissions in both Australia and New Zealand. While there are uncertainties, including in data quality and completeness, the learnings will enable improvements to IAG's approach.

Influence, partnership and collaboration

IAG continues to advocate for change that supports the management of climate risks and opportunities. In doing so IAG collaborates with regional and international peak bodies, all levels of government, and community organisations to help catalyse action and build disaster resilience among customers and communities. Across 1H23, this included:

- Contributing to the development of the ICA Climate Change Roadmap, which was launched in November 2022.
- Helping develop and signing up to the New Zealand Climate Leaders Coalition's new Statement of Ambition in September 2022. IAG was one of 35 early adopters of the new Statement.
- Sponsoring and chairing a panel discussion at the New Zealand Climate Change and Business Conference in September 2022.
- Continuing to engage with the United Nations Environment Programme Finance Initiative, Principles for Sustainable Insurance (PSI). In October 2022, IAG joined a panel discussion at a 10-year PSI anniversary event, sharing a vision for how the industry can accelerate action at the organisation and regional level.
- Chairing, in New Zealand, the new Climate Adaptation Working Group alongside the Climate Leaders Coalition (CLC) and Sustainable Business Council (SBC), promoting greater focus on climate adaptation.
- Being a signatory of the December 2022 Australian Sustainable Finance Institute (ASFI) joint statement to accelerate sustainable finance. IAG welcomed the Treasurer's announcement to support greater investment in sustainable finance to protect Australians from future climate risk, as well as the establishment of the National Resilience Taskforce.

For a summary of IAG's peak body memberships, and industry and community partnerships, see www.iag.com.au/safer-communities.

Member of the Net-Zero Insurance Alliance

Benchmarking IAG's performance

	2022	2021
CDP	B	B
DJSI*	66	67

* Member of Australia Index

CDP

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

10. CLIMATE CHANGE AND ESG

ENVIRONMENT SOCIAL AND GOVERANCE

Alongside its focus on climate and disaster resilience, IAG continues to embed broader ESG risk management and governance processes across the business. IAG has governance and oversight measures across its Board and Group Leadership Team to support identification, understanding and management of climate change and ESG risks and opportunities.

IAG will continue to uplift its understanding of climate and ESG risks and opportunities, and to provide transparent disclosures consistent with evolving relevant recommendations. This includes those of the Task Force on Climate related Financial Disclosures and the International Sustainability Standards Board. It also includes emerging mandatory climate disclosure requirements, including those being introduced in New Zealand from FY24.

Modern Slavery

In December 2022, IAG submitted its FY22 Board-approved Modern Slavery statement. IAG is committed to playing its role in respecting human rights and supporting the eradication of all forms of Modern Slavery. Key activities during the year included: updating IAG's Group Risk Appetite Statement with Modern Slavery risk considerations; integrating Modern Slavery criteria into IAG's risk management systems; developing specific risk assessment tools such as a data and analytics Modern Slavery Dashboard and delivering Modern Slavery masterclasses to targeted audiences.

Indigenous Engagement

As part of IAG's fourth Reconciliation Action Plan, launched in June 2022, IAG has uplifted engagement with Aboriginal & Torres Strait Islander-owned businesses in its supply chain and has committed to increase both the number of suppliers, and the target spend.

11. GLOSSARY

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

APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities & Investments Commission
CAPITAL NOTES	Capital Notes 1 issued by IAG in December 2016 (quoted as IAGPD on the ASX) and Capital Notes 2 issued by IAG in December 2022 (quoted as IAGPE 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. 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.

11. GLOSSARY

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.
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.

11. GLOSSARY

NET EARNED PREMIUM (NEP)	Gross earned premium less reinsurance expense.
PCA	Prescribed Capital Amount, as defined by APRA under its LAGIC regime.
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.

11. GLOSSARY

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.
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 Group. 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**): 2,449,909,051 on issue at 31 December 2022
- Capital Notes 1 (**IAGPD**): 2,202,481 on issue at 31 December 2022
- Capital Notes 2 (**IAGPE**): 5,000,000 on issue at 31 December 2022

NZX Limited (NZDX):

- Unsecured Subordinated Convertible Notes due 2038 (**IAGFC**): NZ$400m outstanding at 31 December 2022

KEY DATES

Interim dividend – ordinary shares	
• Ex-dividend date	16 February 2023
• Record date	17 February 2023
• Payment date	23 March 2023
Payment date for IAGPD, IAGPE and IAGFC quarterly distributions	15 March 2023
Payment date for IAGPD, IAGPE and IAGFC quarterly distributions	15 June 2023
Closing date for receipt of nominations for IAG Board	26 July 2023
Announcement of full year results to 30 June 2023	21 August 2023
Final dividend – ordinary shares	
• Ex-dividend date	29 August 2023
• Record date	30 August 2023
• DRP last election date	31 August 2023
• Payment date	28 September 2023
Payment date for IAGPD*, IAGPE and IAGFC quarterly distributions	15 September 2023
Annual General Meeting	11 October 2023
Payment date for IAGPD*, IAGPE and IAGFC quarterly distributions	15 December 2023

These dates are indicative only and are subject to change. Any change will be advised through the Australian Securities Exchange (ASX).
**Subject to balance of issue outstanding at that time*

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