Investor Report FY22

Insurance Australia Group Limited
This release has been authorised by the
Board of Insurance Australia Group Limited
12 August 2022
ABN 60 090 739 923

IMPORTANT INFORMATION

This report contains general information current as at 12 August 2022 and is not a recommendation or advice in relation to any product or service offered by Insurance Australia Group Limited (IAG) or its subsidiaries. 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.

To the maximum extent permitted by law, IAG and its subsidiaries and each of its and their respective directors, officers, employees, agents and advisers disclaim all liability and responsibility for any direct or indirect loss, costs or damage which may be suffered by any recipient through use of or reliance on anything contained in, implied by or omitted from this report.

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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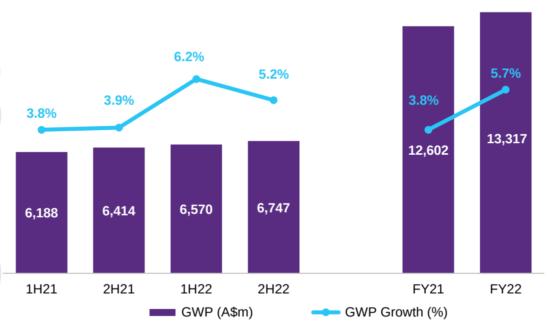
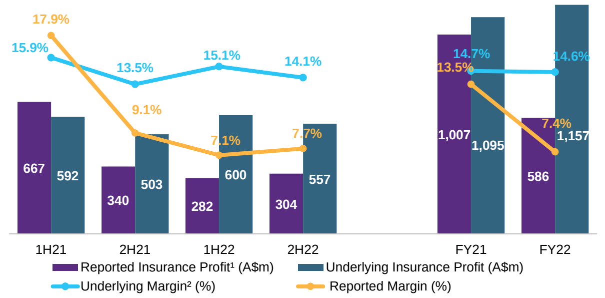
FY22 RESULTS

KEY RESULTS	FY21 A$m	1H22 A$m	2H22 A$m	FY22 A$m	FY22 vs FY21 Mvt
Gross written premium (GWP)	**12,602**	**6,570**	**6,747**	**13,317**	**+5.7%**
Net earned premium (NEP)	7,473	3,963	3,946	7,909	+5.8%
Insurance Profit[1]	**1,007**	**282**	**304**	**586**	**-41.8%**
Net profit/(loss) after tax	(427)	173	174	347	nm
Cash earnings	**747**	**176**	**37**	**213**	**-71.5%**
Reported insurance margin	13.5%	7.1%	7.7%	7.4%	-610bps
Underlying Insurance Margin[2]	**14.7%**	**15.1%**	**14.1%**	**14.6%**	**-10bps**
Diluted EPS (cents per share)	(17.82)	6.64	6.69	13.33	nm
Cash EPS (cents per share)	31.16	7.15	1.50	8.65	-72.2%
Diluted cash EPS (cents per share)	28.51	6.77	1.50	8.49	-70.2%
Cash return on equity (ROE)	12.0%	5.7%	1.2%	3.4%	-860bps
Dividend (cents per share)	**20.0**	**6.0**	**5.0**	**11.0**	**-45%**
Common Equity Tier 1 Capital (CET1) multiple	1.06	1.02	0.97	0.97	-9pts

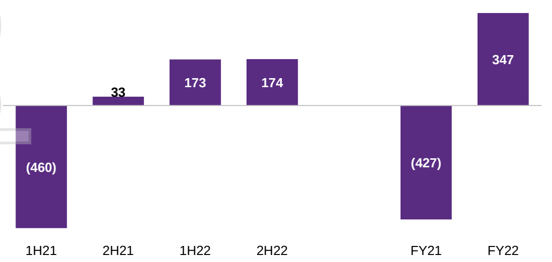
GWP GROWTH



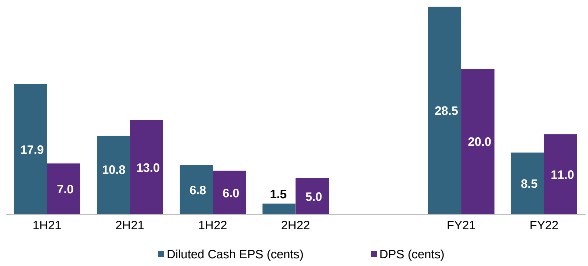
INSURANCE PROFIT & MARGIN



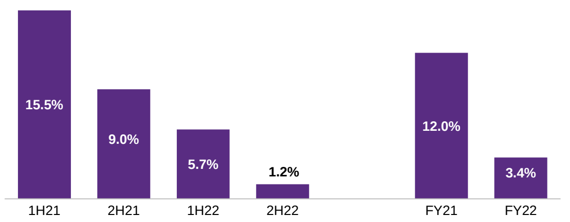
NET PROFIT/(LOSS) AFTER TAX (A$M)



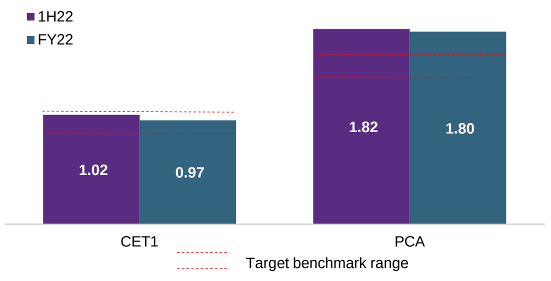
DILUTED CASH EPS & DPS



CASH ROE



REGULATORY CAPITAL (MULTIPLE)



[1]The FY22 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 FY22 Financial Report (Appendix 4E). A reconciliation between the two is provided on page 11 of this document and on page 8 of the Financial Report to comply with the Australian Securities and Investments Commission's Regulatory Guide 230. [2]IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural peril claim costs less the related allowance; prior year reserve releases or strengthening and credit spread movements.

1. EXECUTIVE SUMMARY

GROUP HIGHLIGHTS

- Strong GWP growth and improved underlying business performance despite challenging external environment with unprecedented level of natural perils claims and volatile investment markets
- Progress in all four strategic priorities: customer growth, building better businesses, digital and risk
- NPAT $347 million (FY21: $427 million loss)

GROSS WRITTEN PREMIUM

- 5.7% GWP growth, consistent with the upgraded guidance of ‘mid-single digits’
- Growth predominantly rate-drive across all segments
- ~1% unit growth in Australian direct home and motor with retention rates improving to over 95% and 90% respectively.

INSURANCE PROFITABILITY

- FY22 underlying insurance margin of 14.6% (FY21:14.7%) impacted by positive benefits from Covid impacts on motor frequency and negative timing impact from increasing risk-free interest rates
- Group expenses of $2,531 million in line with commitment to hold expenses around the $2.5 billion level, resulting in an improvement in expense ratios
- Reduction in reported margin to 7.4% due to natural perils above allowance ($354m), strengthening of prior year reserves ($172m) and credit spread negative impacts ($45m)

DIRECT INSURANCE AUSTRALIA (DIA) HIGHLIGHTS

- GWP growth of 4.6% (5.4% if the lower ESL impact is excluded)
- GWP growth accelerating during FY22 with second half growth of 5.8%
- Underlying margin remained strong at 20.5% (FY21: 21.4%)

INTERMEDIATED INSURANCE AUSTRALIA (IIA) HIGHLIGHTS

- 6.0% GWP growth, with at least high single-digit growth achieved across commercial lines
- Rate increases averaged around 9% during FY22, building on the 8% in FY21
- Underlying margin improved to 5.0% (FY21: 3.9%)

NEW ZEALAND HIGHLIGHTS

- NZ$ GWP growth of 7.0% (FY21: 2.8%) largely driven by rate increases across all key portfolios
- Strong retention across direct and commercial lines and volume growth in some commercial lines
- Improved underlying margin of 16.8% (FY21: 16.4%)

ADDITIONAL MATTERS

- Business interruption provision release of $200 million with $975 million retained at 30 June 2022
- Malaysian business sale completion in July 2022 providing an additional capital benefit of $150 million
- No change to no net insurance exposure to trade credit policies sold through BCC Trade Credit

CAPITAL & DIVIDENDS

- Final dividend of 5.0 cents per share, 70% franked (FY21:13 cents per share, 0% franked)
- Total FY22 dividends of 11.0 cents per share (FY21: 20 cents per share, 0% franked)
- Solid CET1 ratio at 0.97 with ~6pts improvement post-balance date from Malaysian sale

2. STRATEGY

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

During FY22, IAG's purpose has never been more relevant. IAG has managed through the COVID-19 disruption to local markets and global supply chains and responded to almost 150,000 natural peril claims as our customers have been impacted by multiple weather events across Australia and New Zealand. In responding to these challenges, IAG has remained purpose-led, customer focused and commercially disciplined.

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 reset its strategy to ***'create a stronger, more resilient IAG'***. IAG is driving focus, adapting its business model and playing to its strengths to capitalise on trends shaping the operating environment.

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

Grow with our customers

- IAG will grow as Australians and New Zealanders grow by delivering 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.

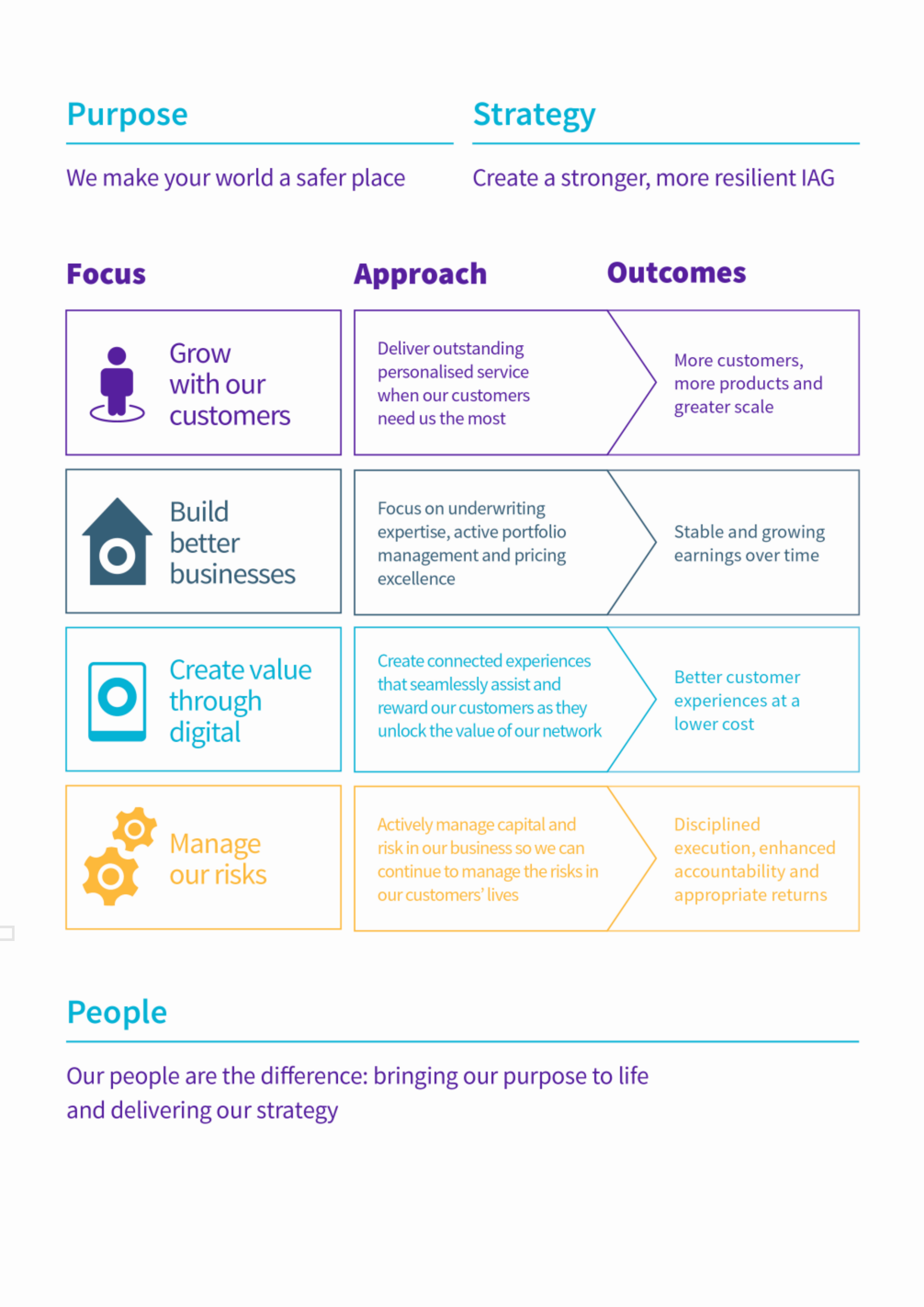
Manage our risks

- 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.

2. STRATEGY

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.

IAG's clear strategic focus



3. GROUP RESULTS

FINANCIAL PERFORMANCE

GROUP RESULTS	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Gross written premium	**6,188**	**6,414**	**6,570**	**6,747**	**12,602**	**13,317**
Gross earned premium	6,190	6,155	6,515	6,457	12,345	12,972
Reinsurance expense	(2,467)	(2,405)	(2,552)	(2,511)	(4,872)	(5,063)
Net earned premium	**3,723**	**3,750**	**3,963**	**3,946**	**7,473**	**7,909**
Net claims expense	(2,281)	(2,526)	(2,725)	(2,490)	(4,807)	(5,215)
Commission expense	(337)	(341)	(347)	(347)	(678)	(694)
Underwriting expense	(539)	(581)	(602)	(574)	(1,120)	(1,176)
Underwriting profit/(loss)	**566**	**302**	**289**	**535**	**868**	**824**
Investment income on technical reserves	101	38	(7)	(231)	139	(238)
Insurance profit/(loss)	**667**	**340**	**282**	**304**	**1,007**	**586**
Net corporate expense	(1,310)	(200)	-	200	(1,510)	200
Interest	(42)	(47)	(47)	(46)	(89)	(93)
Profit/(loss) from fee-based business	(13)	(16)	(13)	(21)	(29)	(34)
Share of profit/(loss) from associates	18	19	8	9	37	17
Investment income on shareholders' funds	138	168	53	(158)	306	(105)
Profit/(loss) before income tax and amortisation	**(542)**	**264**	**283**	**288**	**(278)**	**571**
Income tax expense	187	(62)	(77)	(63)	125	(140)
Profit/(loss) after income tax (before amortisation)	**(355)**	**202**	**206**	**225**	**(153)**	**431**
Non-controlling interests	(97)	(53)	(30)	(47)	(150)	(77)
Profit/(loss) after income tax and non-controlling interests (before amortisation)	**(452)**	**149**	**176**	**178**	**(303)**	**354**
Amortisation and impairment	(4)	(107)	(4)	(3)	(111)	(7)
Profit/(loss) attributable to IAG shareholders from continuing operations	**(456)**	**42**	**172**	**175**	**(414)**	**347**
Net profit/(loss) after tax from discontinued operations	(4)	(9)	1	(1)	(13)	-
Profit/(loss) attributable to IAG shareholders	**(460)**	**33**	**173**	**174**	**(427)**	**347**

Insurance Ratios - Continuing Business	1H21	2H21	1H22	2H22	FY21	FY22
Loss ratio	61.3%	67.4%	68.8%	63.1%	64.3%	65.9%
Immunised loss ratio	61.0%	68.4%	70.1%	69.0%	64.7%	69.6%
Expense ratio	23.6%	24.6%	24.0%	23.3%	24.1%	23.7%
Commission ratio	9.1%	9.1%	8.8%	8.8%	9.1%	8.8%
Administration ratio	14.5%	15.5%	15.2%	14.5%	15.0%	14.9%
Combined ratio	84.9%	92.0%	92.8%	86.4%	88.4%	89.6%
Immunised combined ratio	84.6%	93.0%	94.1%	92.3%	88.8%	93.3%
Reported insurance margin	**17.9%**	**9.1%**	**7.1%**	**7.7%**	**13.5%**	**7.4%**
Underlying insurance margin	**15.9%**	**13.5%**	**15.1%**	**14.1%**	**14.7%**	**14.6%**

Key Financial Metrics (Total Operations)	1H21	2H21	1H22	2H22	FY21	FY22
Cash earnings ($m)	462	285	176	37	747	213
Reported ROE (average equity) (% pa)	(15.4%)	1.0%	5.6%	5.6%	(6.9%)	5.6%
Cash ROE (average equity) (% pa)	**15.5%**	**9.0%**	**5.7%**	**1.2%**	**12.0%**	**3.4%**
Basic EPS (cents per share)	(19.73)	1.34	7.03	7.05	(17.82)	14.09
Diluted EPS (cents per share)	(19.73)	1.34	6.64	6.69	(17.82)	13.33
Cash EPS (cents per share)	19.82	11.56	7.15	1.50	31.16	8.65
Diluted cash EPS (cents per share)	**17.88**	**10.80**	**6.77**	**1.50**	**28.51**	**8.49**
DPS (cents per share)	**7.00**	**13.00**	**6.00**	**5.00**	**20.00**	**11.00**
Probability of adequacy	90%	90%	90%	90%	90%	90%
CET1 multiple	**1.19**	**1.06**	**1.02**	**0.97**	**1.06**	**0.97**
PCA multiple	2.04	1.86	1.82	1.80	1.86	1.80

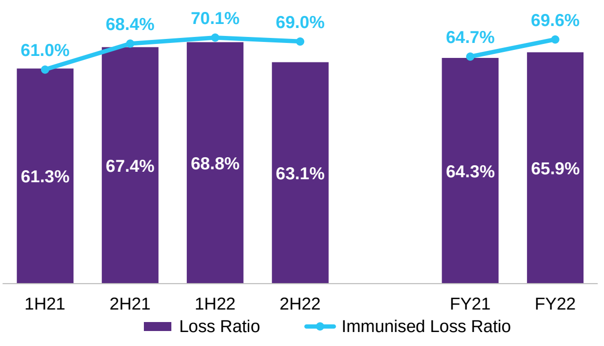
KEY FOREIGN EXCHANGE RATES APPLIED

Units of foreign currency per A$	Balance Sheet (spot rate) FY21	Balance Sheet (spot rate) FY22	Income Statement (average rate) FY21	Income Statement (average rate) FY22
New Zealand dollar	1.0744	1.1060	1.0745	1.0666
Malaysian ringgit	3.1167	3.0309	3.0812	3.0692

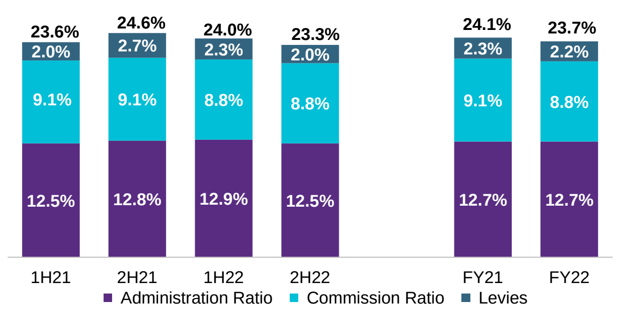
3. GROUP RESULTS

INSURANCE RATIOS

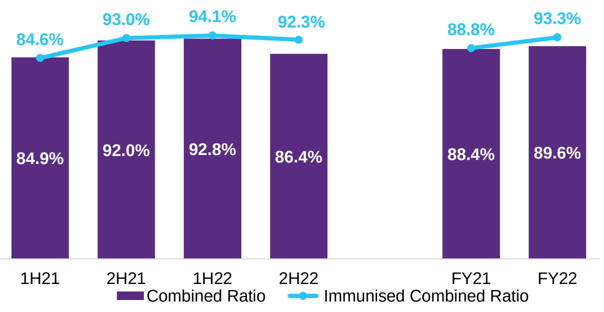
LOSS RATIO



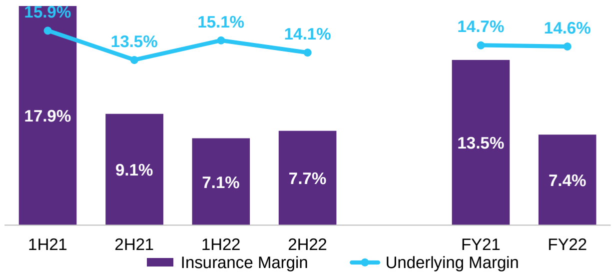
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



FY22 DIVISIONAL FINANCIAL PERFORMANCE

	Direct Insurance Australia		Intermediated Insurance Australia		New Zealand		Corporate & Other		Total	
	FY21 A$m	FY22 A$m	FY21 A$m	FY22 A$m	FY21 A$m	FY22 A$m	FY21 A$m	FY22 A$m	FY21 A$m	FY22 A$m
Gross written premium	**5,772**	**6,036**	**4,048**	**4,289**	**2,778**	**2,991**	**4**	**1**	**12,602**	**13,317**
Gross earned premium	5,658	5,865	3,949	4,227	2,730	2,878	8	2	12,345	12,972
Reinsurance expense	(2,191)	(2,262)	(1,552)	(1,640)	(1,124)	(1,159)	(5)	(2)	(4,872)	(5,063)
Net earned premium	**3,467**	**3,603**	**2,397**	**2,587**	**1,606**	**1,719**	**3**	**-**	**7,473**	**7,909**
Net claims expense	(2,208)	(2,405)	(1,686)	(1,721)	(910)	(1,088)	(3)	(1)	(4,807)	(5,215)
Commission expense	(102)	(110)	(387)	(397)	(187)	(189)	(2)	2	(678)	(694)
Underwriting expense	(523)	(535)	(384)	(422)	(212)	(218)	(1)	(1)	(1,120)	(1,176)
Underwriting profit/(loss)	**634**	**553**	**(60)**	**47**	**297**	**224**	**(3)**	**-**	**868**	**824**
Investment income on technical reserves	84	(84)	50	(150)	8	(4)	(3)	-	139	(238)
Insurance profit/(loss)	**718**	**469**	**(10)**	**(103)**	**305**	**220**	**(6)**	**-**	**1,007**	**586**
Profit/(loss) from fee based business	(15)	(13)	4	1	-	-	(18)	(22)	(29)	(34)
Share of profit/(loss) from associates	(3)	(7)	-	-	-	-	40	24	37	17
Total divisional results	**700**	**449**	**(6)**	**(102)**	**305**	**220**	**16**	**2**	**1,015**	**569**
Insurance Ratios										
Loss ratio	63.7%	66.7%	70.3%	66.5%	56.7%	63.3%			64.3%	65.9%
Expense ratio	18.0%	17.9%	32.1%	31.6%	24.8%	23.7%			24.1%	23.7%
Commission ratio	2.9%	3.1%	16.1%	15.3%	11.6%	11.0%			9.1%	8.8%
Administration ratio	15.1%	14.8%	16.0%	16.3%	13.2%	12.7%			15.0%	14.9%
Combined ratio	81.7%	84.6%	102.4%	98.1%	81.5%	87.0%			88.4%	89.6%
Insurance margin	20.7%	13.0%	(0.4%)	(4.0%)	19.0%	12.8%			13.5%	7.4%
Underlying insurance margin	21.4%	20.5%	3.9%	5.0%	16.4%	16.8%			14.7%	14.6%

3. GROUP RESULTS

PREMIUMS

Reported FY22 GWP of $13,317m increased by 5.7% over FY21.

Reported GWP growth of 5.7% in FY22

- Growth of 4.6% to $6,036m was achieved in DIA and comprised:
  - Increased GWP momentum in 2H22 with growth of 5.8%, building on 3.3% growth in 1H22. Growth was primarily rate driven with ~1% volume growth in personal short-tail classes.
- Growth of 6.0% to $4,289m was achieved in IIA and comprised:
  - Rate increases across IIA's portfolios averaged 9% during FY22 driven by deliberate portfolio management; and
  - The planned exit of the $140m IAL personal lines business had a 3.5% impact on GWP growth.
- Growth of 7.7% in New Zealand to $2,991m, up 7.0% in local currency terms:
  - Both Business and Direct delivered strong growth, 11% and 4.7% respectively in local currency. This was driven predominantly by premium rate increases with relatively stable retention and new business levels.

INSURANCE MARGIN

The underlying insurance margin is the reported insurance margin adjusted for prior year reserve releases or strengthening, natural perils claim costs above or below related allowances and credit spread gains or losses.

INSURANCE MARGIN IMPACTS - Continuing Business	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Underlying insurance profit	**592**	**503**	**600**	**557**	**1,095**	**1,157**
Reserve releases/(strengthening)	(15)	(66)	(37)	(135)	(81)	(172)
Natural perils	(290)	(452)	(681)	(438)	(742)	(1,119)
Natural peril allowance	329	329	382	383	658	765
Credit spreads	51	26	18	(63)	77	(45)
Reported insurance profit[1]	**667**	**340**	**282**	**304**	**1,007**	**586**
Underlying insurance margin	**15.9%**	**13.5%**	**15.1%**	**14.1%**	**14.7%**	**14.6%**
Reserve releases/(strengthening)	(0.4%)	(1.8%)	(0.9%)	(3.4%)	(1.1%)	(2.2%)
Natural perils	(7.8%)	(12.1%)	(17.2%)	(11.1%)	(9.9%)	(14.1%)
Natural peril allowance	8.8%	8.8%	9.6%	9.7%	8.8%	9.7%
Credit spreads	1.4%	0.7%	0.5%	(1.6%)	1.0%	(0.6%)
Reported insurance margin[2]	**17.9%**	**9.1%**	**7.1%**	**7.7%**	**13.5%**	**7.4%**

(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 year is $774 million (FY21: $432 million loss).(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 year is 9.8% (FY21: negative 5.8%).

IAG's FY22 underlying insurance margin was 14.6%, marginally lower than the 14.7% in FY21 due to a discount rate timing impact. Features of the net movement in FY22 compared to FY21 were:

1H22 margin benefit from lower motor frequency, not repeated in 2H22

- A full year net benefit of approximately $60m from COVID-19 effects experienced in 1H22, compared to $60-$70m in 1H21; and
- The full-year impact from higher risk-free discount rates that resulted in investment market losses but was not fully matched as a result of the undiscounted component of liabilities was $42m.

Excluding the impact of these two items, the FY22 underlying margin was 14.4% (FY21: 13.8%).

IAG's 2H22 underlying insurance margin was 14.1%, lower than 15.1% in 1H22. Key influences on 2H22 compared to 1H22 included:

- COVID-19 provided a ~$60m benefit in 1H22 with no impact in 2H22; and
- A discount rate timing impact of $14m in 1H22 and $28m in 2H22 which reflects the impact of higher risk-free rates on technical reserve assets which are not matched by discounted liabilities.

Adjusting for these two items, the 2H22 underlying margin of 14.8% exceeds the 1H22 margin of 14.0%, primarily driven by higher underlying investment returns and lower expense ratios.

The reported insurance profit of $586m in FY22 was lower than FY21 ($1,007m) and equates to a reported margin of 7.4% (FY21: 13.5%). In addition to the underlying margin influences outlined above, this included:

- Unfavourable net natural perils of $354m in FY22 (FY21: $84m);
- A $172m impact from strengthening of prior year reserves (FY21: $81m); and
- A negative impact from widening of credit spreads of $45m (FY21: positive $77m).

2H22 underlying adjusted margin improvement driven by lower expense ratios

DIVISIONAL INSURANCE MARGINS

	1H21		2H21		1H22		2H22		FY21		FY22	
DIVISIONAL INSURANCE MARGINS	$	%	$	%	$	%	$	%	$	%	$	%
Direct Insurance Australia												
Underlying insurance profit/margin	398	23.2%	347	19.8%	391	21.8%	348	19.2%	745	21.4%	739	20.5%
Reported insurance profit/margin	421	24.5%	297	17.0%	189	10.5%	280	15.5%	718	20.7%	469	13.0%
Intermediated Insurance Australia												
Underlying insurance profit/margin	46	3.8%	47	3.9%	65	5.0%	65	5.1%	93	3.9%	130	5.0%
Reported insurance profit/margin	84	7.0%	(94)	(7.9%)	(4)	(0.3%)	(99)	(7.7%)	(10)	(0.4%)	(103)	(4.0%)
New Zealand												
Underlying insurance profit/margin	148	18.6%	115	14.3%	146	16.8%	143	16.8%	263	16.4%	289	16.8%
Reported insurance profit/margin	162	20.4%	143	17.7%	99	11.4%	121	14.3%	305	19.0%	220	12.8%

Insurance margin is on a management results basis. Based on the statutory results, the equivalent statutory insurance margin for the current year is 12.5% (2021: 19.1%) for DIA, 4.1% (2021: negative 59.4%) for IIA and 12.8% (2021: 18.9%) for New Zealand.

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

- DIA's underlying margin of 20.5% in FY22 was marginally lower than the prior year (FY21: 21.4%):
  - DIA's reported insurance margin of 13.0% in FY22 was impacted by the significantly higher natural perils and negative investment market impacts.
- IIA reported an insurance loss of $103m in FY22 (FY21: $10m loss). The reported insurance margin reduced to negative 4% due to:
  - Reserve strengthening of $151m;
  - Negative impact of credit spreads of $22m; and
  - Natural perils being $60m above allowance.
- New Zealand's reported insurance margin of 12.8% in FY22 was significantly lower than the 19% in FY21 due to:
  - A $79m increase in natural peril costs; and

Continued strong DIA underlying margin, with IIA showing improvement

- A $34m reduction in reserve releases.

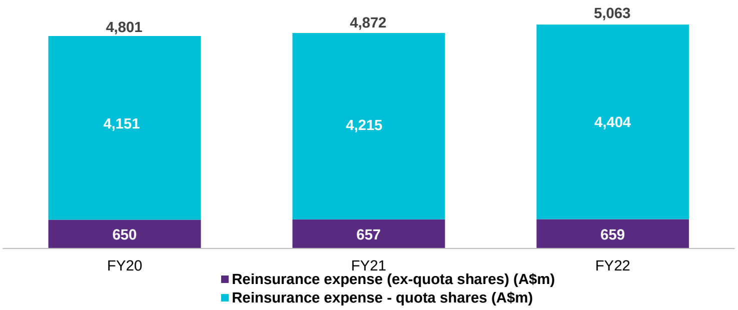
REINSURANCE EXPENSE

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

The FY22 reinsurance expense of $5,063m compares to $4,872m in FY21, an increase of approximately 3.9%.

Non-quota share reinsurance expense relatively flat

REINSURANCE EXPENSE



Quota share-related reinsurance expense increased 4.5%, slightly lower than the increase in gross earned premium due to the lower growth in CTP. Non-quota share reinsurance expenses were relatively flat. (FY22: $659m, FY21: $657m)

CLAIMS

IAG's immunised underlying loss ratio, which reflects trends in underlying or working claims, was 53.3% in FY22 broadly similar to 53.7% in FY21. This ratio excludes all prior year reserve releases or strengthening, natural perils costs and discount rate adjustments.

IMMUNISED LOSS RATIO Continuing Business	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Immunised underlying net claims expense	**1,967**	**2,046**	**2,062**	**2,151**	**4,013**	**4,213**
Discount rate adjustment	9	(38)	(55)	(234)	(29)	(289)
Reserving and perils effects	305	518	718	573	823	1,291
Reported net claims expense[1]	**2,281**	**2,526**	**2,725**	**2,490**	**4,807**	**5,215**
Immunised underlying loss ratio	**52.8%**	**54.5%**	**52.0%**	**54.5%**	**53.7%**	**53.3%**
Discount rate adjustment	0.3%	(1.0%)	(1.3%)	(5.9%)	(0.4%)	(3.7%)
Reserving and perils effects	8.2%	13.9%	18.1%	14.5%	11.0%	16.3%
Reported loss ratio[2]	**61.3%**	**67.4%**	**68.8%**	**63.1%**	**64.3%**	**65.9%**

Notes: (1) Reported net claims expense is the net claims expense on a management results basis. Based on the statutory results, the equivalent statutory net claims expense for the current year is $5,015 million (2021: $5,957 million). (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 63.4% (2021: 80.3%).

3. GROUP RESULTS

Underlying claims trends

At a Group level, net COVID-19 claims benefits were approximately $80m in FY22 and $75m in FY21, driven largely by lower motor claims frequency. Excluding the net COVID-19 impact, the underlying loss ratio fell from 54.7% to 54.3% during FY22. This was a function of offsetting positive and negative factors.

Underlying claim trends broadly stable

- On the positive side, the ratio benefited from:
  - The earned impact of higher premium rates;
  - Lower frequency in home and motor claims; and
  - An improvement in IIA claims experience in most portfolios including WFI Rural, professional risk and workers compensation, reflecting continued remediation and active portfolio management.
- These improvements were offset by:
  - A deterioration in commercial liability reflecting elevated average claim size;
  - An increase in motor claims costs of mid-to-high single digits resulting from the inflationary impact of supply chain constraints and increased total losses, partly offset by increased utilisation of IAG's motor repair model;
  - An increase in home claims costs driven by substantial increase in materials and labour costs offset by operational improvements; and
  - An increase in New Zealand commercial property large loss claims.

The increase in the underlying loss ratio from 52.0% in 1H22 to 54.5% in 2H22 is largely due to COVID-19 claims benefits in 1H22.

Reserve Releases / Strengthening

Prior period reserve strengthening of $172m occurred in FY22 (FY21: $81m).

Material strengthening in the commercial liability portfolio

This outcome reflected late reported medium to large claims, notably worker injury claims in the 2017 and 2018 accident years and a higher level of claims inflation in the commercial liability portfolio. Around $45m of the commercial liability $168m strengthening relates to silicosis exposures. The recent adverse experience from the 2017 and 2018 accident years has been assumed to continue into later accident years.

IAG has taken significant steps to refine its pricing and underwriting decisions to mitigate future impacts for a range of issues including silicosis and worker injury.

Other classes' claims experience has been broadly in line with expectations with modest releases in the second half of FY22.

Natural Perils

Net natural perils claim costs in FY22 were $1,119m, well above the original allowance of $765m and broadly consistent with the $1.1billion forecast following the March flooding events. (FY21: $742m, $84m above allowance).

Net natural peril claim costs $354m above allowance

3. GROUP RESULTS

FY22 NATURAL PERILS COSTS BY EVENT	A$m
NZ Westport flood (July 2021)	52
NZ Auckland rain and flood (August 2021)	17
VIC (Mansfield) earthquake (September 2021)	25
East Coast thunderstorms (September 2021)	16
Armidale Tornado and western Sydney thunderstorms (October 2021)	40
QLD/NSW thunderstorms (Coffs Harbour hail) (October 2021)	101
East Coast thunderstorms (Thirlmere/Coffs Harbour NSW) (October 2021)	24
Australian thunderstorms (Adelaide hail and VIC severe winds) (October 2021)	169
East Coast thunderstorms (Sydney northern beaches microburst) (December 2021)	17
Canberra hail storm (January 2022)	18
South East Australia thunderstorms (January 2022)	32
SA thunderstorms (January 2022)	15
South East Australia thunderstorms (January 2022)	31
South East QLD/NSW (NE and Sydney) Floods (February 2022)	73
QLD/NSW thunderstorms (February 2022)	18
East Coast low (March 2022)	34
NZ Upper North Island storms (March 2022)	30
QLD/NSW East Coast low (March 2022)	20
Other events (<AUD$15m)	387
Total	**1,119**

The 1H22 result included net natural peril costs of $681 million, which was $299 million above allowance reflecting major weather events across Australia and New Zealand. During the second half of the year, further storms and flooding resulted in net natural peril costs of $438 million.

The net cost of the February 2022 Queensland/NSW flooding event ($73m) and the March 2022 East Coast Low ($34m) were reduced by the financial protection provided by the Group's main catastrophe and aggregate reinsurance covers.

EXPENSES

Gross operating costs (excluding commissions, pre-quota share) were $2,531 million in FY22, consistent with the Group's target of holding costs at the $2.5bn level (FY21: $2,503m).

GROSS OPERATING COSTS	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m	FY22 vs FY21 Mvt
Gross underwriting expense ex levies[1]	815	835	890	862	1,650	1,752	6.2%
Claims handling and fee based expense	433	420	413	366	853	779	(8.7%)
Total gross operating costs	**1,248**	**1,255**	**1,303**	**1,228**	**2,503**	**2,531**	**1.1%**

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

The 1.1% increase in FY22 was a function of:

- Increased technology and system spending across IAG's Enterprise Platform as part of an ongoing investment program to transform IAG's capacity to meet the needs of customers and drive operational excellence. This includes investments in automation and artificial intelligence to unlock efficiencies central to reducing expenses;
- Some additional COVID-19 related expenses of ~$30m (pre-quota share) largely due to increased annual leave provisions and other costs associated with disruption from lock-downs in 1H22; partly offset by

3. GROUP RESULTS

- A reduction in fee based expenses due to the cessation of IAG's role as an agent under the Victorian workers' compensation scheme.

EXPENSES	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Gross underwriting expense ex levies	815	835	890	862	1,650	1,752
Levies	92	158	135	121	250	256
Total gross underwriting expenses	**907**	**993**	**1,025**	**983**	**1,900**	**2,008**
Gross commission expense	502	505	522	498	1,007	1,020
Total gross expenses	**1,409**	**1,498**	**1,547**	**1,481**	**2,907**	**3,028**
Reinsurance commission revenue	(533)	(576)	(598)	(560)	(1,109)	(1,158)
Total net expenses - represented by:	**876**	**922**	**949**	**921**	**1,798**	**1,870**
Net underwriting expense	*539*	*581*	*602*	*574*	*1,120*	*1,176*
Net commission expense	*337*	*341*	*347*	*347*	*678*	*694*
Total net expenses	**876**	**922**	**949**	**921**	**1,798**	**1,870**

Note: Total net expenses are presented on a management results basis. Based on the statutory results, the equivalent statutory total net expense for the current year is $1,882m (FY21: $2,034m).

A focus on operational efficiency resulted in the expense ratio falling to 23.7% from 24.1% in FY21. This comprised:

- The administration ratio reducing slightly to 14.9% (FY21: 15.0%); and
- The commission ratio reducing to 8.8% (FY21: 9.1%)

INVESTMENT INCOME ON TECHNICAL RESERVES

Investment income on technical reserves for FY22 was a loss of $238m (FY21: $139m profit). This outcome includes:

- A material increase in risk free rates during FY22. This caused mark-to-market losses of around $331m on technical reserve assets, with $289m of this offset by a positive impact on discounted claims liabilities;
- An increase in the underlying yield from the portfolio to 1.8% in FY22 (1H22: 1.1%, 2H22: 2.4%); and
- A negative impact of $45m from the widening of credit spreads (FY21: positive $77m).

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

Investment market volatility drives material mark-to-market losses

RECONCILIATION TO FINANCIAL REPORT (APPENDIX 4E)

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

INSURANCE PROFIT	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Investor Report	667	340	282	304	1,007	586
Customer refunds provision	(75)	(163)	-	-	(238)	-
Business interruption provision	(1,150)	-	-	200	(1,150)	200
Payroll compliance provision	-	(51)	-	(12)	(51)	(12)
Financial Report (Appendix 4D/4E)	**(558)**	**126**	**282**	**492**	**(432)**	**774**

3. GROUP RESULTS

This 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 reconciling items listed above.

The payroll compliance provision adjustment relates to the previously advised review of payroll-related procedures to identify where employees may not have received their full entitlements. Remediation payments to current and former employees identified by the review have been paid and a pre-tax charge of $12m (FY21: $51m) has been recognised in FY22 in net corporate expenses.

COVID-19 IMPACTS ON FY22 PERFORMANCE

The predominant impact from the COVID-19 pandemic occurred in 1H22 where it is estimated to have had a modestly negative effect on IAG's GWP and a net positive impact on its insurance profit. No material overall impact was experienced in 2H22. The key impacts included:

- An estimated GWP reduction of $40m compared to FY21 predominantly from lower new business opportunities in Australian personal lines during the lockdowns in New South Wales and Victoria and reduced travel insurance premiums. Business retention has held at high levels in most core portfolios. COVID-19 had a negligible impact on New Zealand GWP during the year; and
- An estimated net positive impact on the FY22 underlying insurance profit of around ~$60m post-quota share (FY21: $60m-$70m) from lower motor claims frequency offset by some inflation pressures on motor and home claims costs and elevated additional expenses. A net impact of $60m represents a ~0.7% benefit to the insurance margin (FY21: ~0.9%). All underwriting profit impacts are expressed on a post-quota share basis.

No material overall impact from COVID-19 experienced in 2H22

ADDITIONAL MATTERS

Provision for potential business interruption claims

The total pre-tax provision for net outstanding claims in relation to potential business interruption exposure within IAG's Australian business was $975m at 30 June 2022 (30 June 2021: $1,236m). The reduction since 30 June 2021 includes a $200m pre-tax release in the net corporate expense line of the P&L and a reduction of $61m based on yield curve movements included in the claims line (and offset by an equivalent investment income mark-to-market loss).

Reduction in business interruption provision of $200 million

Extensive scenario testing of the adequacy of the provision has been undertaken during FY22. A substantial part of the provision continues to include a risk margin reflecting the uncertainty of the potential legal outcomes and subsequent claims that may arise.

Extensive scenario testing of business interruption provision adequacy

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

During the current financial year, a number of developments have emerged. IAG's exposure in respect of policy exclusions which reference the Quarantine

3. GROUP RESULTS

Act without specific reference to the Biosecurity Act is limited to historical policies only as all new and renewing policies now include the Biosecurity Act or a broader exclusion.

Even while the first business interruption insurance test case, noted above, was in progress, preparations were underway for a second business interruption insurance test case. The second business interruption insurance test case was heard by the Federal Court of Australia in September 2021. On 8 October 2021, the Federal Court of Australia delivered its judgment in the second test case and found in favour of insurers on a significant number of policy wording questions and for policyholders on other questions.

In November 2021, the Full Court of the Federal Court of Australia heard appeals in 5 of the 10 cases in the second test case (including the 2 IAG cases) and the Full Court delivered its appeal judgment on 21 February 2022. The judgment was mostly favourable to insurers and upheld many aspects of the Federal Court of Australia's original decision. The judgment did reverse two elements of the judgment in one of the IAG cases relating to the treatment of Jobkeeper payments and the calculation of interest.

Special leave applications have been filed in the HCA in 3 of the 5 test cases that were appealed to the Full Court of the Federal Court of Australia (including the 2 IAG cases). The HCA has now informed the parties that it will conduct an oral hearing to determine the special leave applications in each of these proceedings and that the oral hearing will not be listed before October 2022 (although the precise date is yet to be confirmed).

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

On 1 August 2022, IAG was notified of a shareholder representative proceeding filed in the Supreme Court of Victoria on behalf of persons who acquired shares in IAG during the period 11 March 2020 and 20 November 2020 (inclusive), in relation to IAG's disclosure of the potential impact of COVID-19 related business interruption claims. IAG intends to defend the proceeding.

BCC Trade Credit and Greensill

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 Trade Credit Pty Ltd (BCC).

Maintain no net insurance exposure to trade credit policies

The complex issues around trade credit claims continue to be managed and defended by Insurance Australia Limited (IAL), including the litigation arising out of the purported underwriting of Greensill policies by BCC. Claims and litigation by the administrators of Greensill or other claimants seeking confirmation of policy coverage and/or validity of claims was and is anticipated and IAG will defend these litigated claims. During the current financial year, four separate proceedings relating to claims in respect of policies relating to Greensill entities were commenced against IAL in the Federal Court of Australia. The commencement of litigated claims was an expected risk and IAG anticipates that it will take a number of years to bring these matters to resolution.

3. GROUP RESULTS

BCC is an underwriting agency that was authorised to underwrite trade credit insurance on IAG's behalf, in accordance with specific underwriting guidelines, through IAL, one of IAG's two licensed insurance subsidiaries in Australia. 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 & Nichido Fire Insurance Co. Ltd (Tokio Marine) with effect from 9 April 2019. As part of the transaction arrangements put in place to ensure IAG had no net insurance exposure to trade credit policies, BCC continued to underwrite risks on behalf of IAL to 30 June 2019 with Tokio Marine retaining the ultimate liability for these polices, and earlier written policies, net of reinsurance. In addition to reinsurance in place in respect of these policies, IAG entered into agreements with Tokio Marine for it to hold any remaining exposure to trade credit insurance written by BCC on behalf of IAL before 30 June 2019 and is the licensee responsible for BCC's conduct from 1 July 2019.

IAL ceased underwriting trade credit 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 $477 million at 30 June 2022 (2021: $437 million) mainly due to recognition of claims handling expenses, with the majority relating to expected legal costs associated with claims notified, along with an assessment of existing claims following the receipt of additional claim information and an assessment of a number of new claims lodged during the 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 $477 million (2021: $437 million) 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.

OTHER PROFIT AND LOSS DRIVERS

Net corporate expense

Net corporate expense in FY22 comprised the pre-tax gain of $200m, from the release of the Business Interruption provision (FY21: pre-tax loss $1,510m) as outlined in the reconciliation to the statutory profit above.

There were a number of other smaller provision movements across previously recognised Asian business sale, payroll compliance and customer refund which netted off to a neutral impact.

Fee-based business

Fee-based business contributed a loss of $34m in FY22 (FY21: $29m loss). This period's result comprised:

- A $3m profit (FY21: $7m profit) from IAG's role as agent under the Victorian workers' compensation scheme;
- A loss of approximately $6m from Motorserve's car servicing activities, which were acquired during FY20 (FY21: $5m loss);

Fee-based loss of $34m reflecting IAG's investment in innovation and advanced technologies

- A ~$31m loss (FY21: $30m loss) reflecting investment in new businesses aligned with IAG's strategy and focusing on advanced technologies, data asset capabilities, innovation and mobility initiatives, including:
  - Net costs of $12m from the Ambiata specialist data activation business and the innovation hubs run by Firemark Labs in Singapore;
  - $11m from the ongoing development of the Carbar digital car-trading platform business;
  - $4m for the Customer Loyalty Platform, which is leveraging data and analytics to unify brands, products and services, and deliver better customer experiences with rewards for risk mitigating behaviours and loyalty; and
  - $1m for costs associated with the Safer Journeys crash detection and response service.

Asian interests

Completion of sale in AmGeneral

IAG announced on 19 July 2021 that AmGeneral Holdings Berhad, the Malaysian business in which it held a 49% interest, had signed an Implementation Agreement for the proposed sale of its wholly-owned insurance business AmGeneral Insurance Berhad (AmGeneral) to Liberty Insurance Berhad and expected to incur a loss. This investment was classified as 'Held for Sale' and an impairment of approximately $90 million was recognised in FY21.

Regulatory approval was received on 28 June 2022 with final completion following Malaysian High Court approval of the Capital Reduction and distribution to IAG of its share of the sale proceeds in July 2022.

IAG's remaining Asian investment is a 13.93% interest in Bohai Property Insurance Company Ltd (Bohai) in China, included in the shareholders' funds investments.

The combined contribution from associates was a profit of $17m (FY21: $37m), largely derived from AmGeneral.

SHARE OF PROFITS FROM ASSOCIATES	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Malaysia	20	20	11	13	40	24
Other	(2)	(1)	(3)	(4)	(3)	(7)
Total share of profits from associates	**18**	**19**	**8**	**9**	**37**	**17**

Note: Total share of profit/(loss) from associates is presented on a management results basis. Based on the statutory results, the equivalent statutory total share of profit/(loss) for the current year is $17m (FY21: $35m).

Investment income on shareholders' funds

Loss on shareholders' funds reflects significant market volatility

Investment income on shareholders' funds was a loss of $105m (FY21: $306m gain). This included:

- Mark-to-market impacts in fixed interest portfolios from increased rates and credit spreads resulting in a negative return of $68m;
- A negative return of $23m from Australian and International equities although IAG outperformed the relevant indexes;
- A small loss of $7m from the alternative asset classes, primarily from global convertible bonds; and
- An $11m negative fair value adjustment in the Firemark Ventures portfolio.

3. GROUP RESULTS

At 30 June 2022, the weighting to defensive assets (fixed interest and cash) within shareholders' funds was ~68%, compared to ~70% at the end of FY21.

Tax expense

IAG reported tax expense of $140m in FY22 (FY21: $125m credit), reflecting an effective tax rate of ~25% on pre-tax earnings of $571m.

Effective FY22 tax rate of ~25%

Contributory elements reconciling the FY22 effective tax rate to the Australian corporate rate of 30% were:

- Differences in tax rates applicable to IAG's foreign operations, principally in New Zealand and Singapore;
- Completion of the sale process of the Malaysian business; and
- Franking credits generated from IAG's investment portfolio.

Non-controlling interests

Non-controlling interests reduced IAG's profit after tax by $77m (FY21: $150m).

Non-controlling interests reflect lower IMA earnings

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 part of DIA. IMA posted a much lower profit in FY22 owing to the high level of natural peril events in NSW during the year.

Amortisation and impairment

A $7m amortisation and impairment expense in FY22 was significantly lower than $111m in FY21 which included $90m recognition on the sale of AmGeneral and write-down of intangibles associated with IAG's exit from the Victorian Workers Compensation Scheme (~$15m)

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

Net profit after tax of $347m (FY21: net loss after tax $427m) represents a diluted EPS of 13.33 cents (FY21: negative 17.82 cents).

Diluted cash EPS in FY22 was 8.49 cents (FY21: 28.51 cents). Diluted cash EPS was based on 2,759.8m shares after allowance for potential equity issuance from hybrid and debt conversion.

ORDINARY ISSUED CAPITAL	Shares (m)
Balance at the beginning of the financial year	2,465.1
Balance at the end of the financial year	**2,465.1**
Average weighted shares on issue	2,465.1
Less: Treasury shares held in trust	(3.2)
Average weighted shares on issue - cash EPS	**2,461.9**
Add: Treasury shares held in trust	3.2
Add: Potential dilutionary issues from hybrid debt instruments	294.7
Average weighted potential shares on issue - diluted cash EPS[1]	**2,759.8**

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

3. GROUP RESULTS

CASH EARNINGS	FY22 A$m
Net profit/(loss) after tax	**347**
Acquired intangible amortisation and impairment	7
Unusual items:	
- BI provision release	(200)
- Tax effect on BI provision release	60
- Vietnam sale (gain) - Discontinued operations	(1)
Cash earnings	**213**

Notes: (1) Cash earnings used for targeted ROE and dividend payout policy purposes are defined as net profit/(loss) attributable to IAG shareholders plus amortisation and impairment of acquired identifiable intangibles, excluding any unusual items. Cash earnings will not be used for FY22 dividend payout purposes. (2) Cash earnings and cash payout ratio represent non-IFRS financial information.

3. GROUP RESULTS

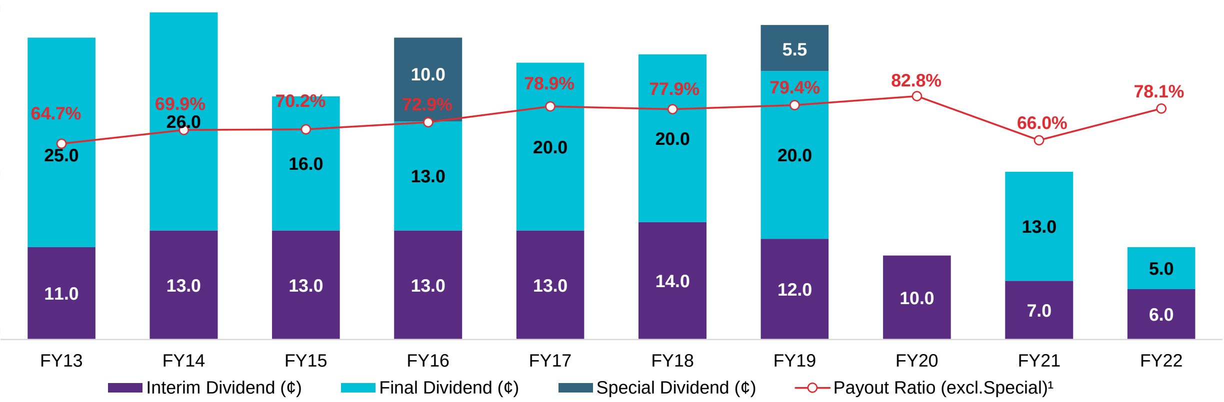
DIVIDEND

The Board has determined to pay a final dividend of 5.0 cents per share, with 70% franking. The final dividend is payable on 22 September 2022 to shareholders registered as at 5pm Australian Eastern Standard Time (AEST) on 19 August 2022.

Final dividend of 5 cents per share, 70% franked

This brings the full year dividend to 11.0 cents per share, which equates to a payout ratio of ~78% of reported NPAT. IAG's dividend policy in future years will be to distribute 60-80% of NPAT excluding any after-tax earnings impact from any future release from the business interruption provision.

DIVIDEND HISTORY – FY13-FY22



[1] FY22 payout ratio based on Reported NPAT

As at 30 June 2022, IAG had a franking account balance of $42 million.

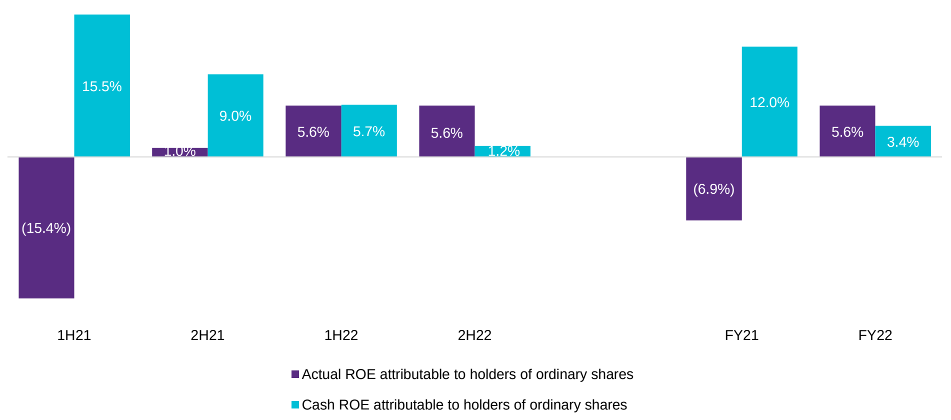
The dividend reinvestment plan (DRP) will operate for the final dividend for DRP-registered shareholders as at 5pm AEST on 22 August 2022. The issue price per share will be the Average Market Price as defined in the DRP terms, with no discount for participants. Shares allocated under the DRP are likely to be purchased on-market. Information about IAG's DRP is available at http://www.iag.com.au/shareholder-centre/dividends/reinvestment.

RETURN ON EQUITY

IAG targets a reported ROE of 12-13% excluding the benefit from business interruption provision releases. In FY22, IAG reported a cash ROE of 3.4% (FY21: 12.0%) due to the combined impact of natural perils, investment market volatility and reserve strengthening.

3. GROUP RESULTS

RETURN ON EQUITY (ANNUALISED)



Note: Cash ROE represents non-IFRS financial information.

CAPITAL

IAG has retained a strong capital position in FY22. At 30 June 2022, IAG's CET1 ratio was 0.97 (30 June 21: 1.06) against a target benchmark of 0.9-1.1.

CET1 ratio of 0.97 within target range

The completion of the sale of AmGeneral in July 2022 resulted in an increase in IAG's regulatory capital position of approximately $150m, an ~0.06 improvement in the CET1 ratio.

IAG's debt to total tangible capitalisation ratio at 30 June 2022 was 39.9%, towards the top of its targeted 30-40% range. Going forward, IAG will no longer target a specific debt to total tangible capital ratio. As IAG's borrowings are substantially in the form of Additional Tier 1 and Tier 2 regulatory capital securities, IAG's capital mix is defined by regulatory capital targets which will remain the focus.

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 30 June 2022.

FY23 GUIDANCE AND OUTLOOK

IAG's confidence in its strong underlying business is reflected in upgraded guidance for FY23 which includes:

- GWP of 'mid-to-high single digit' growth. This will be primarily rate driven to cover claims inflation, higher reinsurance costs and an increased natural peril allowance. Modest volume growth and an increase in customer numbers are expected;
- Reported insurance margin guidance of 14% to 16% which assumes:

3. GROUP RESULTS

- Continued momentum in the underlying performance of IAG's businesses, supported by increased investment yields;
- An increase in the natural peril allowance to $909 million, an increase of $144 million or nearly ~19% on the FY22 allowance;
- No material prior period reserve releases or strengthening; and
- No material movement in macro-economic conditions including foreign exchange rates or investment markets.

This guidance aligns to IAG's aspirational goals 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 $2.5 billion.

These goals 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

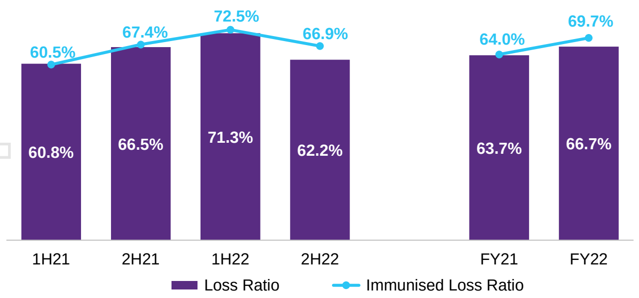
FINANCIAL PERFORMANCE

DIRECT INSURANCE AUSTRALIA	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Gross written premium	**2,857**	**2,915**	**2,952**	**3,084**	**5,772**	**6,036**
Gross earned premium	2,821	2,837	2,919	2,946	5,658	5,865
Reinsurance expense	(1,102)	(1,089)	(1,122)	(1,140)	(2,191)	(2,262)
Net earned premium	**1,719**	**1,748**	**1,797**	**1,806**	**3,467**	**3,603**
Net claims expense	(1,046)	(1,162)	(1,282)	(1,123)	(2,208)	(2,405)
Commission expense	(51)	(51)	(55)	(55)	(102)	(110)
Underwriting expense	(257)	(266)	(271)	(264)	(523)	(535)
Underwriting profit/(loss)	**365**	**269**	**189**	**364**	**634**	**553**
Investment income on technical reserves	56	28	-	(84)	84	(84)
Insurance profit/(loss)	**421**	**297**	**189**	**280**	**718**	**469**
Profit/(loss) from fee based business	(9)	(6)	(6)	(7)	(15)	(13)
Share of profit/(loss) from associates	(1)	(2)	(4)	(3)	(3)	(7)
Total divisional result	**411**	**289**	**179**	**270**	**700**	**449**

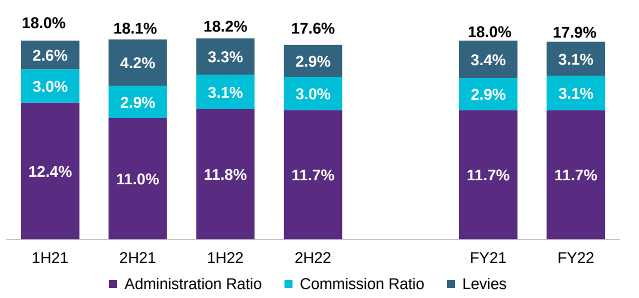
Insurance Ratios	1H21	2H21	1H22	2H22	FY21	FY22
Loss ratio	60.8%	66.5%	71.3%	62.2%	63.7%	66.7%
Immunised loss ratio	60.5%	67.4%	72.5%	66.9%	64.0%	69.7%
Expense ratio	18.0%	18.1%	18.2%	17.6%	18.0%	17.9%
Commission ratio	3.0%	2.9%	3.1%	3.0%	2.9%	3.1%
Administration ratio	15.0%	15.2%	15.1%	14.6%	15.1%	14.8%
Combined ratio	78.8%	84.6%	89.5%	79.8%	81.7%	84.6%
Immunised combined ratio	78.5%	85.5%	90.7%	84.5%	82.0%	87.6%
Reported insurance margin	24.5%	17.0%	10.5%	15.5%	20.7%	13.0%
Underlying insurance margin	23.2%	19.8%	21.8%	19.2%	21.4%	20.5%

INSURANCE RATIOS

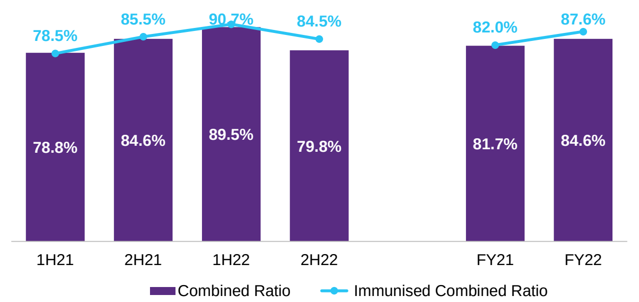
LOSS RATIO



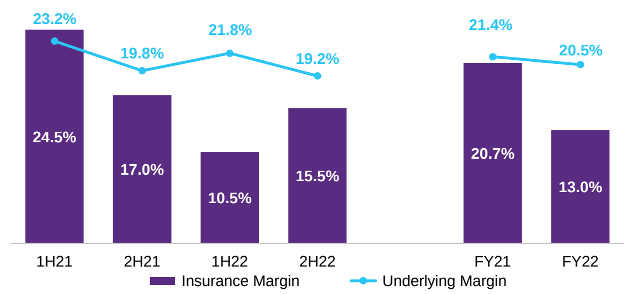
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN

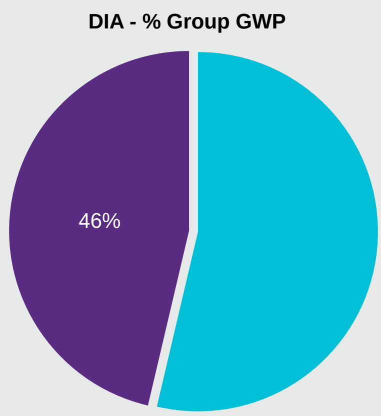


4. DIRECT INSURANCE AUSTRALIA

EXECUTIVE SUMMARY

Direct Insurance Australia (DIA) snapshot

- DIA is the largest division in IAG and plays an integral role in delivering on the Group's strategy to "Grow with our customers" by increasing customer reach and delivering personalised service supported by digital capability
- DIA is a leader in direct personal insurance in Australia, with products sold through well-known brands including NRMA Insurance, RACV, CGU, SGIO, SGIC and Rollin
- DIA also provides insurance to SMEs on a direct basis, a significant growth opportunity
- DIA has consistently produced strong financial returns, reinforcing the strength and resilience of the franchise



FY22 Performance

- Customer numbers grew by approximately 100k during the year, bringing the total number of customers served to ~4.9 million
- Headline GWP grew by 4.6%, or 5.4% ex ESL movements, through a combination of rate increases, and volume growth. Rate increases were at a level sufficient to cover inflation and, volume grew by more than 1% across personal short tail classes
- Positive net COVID-19 impacts of $55-$65m in insurance profit (FY21: $60-$70m), confined to the first half of the financial year and driven by lower motor claims frequency
- Excluding COVID-19 benefits, the underlying margin remained strong at ~19% in FY22 (FY21: ~20%)
- Reported margin of 13.0% versus 20.7% in FY21 highlights higher incidence of larger natural perils events

PREMIUMS

DIA reported GWP of $6,036 million in FY22, an increase of 4.6% over FY21. When allowing for ESL effects, GWP growth was 5.4%.

Growth was driven by higher premium rates with pricing momentum increasing as the year progressed in response to heightened levels of claims cost inflation, higher reinsurance costs and an increased allowance for natural peril events.

Volume growth was around 1%, driven by the NRMA brand expansion in Western Australia, growth in RACV and SME.

Strong retention levels remain a key feature in DIA with improvement in retention rates across motor and home insurance in every Australian state. New business opportunities emerging strongly in the second half of the financial year.

4. DIRECT INSURANCE AUSTRALIA

DIRECT INSURANCE AUSTRALIA GWP	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m	GWP Growth 1H22 vs 1H21	GWP Growth 2H22 vs 2H21	GWP Growth FY22 vs FY21
Motor	1,369	1,434	1,440	1,534	2,803	2,974	5.2%	7.0%	6.1%
Home	949	931	995	1,008	1,880	2,003	4.8%	8.3%	6.5%
Niche & Other	57	56	64	63	113	127	12.3%	12.5%	12.4%
Personal Short Tail	**2,375**	**2,421**	**2,499**	**2,605**	**4,796**	**5,104**	**5.2%**	**7.6%**	**6.4%**
CTP	377	379	353	372	756	725	(6.4%)	(1.8%)	(4.1%)
Total Personal	**2,752**	**2,800**	**2,852**	**2,977**	**5,552**	**5,829**	**3.6%**	**6.3%**	**5.0%**
Commercial	105	115	100	107	220	207	(4.8%)	(7.0%)	(5.9%)
Total GWP	**2,857**	**2,915**	**2,952**	**3,084**	**5,772**	**6,036**	**3.3%**	**5.8%**	**4.6%**

Personal short tail

Personal short tail GWP growth was strong at 6.4% (7.4% excluding ESL effects) compared to FY21, with a blend of rate and volume growth. Progress against IAG's strategic objective to 'Grow with our Customers' in FY22 was encouraging, assisted by the extension of NRMA Insurance into Western Australia and South Australia.

- Motor GWP increased by 6.1% (6.4% excluding ESL). This was driven by rate increases sufficient to cover claims inflation, supplemented by strong retention and overall volume growth of ~1%. Key drivers:
  - Continued volume growth through the RACV brand in Victoria;
  - Broadly flat volumes in NSW, impacted by lower new business opportunities owing to COVID-19 in the first half of the year and soft new car sales market second half; and
  - Increased retention rates in every state.
- Home GWP rose by 6.5% (8.6% excluding ESL), primarily from rate increases, with overall volume growth that comfortably exceeded 1%. Key drivers:
  - As with Motor, the RACV brand delivered consistent volume growth;
  - Contributions to growth from the rollout of NRMA Insurance in Western Australia, South Australia and Northern Territory;
  - Greater than 6% average premium increases, which largely matched the level of claims inflation and the impact of increasing natural peril allowances and reinsurance costs; and
  - Lower ESL collection (~$30m).

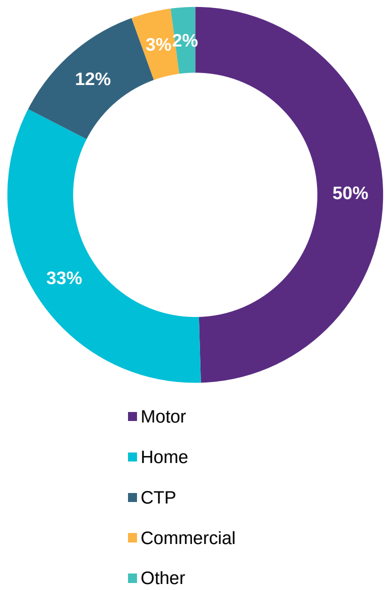
Renewal levels for both Motor and Home have increased during the year in every Australian state and are now above 90% and 95%, respectively.

Personal long tail

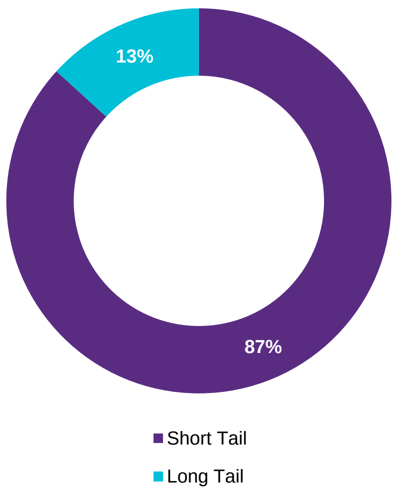
Long tail (CTP) GWP contracted by 4.1%, mainly through reduced volumes in South Australia. This reflected:

- Overall flat GWP in NSW, NRMA maintained the leading market share in NSW CTP (30.9% FY22 v 31.6% FY21 based on policy count). New business opportunities were impacted by COVID-19 lockdowns, partly offset by continued strong retention rates;
- An 8% increase in GWP in Australian Capital Territory. IAG's share of CTP registrations (on a 12-month rolling average basis GWP) was 56.8%, increasing from 54% in June 2021; and

DIA FY22 GWP – BY CLASS



DIA FY22 GWP - TAIL



4. DIRECT INSURANCE AUSTRALIA

- South Australia GWP decreased ~29%. This was driven by ongoing refinements in the relative claimant service ratings amongst key market participants (30.0% FY22 v 40.7% FY21 based on premium). IAG is transitioning its trading brand in SA from SGIC to NRMA from 1 July 2022 as part of DIA's national brand strategy.

Direct commercial

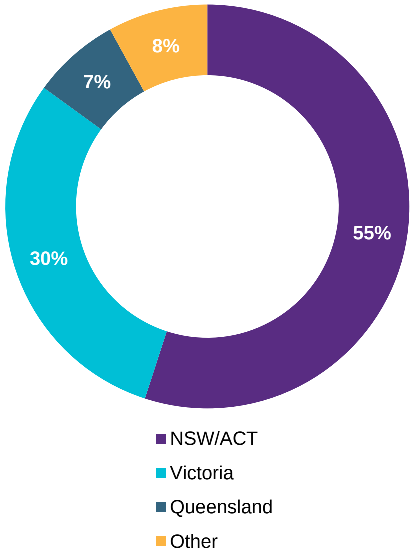
The Direct Commercial portfolio grew in-force policies by 5%, supported by an increase in new business volumes driven by investment in digital capability and our partnership with RACV in Victoria. Reported GWP is flat overall, when allowing for reallocation of SME Partner business to IIA from 1H22. The flat GWP reflects the slight softening of renewal business and product simplification. Direct Commercial remains an area of focus for future growth and transformation with the innovative personal advice digital solution, NRMA Expert Advice, launched in April this year.

Customer Initiatives

DIA continues to enhance its product offerings, strengthen partnerships and improve the overall customer experience. Highlights in FY22 included:

- The launch of NRMA Insurance into Western Australia and South Australia and Northern Territory, enabling IAG to extend the reach of one of the most trusted brands in Australia;
- The launch of the Direct SME marketing campaigns to drive awareness with continued delivery of digital enhancements, including expansion to over 650 occupations and the roll out of business health checks;
- The launch of ROLLiN', a new digital business aimed to attract younger customers in their 20s and 30s with a subscription-like motor offering;
- The launch of the Customer Loyalty Program via the NRMA App to recognise and reward customers for their loyalty and risk mitigation actions. ~60,000 customers are already enrolled;
- Leveraging Carbar, a car-trading and subscription platform, to source and replace motor vehicles for total losses. This has improved the customer experience and efficiency of the vehicle replacement process;
- Continued car servicing and customer hub operations through Motorserve. Car servicing is offered at 19 sites, delivering quality mechanical services to ~80,000 customers. Customer hubs provide a one-stop shop for services including vehicle assessment, repair, servicing and onsite mobility options across 24 locations; and
- Improving the efficiency and quality of repairs through Repairhub, a majority-owned joint venture with RACV and two repair partners, that delivers accident repair services through 17 metropolitan sites. Repairhub has contributed to improved customer experience through reduced turnaround times, ensuring customers have their cars returned earlier. Repairhub is also capturing economies of scale though motor parts procurement and will extend its footprint in FY23.

DIA FY22 SHORT TAIL GWP – STATE/TERRITORY



4. DIRECT INSURANCE AUSTRALIA

Digital Initiatives

Investment in digital initiatives is an ongoing priority for DIA and notable developments in FY22 included:

- Continued online sales channel growth, with NRMA Insurance now conducting ~39% of new business sales and renewals online (2H21: 37%);
- The launch of Online Claims Tracker empowers customers to monitor repair progress, book an inspection, pay an excess and upload documents directly to their Motor Vehicle claim, with 120,000 customers using the service to date;
- SMS Disaster Response Communication, which helps customers impacted by major peril events to lodge a claim and receive immediate assistance;
- Continued investment in personalised digital experience including the launch of an SME Digital Expert Advice (robo advice) tool, providing business owners with an informed recommendation to help them meaningfully understand their risk exposure, and co-create a policy that best suits their needs. Over 520 quotes have been provided; and
- The launch of a Home Property Prefill Offering so that RACV customers can enjoy a more simplified insurance quote process.

A range of customer and digital initiatives focussed on further enhancing the customer experience

INSURANCE PROFIT

DIA reported an insurance profit of $469m in FY22, compared to $718m in FY21, which equates to a lower reported insurance margin of 13.0%, compared to 20.7% in the prior year. Key drivers of the reported result relative to the prior year included significantly greater natural perils experience and an overall credit spread loss in FY22 compared to a gain in the prior year.

Reported profitability impacted by severe natural perils experience

INSURANCE MARGIN IMPACTS Direct Insurance Australia	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Underlying insurance profit	**398**	**347**	**391**	**348**	**745**	**739**
Reserve releases/(strengthening)	1	1	(28)	4	2	(24)
Natural perils	(153)	(215)	(354)	(214)	(368)	(568)
Natural peril allowance	145	145	172	173	290	345
Credit spreads	30	19	8	(31)	49	(23)
Reported insurance profit	**421**	**297**	**189**	**280**	**718**	**469**
Underlying insurance margin	**23.2%**	**19.8%**	**21.8%**	**19.2%**	**21.4%**	**20.5%**
Reserve releases/(strengthening)	0.1%	0.1%	(1.6%)	0.2%	0.1%	(0.7%)
Natural perils	(8.9%)	(12.3%)	(19.7%)	(11.8%)	(10.6%)	(15.8%)
Natural peril allowance	8.4%	8.3%	9.6%	9.6%	8.4%	9.6%
Credit spreads	1.7%	1.1%	0.4%	(1.7%)	1.4%	(0.6%)
Reported insurance margin	**24.5%**	**17.0%**	**10.5%**	**15.5%**	**20.7%**	**13.0%**

DIA continues to report healthy underlying margins, with 20.5% recorded in FY22. This is slightly lower than the prior comparable period (FY21: 21.4%). The COVID-19 net impacts outlined in greater detail in the Group Results section were mostly experienced through DIA during the first half of the financial year. COVID-19 related effects on DIA's underlying performance were:

Underlying margin at ~20% remained strong in FY22

- $55-$65m in 1H22 (~170bps of FY22 NEP), predominantly from reduced motor claims frequency partly offset by an allowance for heightened levels of claims inflation in the current operating environment and some additional expenses such as customer support initiatives, business continuity costs and lower annual leave utilisation; and

- $60m-$70m in 1H21 (~190bps of FY21 NEP).

If the estimated impact of COVID-19 is excluded, the underlying margin for FY22 was around 19% which was broadly stable relative to the prior year.

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

Underlying Claims Experience

DIA's underlying claims ratio (excluding reserve movements, natural perils and discount rate adjustments) was 53.1% in FY22, compared to 53.5% in the prior year.

IMMUNISED LOSS RATIO Direct Insurance Australia	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Immunised underlying net claims expense	**888**	**965**	**920**	**998**	**1,853**	**1,918**
Discount rate adjustment	6	(17)	(20)	(85)	(11)	(105)
Reserving and perils effects	152	214	382	210	366	592
Reported net claims expense	**1,046**	**1,162**	**1,282**	**1,123**	**2,208**	**2,405**
Immunised underlying loss ratio	**51.7%**	**55.2%**	**51.2%**	**55.3%**	**53.5%**	**53.1%**
Discount rate adjustment	0.3%	(0.9%)	(1.2%)	(4.7%)	(0.3%)	(2.9%)
Reserving and perils effects	8.8%	12.2%	21.3%	11.6%	10.5%	16.5%
Reported loss ratio	**60.8%**	**66.5%**	**71.3%**	**62.2%**	**63.7%**	**66.7%**

This reflects the net effect of a few key factors:

- Lower 1H22 claims frequency in both Motor and Home;
- The earned-through effect of higher premium rates;
- Mid-to-high-single digit increases in average motor claim costs mainly driven by increased total loss costs and disruption of the supply chain network partly offset by mix benefits, particularly in those regions that experienced prolonged lockdowns; and
- Higher average home claim costs particularly in NSW and Victoria driven by increases in the price of labour and materials largely offset by operational improvements and lower frequency of claims due to customer behaviour.

Some upward pressure on claims costs being covered by premium increases

IAG 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 $24m include:

- Higher than expected inflation in settling prior period short tail claims, including perils, also attributed as a COVID-19 effect; and

  The impact of the strengthening in CTP during 1H22 was offset during the second half by an increased operational focus on the settlement of legacy claims.

Natural Perils

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

Expenses

Expenses grew from $625m in FY21 to $645m in FY22. The administration ratio declined to 14.8% (FY21: 15.1%).

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 FY22 overall fee-based result was a loss of $13m (FY21: $15m loss) which was in line with expectations given the stage of development of these businesses and the COVID-19 impact on operations. This included:

- A loss of ~$6m from Motorserve's car servicing activities, due to continued COVID-19 related volume challenges; and
- Net costs associated with digital initiatives of around $7m.

The $7m loss from associates predominantly relates to Home Trades Hub Australia's establishment costs.

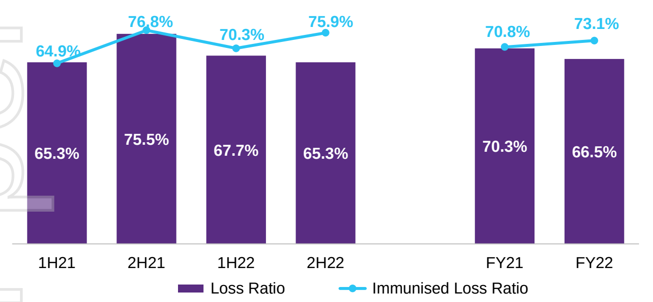
5. INTERMEDIATED INSURANCE AUSTRALIA

INTERMEDIATED INSURANCE AUSTRALIA	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Gross written premium	**1,962**	**2,086**	**2,136**	**2,153**	**4,048**	**4,289**
Gross earned premium	2,002	1,947	2,140	2,087	3,949	4,227
Reinsurance expense	(796)	(756)	(844)	(796)	(1,552)	(1,640)
Net earned premium	**1,206**	**1,191**	**1,296**	**1,291**	**2,397**	**2,587**
Net claims expense	(787)	(899)	(878)	(843)	(1,686)	(1,721)
Commission expense	(191)	(196)	(195)	(202)	(387)	(397)
Underwriting expense	(183)	(201)	(215)	(207)	(384)	(422)
Underwriting profit/(loss)	**45**	**(105)**	**8**	**39**	**(60)**	**47**
Investment income on technical reserves	39	11	(12)	(138)	50	(150)
Insurance profit/(loss)	**84**	**(94)**	**(4)**	**(99)**	**(10)**	**(103)**
Profit/(loss) from fee based business	4	-	4	(3)	4	1
Share of profit/(loss) from associates	-	-	-	-	-	-
Total divisional result	**88**	**(94)**	**-**	**(102)**	**(6)**	**(102)**

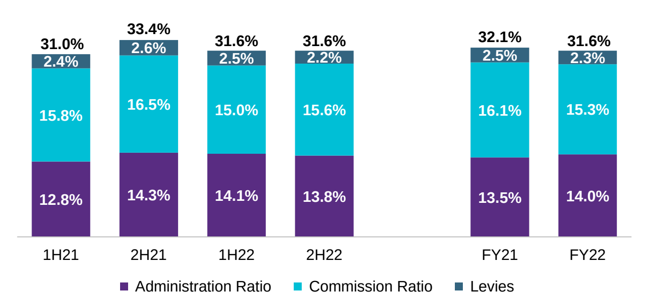
Insurance Ratios	1H21	2H21	1H22	2H22	FY21	FY22
Loss ratio	65.3%	75.5%	67.7%	65.3%	70.3%	66.5%
Immunised loss ratio	64.9%	76.8%	70.3%	75.9%	70.8%	73.1%
Expense ratio	31.0%	33.4%	31.6%	31.6%	32.1%	31.6%
Commission ratio	15.8%	16.5%	15.0%	15.6%	16.1%	15.3%
Administration ratio	15.2%	16.9%	16.6%	16.0%	16.0%	16.3%
Combined ratio	96.3%	108.9%	99.3%	96.9%	102.4%	98.1%
Immunised combined ratio	95.9%	110.2%	101.9%	107.5%	102.9%	104.7%
Reported insurance margin	7.0%	(7.9%)	(0.3%)	(7.7%)	(0.4%)	(4.0%)
Underlying insurance margin	3.8%	3.9%	5.0%	5.1%	3.9%	5.0%

INSURANCE RATIOS

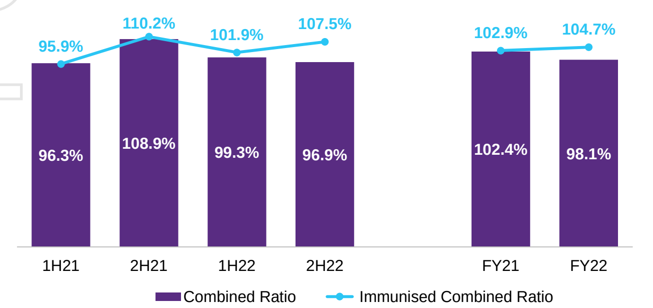
LOSS RATIO



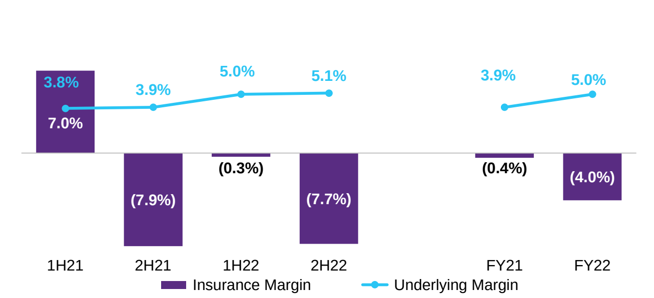
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN

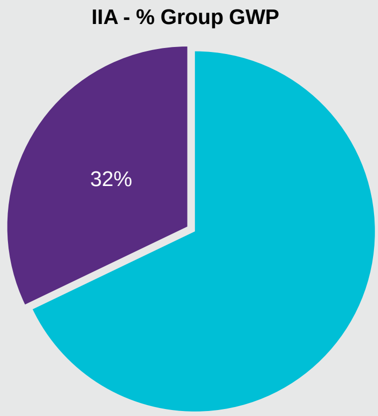


5. INTERMEDIATED INSURANCE AUSTRALIA

EXECUTIVE SUMMARY

Intermediated Insurance Australia (IIA) snapshot

- IIA is a leading provider of general insurance products sold through a network of intermediaries to businesses and individuals across Australia
- Commercial insurance 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'



FY22 Performance

- Robust 6% GWP growth, with at least high single-digit growth achieved across all major classes
- Rate increases remain the dominant growth driver at ~9%
- Market backdrop remains supportive of underlying margin improvement
- Volume growth achieved in select portfolios through new business with retentions holding, offset by volume reductions through targeted underwriting decisions including the exit of IAL Steadfast
- Underlying margin of 5.0% in FY22 (FY21: 3.9%) driven by underwriting and investment returns, delivering steady progress towards IIA's $250m insurance profit target by FY24
- Insurance loss impacted by significantly higher natural perils costs and prior year strengthening mainly contained to liability classes

PREMIUMS

IIA reported GWP of $4,289m in FY22 is an increase of 6.0% compared to FY21. Reported growth of 8.9% in 1H22 reduced to 3.2% in 2H22 with the headline impacted by the exit from IAL Steadfast (>$100m), excluding this exit growth would be over 8% in 2H22.

Ongoing rate-driven premium growth

GWP growth remained strong on an underlying basis. Solid overall retention levels have been supplemented by pockets of new business. Rate increases remain the dominant feature and averaged ~9% across FY22, continuing the strong momentum seen in the prior year (~8%).

INTERMEDIATED INSURANCE AUSTRALIA GWP	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m	GWP Growth 1H22 vs 1H21	GWP Growth 2H22 vs 2H21	GWP Growth FY22 vs FY21
Commercial Short Tail	940	957	1,030	1,032	1,897	2,062	9.6%	7.8%	8.7%
Commercial Long Tail	407	479	473	551	886	1,024	16.2%	15.0%	15.6%
Personal	615	650	633	570	1,265	1,203	2.9%	(12.3%)	(4.9%)
Total GWP	**1,962**	**2,086**	**2,136**	**2,153**	**4,048**	**4,289**	**8.9%**	**3.2%**	**6.0%**

5. INTERMEDIATED INSURANCE AUSTRALIA

Commercial Short Tail

Commercial short tail GWP grew by 8.7% in FY22 with growth of 9.6% in 1H22 reducing to 7.8% in 2H22 due to the recognition of strong Crop during the first half. Other drivers include:

- Varying rate movements across portfolios. Commercial SME packages achieved mid-single digit rate increases with double-digit rate changes achieved in a number of CGU lines, including property, construction & engineering and Rural packages;
- Retention held at high levels across the majority of portfolios and new business growth in Commercial SME packages, and property; and
- A strong growth performance from the two largest agencies driven by retention and rate increases.

Commercial Long Tail

Commercial long tail GWP grew by 15.6%. Key drivers:

- Double-digit rate increases continue to be achieved to counter elevated claims inflation across professional risk and liability classes;
- Workers' compensation achieving high-single digit rate increases and impact of higher wage inflation; and
- Volume reductions across all portfolios from selective underwriting and active divestment of accounts. Volumes also impacted by multi-year workers compensation policies renewed in the prior comparable period and non-renewable projects and new business in professional risks.

Personal

IIA's personal insurance is primarily sold through broker and partner channels, including several financial institution partnerships. The decline in reported GWP has been driven by the IAL Steadfast exit (FY22: ~$140m; 2H22: >$100m). At an underlying level, strong growth continued, driven by:

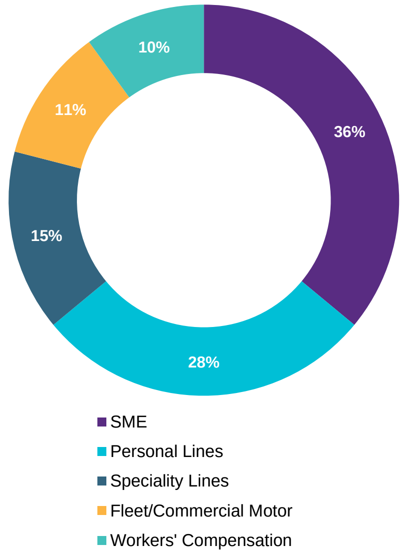
- Partnered Channels saw mid-single digit average rate increases and some volume reduction due to the renewal transfer of customer HBF policies to NRMA upon renewal; and
- Overall growth in the broker personal lines portfolio, with high single-digit rate increases supplemented by volume growth, although the rate of new business volume growth did slow in 2H22.

Digital initiatives and underwriting actions

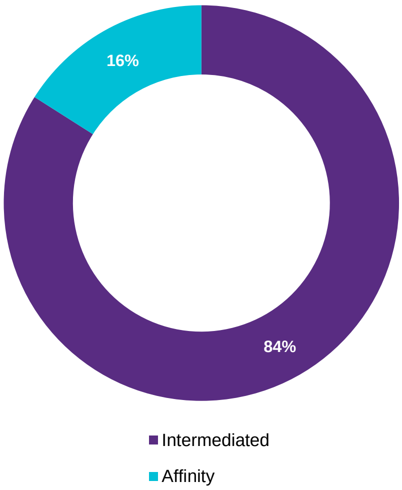
IIA continues to enhance its product offerings, strengthen its partnerships and improve the quality of its customer service. In FY22 there was an enhanced focus on continual development of technical pricing and underwriting capabilities. Key activities included:

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

IIA FY22 GWP – CLASS



IIA FY22 GWP – CHANNEL



5. INTERMEDIATED INSURANCE AUSTRALIA

- Introduction of a dedicated broker claims team for workers' compensation to enhance our partner experience;
- Amalgamated workers' compensation portfolios into a single function to align around a single strategy and to access a common value chain; and
- Embedded a new operating model that sets IIA up for success with a sustainable cost base

INSURANCE PROFIT

IIA reported an insurance loss of $103m in FY22 (1H22: $4m loss; 2H22: $99m loss) compared to an FY21 insurance loss of $10m. Natural peril costs were ~$100m higher in FY22 and prior year reserve strengthening increased compared to FY21, mainly confined to the liability class.

Deterioration in reported insurance profit

INSURANCE MARGIN IMPACTS Intermediated Insurance Australia	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Underlying insurance profit	**46**	**47**	**65**	**65**	**93**	**130**
Reserve releases/(strengthening)	(34)	(85)	(17)	(134)	(119)	(151)
Natural perils	(86)	(200)	(224)	(160)	(286)	(384)
Natural peril allowance	137	137	162	162	274	324
Credit spreads	21	7	10	(32)	28	(22)
Reported insurance profit	**84**	**(94)**	**(4)**	**(99)**	**(10)**	**(103)**
Underlying insurance margin	**3.8%**	**3.9%**	**5.0%**	**5.1%**	**3.9%**	**5.0%**
Reserve releases/(strengthening)	(2.8%)	(7.1%)	(1.3%)	(10.4%)	(5.0%)	(5.8%)
Natural perils	(7.1%)	(16.8%)	(17.3%)	(12.4%)	(11.9%)	(14.8%)
Natural peril allowance	11.4%	11.5%	12.5%	12.5%	11.4%	12.5%
Credit spreads	1.7%	0.6%	0.8%	(2.5%)	1.2%	(0.9%)
Reported insurance margin	**7.0%**	**(7.9%)**	**(0.3%)**	**(7.7%)**	**(0.4%)**	**(4.0%)**

IIA's underlying margin of 5.0% in FY22 was stable across both halves and 110bps higher than 3.9% in FY21. The division has delivered steady progress towards its $250m insurance profit target by FY24.

Stable underlying performance throughout FY22

The overall impact from COVID-19 was not material during FY22, therefore no adjustment has been applied when deriving the underlying margin for IIA (consistent with the approach adopted in the prior year)

Key drivers of the underlying margin improvement on FY22 included the net effect of:

- A 140bps improvement in the underlying claims ratio, underpinned by the earn-through effect of higher premium rates, which exceeded elevated claims inflation in several classes;
- Uplift in investment return on technical provisions;
- Improvement in expenses from the commission ratio; and
- Around a 200bps drag from the higher natural perils cost allowance

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

5. INTERMEDIATED INSURANCE AUSTRALIA

Underlying Claims Experience

IIA's underlying claims ratio (excluding reserve movements, natural perils and discount rate adjustments) was 52.5%, an improvement compared to the 53.9% recorded in FY21 however deteriorated in 2H22 compared to 1H22.

IMMUNISED LOSS RATIO Intermediated Insurance Australia	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Immunised underlying net claims expense	**663**	**630**	**670**	**686**	**1,293**	**1,356**
Discount rate adjustment	4	(16)	(33)	(137)	(12)	(170)
Reserving and perils effects	120	285	241	294	405	535
Reported net claims expense	**787**	**899**	**878**	**843**	**1,686**	**1,721**
Immunised underlying loss ratio	**55.0%**	**52.9%**	**51.7%**	**53.1%**	**53.9%**	**52.5%**
Discount rate adjustment	0.4%	(1.3%)	(2.6%)	(10.6%)	(0.5%)	(6.6%)
Reserving and perils effects	9.9%	23.9%	18.6%	22.8%	16.9%	20.6%
Reported loss ratio	**65.3%**	**75.5%**	**67.7%**	**65.3%**	**70.3%**	**66.5%**

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

On the positive side, the ratio benefited from:

- The earn-through effect of higher premium rates ahead of elevated claims inflation in a number of classes;
- Favourable performance in WFI Rural packages predominately in 2H22 from lower claims experience, portfolio enhancements including continued remediation and tactical initiatives, planned divestments and portfolio segmentation; and
- Improvement in professional risk and workers compensation long tail loss ratios reflecting active portfolio management.

These improvements have been offset by:

- Deterioration in the liability class in 2H22 from elevated average claim size which remains a key focus for remediation including significant rate increases;
- Increase in underwriting agencies underlying claims due to a normalisation of the unseasonably low claims experience in the FY21, particularly in NTI and 360 Commercial with NTI seeing improvement in 2H22;
- Elevated claims inflationary pressures in Personal Lines which was more pronounced in 2H22; and
- Higher claims inflation in commercial short tail portfolios in 2H22, which is being addressed through pricing actions.

Reserve Releases / Strengthening

Prior year reserve deterioration of $151m in FY22 (FY21: $119m) occurred mainly within liability classes. Many of the underlying drivers are systemic, and include:

- Increase in late reported medium to large claims, notably worker injury claims in the 2017 and 2018 accident years;
- Higher levels of claim inflation based on recent settlements that reflect a more litigious environment and expanded nature of claims; and
- A doubling in the assumed average claim size for silicosis exposures during the year.

Further reserve strengthening confined to commercial liability

Natural Perils

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

Expenses

Underwriting expenses increased from $384m in FY21 to $422m in FY22, with 2H22 slightly improving against 1H22. This reflects:

- 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; and
- A reduction in 2H22 from disciplined expense management including recent changes in the IIA operating model

The administration ratio increased over the year by 30bps to 16.3% in FY22.

The commission ratio of 15.3% in FY22 has improved (FY21: 16.1%) driven by changes in the portfolio mix during the period including higher rates of growth in products that attract lower commission rates and product exits.

Improvement in the expense ratio

6. NEW ZEALAND

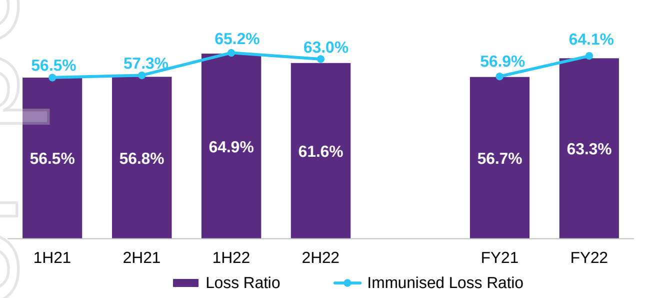
FINANCIAL PERFORMANCE

NEW ZEALAND	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Gross written premium	**1,368**	**1,410**	**1,481**	**1,510**	**2,778**	**2,991**
Gross earned premium	1,362	1,368	1,455	1,423	2,730	2,878
Reinsurance expense	(566)	(558)	(585)	(574)	(1,124)	(1,159)
Net earned premium	**796**	**810**	**870**	**849**	**1,606**	**1,719**
Net claims expense	(450)	(460)	(565)	(523)	(910)	(1,088)
Commission expense	(94)	(93)	(96)	(93)	(187)	(189)
Underwriting expense	(98)	(114)	(115)	(103)	(212)	(218)
Underwriting profit/(loss)	**154**	**143**	**94**	**130**	**297**	**224**
Investment income on technical reserves	8	-	5	(9)	8	(4)
Insurance profit/(loss)	**162**	**143**	**99**	**121**	**305**	**220**

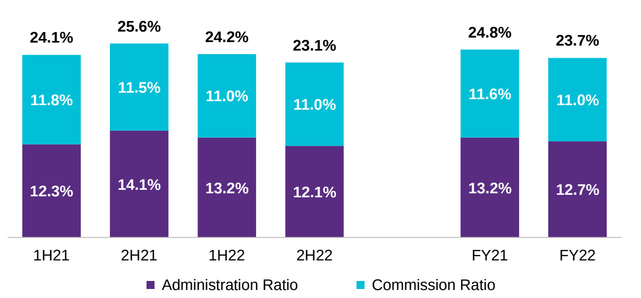
Insurance Ratios	1H21	2H21	1H22	2H22	FY21	FY22
Loss ratio	56.5%	56.8%	64.9%	61.6%	56.7%	63.3%
Immunised loss ratio	56.5%	57.3%	65.2%	63.0%	56.9%	64.1%
Expense ratio	24.1%	25.6%	24.2%	23.1%	24.8%	23.7%
Commission ratio	11.8%	11.5%	11.0%	11.0%	11.6%	11.0%
Administration ratio	12.3%	14.1%	13.2%	12.1%	13.2%	12.7%
Combined ratio	80.6%	82.4%	89.1%	84.7%	81.5%	87.0%
Immunised combined ratio	80.6%	82.9%	89.4%	86.1%	81.7%	87.8%
Reported insurance margin	20.4%	17.7%	11.4%	14.3%	19.0%	12.8%
Underlying insurance margin	18.6%	14.3%	16.8%	16.8%	16.4%	16.8%

INSURANCE RATIOS

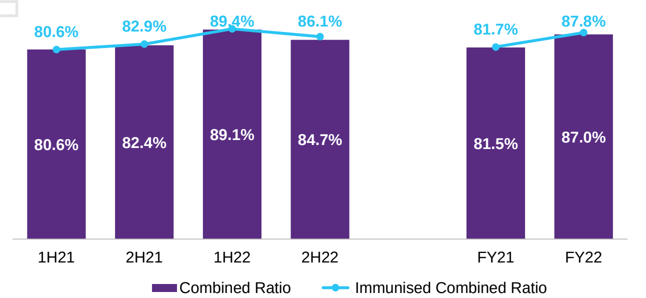
LOSS RATIO



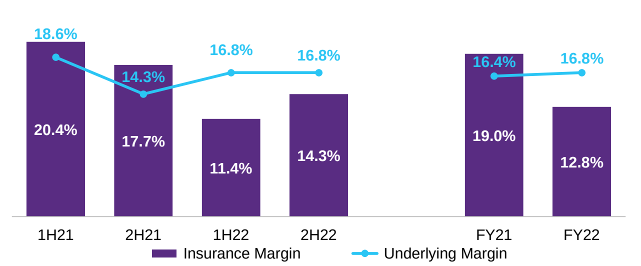
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



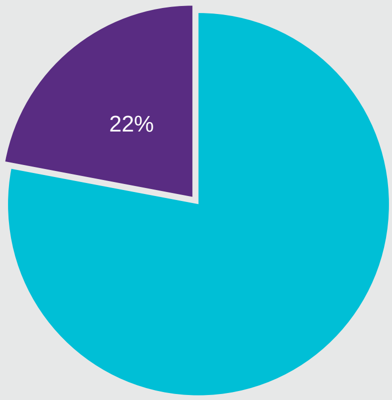
6. NEW ZEALAND

EXECUTIVE SUMMARY

New Zealand snapshot

- IAG is the largest general insurer in New Zealand 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 simplification, transform the claims experience, and deliver a customer-led culture
- New Zealand will then build on these strong foundations and accelerate investment in growth opportunities

New Zealand - % Group GWP



FY22 Performance

- Local currency GWP growth of 7.0%
- GWP growth driven by rate increases across all key portfolios
- Volume growth in commercial property, and commercial motor portfolios
- Strong underlying margin of 16.8%, slightly above FY21

PREMIUMS

New Zealand's A$ GWP of $2,991 million was up 7.7% in FY22. In local currency, GWP grew by 7.0% to NZ$3,193m. This result was due to:

- Strong growth from the Business division, mainly driven by higher rates across all key portfolios and an uplift in commercial property sum insured values;
- Solid growth in the direct brands, with increased rates across all portfolios, and volume growth through the direct commercial motor book; and
- Modest growth across the bank partner distribution channels mainly driven by higher premium rates in the personal lines portfolios.

Local currency GWP growth of 7.0%

NEW ZEALAND GWP	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m	GWP Growth 1H22 vs 1H21	2H22 vs 2H21	FY22 vs FY21
Business	588	630	662	699	1,218	1,361	12.6%	11.0%	11.7%
Direct	572	580	605	608	1,152	1,213	5.8%	4.8%	5.3%
Bank Partners	208	200	214	203	408	417	2.9%	1.5%	2.2%
Total GWP	**1,368**	**1,410**	**1,481**	**1,510**	**2,778**	**2,991**	**8.3%**	**7.1%**	**7.7%**

Business

Business represented 45% of New Zealand's GWP in FY22 (FY21: 44%), with local currency GWP growth of 11%.

- Strong growth was achieved across all commercial lines portfolios largely through higher rates alongside an uplift in commercial property insured values and commercial property volume growth. In addition, the construction & engineering portfolio benefitted from a strong pipeline of infrastructure and residential projects;

6. NEW ZEALAND

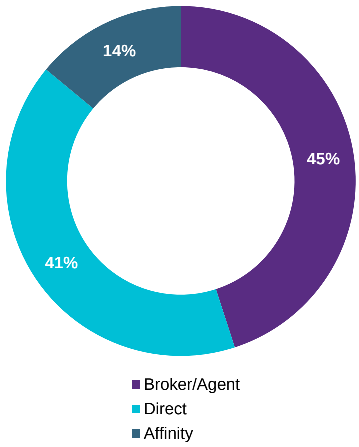
- Retention rates remained strong and improved on prior year levels across all key commercial lines portfolios. However, new business growth in these portfolios was down on FY21 levels due to overall less new business opportunities in the market possibly driven by economic uncertainty; and
- Business' personal lines experienced sound GWP growth. Higher rates were partly offset by volume loss across all key portfolios.

Direct

Direct represented 41% of New Zealand's GWP in FY22 (FY21: 41%) and achieved local currency GWP growth of 4.7%.

- All portfolios experienced growth in the year mainly through rate increases alongside volume growth in the commercial motor and AMI liability portfolios; and
- Direct retention rates have remained strong, with all key personal lines portfolios ahead of FY21. However, direct new business levels were down on prior year levels.

NEW ZEALAND FY22 GWP - CHANNEL



Bank Partners

The bank partner distribution channel represented 14% of New Zealand's GWP in FY22 (FY21:15%) and achieved local currency growth of nearly 2%.

- GWP for personal lines products was up on FY21. Higher rates and slightly improved retention levels offset lower new business growth.

Customer Initiatives

- Following the success of the first Repairhub site (East Tamaki, Auckland) which opened in November 2019, the expansion of the Repairhub model into metropolitan areas has been a core part of IAG NZ's strategy to 'Build Better Businesses'. Our fourth Repairhub site has now opened in Te Rapa, Hamilton. Our customers in Hamilton, Auckland, and Christchurch, can now have their vehicles repaired at one of our Repairhub sites using innovative technology for collision repairs where great customer experience and sustainability is always front of mind. Four additional sites are planned for the remainder of 2022 and 2023 to reach more customers across New Zealand.
- In March 2022, IAG NZ acquired full ownership of First Rescue, a nationwide network of over 500 providers and assessors offering 24/7 roadside assistance, accident towing, and vehicle assessments. The acquisition is part of our five-year strategy to launch additional adjacencies to deliver world-class experiences for our customers and partners along the value chain.
- In addition to providing great customer experiences across our adjacencies business, we are also transforming our claims experiences with the launch of our end-to-end claims management model in April 2022. This means customers will now deal with the same claims consultant from initial lodging of their claim until claims resolution, providing a better experience for our customers.
- We are also positioning ourselves for growth in our direct brands. This includes marketing campaigns, creation of new Customer Value Propositions targeting growth segments such as Landlords, SME Businesses and Young drivers, improvements to the digital purchasing experience, targeted pricing reviews, and great conversations with our customer-facing teams. This programme commenced at the beginning of March 2022 and we are seeing positive momentum across our business.

6. NEW ZEALAND

- To be truly customer led, we need to keep customers at the heart of what we do and ensuring we make all interactions with us easy. A key milestone was achieved in recent months where our new car, home, contents, and landlord policy wordings for ASB achieved the WriteMark accreditation. WriteMark is an independent certification that is awarded when a document meets a nationally recognised plain language standard. To achieve this, the wording was assessed against rigorous criteria to prove it is focused on the needs of the customer and is easy to read, understand, and act on. We continue to work towards achieving the same standard across other products.

Digital Initiatives

Continued shift to digital channels

- In response to customers evolving needs and desire to interact with us where and when its suits them, we continue to see a shift to the digital channel with digital sales contributing to nearly 34% (FY21: 32%) of direct new business in FY22. With that in mind AMI has extended its partnership with SeniorNet for another year, continuing to support older New Zealanders to build confidence with doing more online, including managing their insurance. AMI will pay the SeniorNet membership fee for any AMI customer over the age of 50 any time until 22 September for a 12-month membership.
- To improve our customer's digital experience, AMI and State have launched new mobile apps with improved functionality and design to further enhance the mobile experience for our customers. Improved functionality includes:
  - The ability to view and manage policies;
  - Making a claim;
  - Getting a quote; and
  - Faster login using PIN or biometrics.
- For many of our customers, claims lodgement time is when our purpose, 'We make your world a safer place' matters the most. A number of initiatives have been launched recently that will support our customers at claims time, including:
  - The launch of the Disaster Claim Hub. This is a new on-line hub for our personal lines customers to help them through their claim before, during, and after a natural disaster strikes. The Hub provides a single source of information across all IAG brands, based on the most common questions received during major events. The intention is to provide as much claims information up front as possible, to help our customers 'self-service' parts of their recovery and provide assurance while they are waiting on the next steps;
  - In line with New Zealand goal for ‘90% one touch claims’, we launched the ability for our customers to lodge claims digitally in FY22. We have seen a significant amount of channel shift, with a record 24.5% of claims being lodged digitally at the end of FY22;
  - Further enhancements have been made on AMI and State's private motor auto-verification process. Now all eligible motor claims will be automatically accepted, excesses automatically calculated, and the acceptance letter automatically emailed to customers. This will further improve the customer experience and speed up the claim's approval process;
  - The use of robotics in State and AMI's motor referral processes which has cut down the amount of time a claims consultant spends assigning the repairer, freeing up time for our teams to help customers and

partners in a more meaningful way. Qualifying AMI and State motor customers can now select a repairer within our network using our digital interactive map to see the location of the repairers within a 25 km radius of the search address. Referrals will be sent to the repairer directly, removing the need for our customers to call us; and
  - Automation of supplier invoice payments for some of our AMI and State suppliers.
- To support the New Zealand strategy, we are progressing at pace to transform our business on the back of the delivery of a new enterprise platform. Leveraging the base IAG Group platform, the first New Zealand release will deliver a modern platform that significantly advances our capability. We will move to one single enterprise ecosystem that is intended to replace our multiple core policy systems, update our digital capability, reduce complexity, and enable improved customer propositions.

INSURANCE PROFIT

New Zealand achieved an insurance profit of $220m in FY22, compared to $305m in FY21. This translated to a reported insurance margin of 12.8% (FY21: 19.0%), reflecting the significant increase in natural perils costs in FY22.

INSURANCE MARGIN IMPACTS New Zealand	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Underlying insurance profit	**148**	**115**	**146**	**143**	**263**	**289**
Reserve releases/(strengthening)	18	18	8	(6)	36	2
Natural perils	(51)	(37)	(103)	(64)	(88)	(167)
Natural peril allowance	47	47	48	48	94	96
Reported insurance profit	**162**	**143**	**99**	**121**	**305**	**220**
Underlying insurance margin	**18.6%**	**14.3%**	**16.8%**	**16.8%**	**16.4%**	**16.8%**
Reserve releases/(strengthening)	2.3%	2.2%	0.9%	(0.7%)	2.2%	0.1%
Natural perils	(6.4%)	(4.6%)	(11.8%)	(7.5%)	(5.5%)	(9.7%)
Natural peril allowance	5.9%	5.8%	5.5%	5.7%	5.9%	5.6%
Reported insurance margin	**20.4%**	**17.7%**	**11.4%**	**14.3%**	**19.0%**	**12.8%**

A higher FY22 underlying margin of 16.8% (FY21: 16.4%) largely reflected ongoing disciplined cost management, including introducing automation, and increased rating to address higher input costs from inflationary pressures. Similar to 1H22, net COVID-19 impacts were not material in 2H22.

Steady FY22 underlying margin across each half

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 54.5% in FY22 (FY21: 53.6%).

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IMMUNISED LOSS RATIO New Zealand	1H21 A$m	2H21 A$m	1H22 A$m	2H22 A$m	FY21 A$m	FY22 A$m
Immunised underlying net claims expense	**417**	**445**	**472**	**465**	**862**	**937**
Discount rate adjustment	-	(4)	(2)	(12)	(4)	(14)
Reserving and perils effects	33	19	95	70	52	165
Reported net claims expense	**450**	**460**	**565**	**523**	**910**	**1,088**
Immunised underlying loss ratio	**52.4%**	**54.9%**	**54.3%**	**54.8%**	**53.6%**	**54.5%**
Discount rate adjustment	-	(0.5%)	(0.3%)	(1.4%)	(0.2%)	(0.8%)
Reserving and perils effects	4.1%	2.4%	10.9%	8.2%	3.3%	9.6%
Reported loss ratio	**56.5%**	**56.8%**	**64.9%**	**61.6%**	**56.7%**	**63.3%**

Compared to FY21, the higher underlying loss ratio was influenced by the following main factors:

- Lower motor claim frequency, mostly due to COVID-19 lockdown restrictions in 1H22; offset by
- Higher average claims costs, particularly in the home portfolio as well as a change in mix in the commercial motor portfolio towards heavy vehicles; and
- Higher large (greater than NZ$100,000) commercial property claims due to several high-value fire events during FY22.

Reserve Releases / Strengthening

Prior period reserve releases of $2m were recognised in FY22, compared to releases of $36m in FY21. Releases in FY21 were predominantly attributable to favourable prior year working claims development across a number of portfolios.

Natural Perils

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

Expenses

Underwriting expenses increased modestly from $212m in FY21 to $218m in FY22, while the administration expense ratio decreased from 13.2% in FY21 to 12.7% in FY22 reflecting:

- The impact of higher net earned premium in FY22;
- Ongoing disciplined cost management;
- Property consolidation and new operating model costs in FY21; partially offset by
- Higher employee costs due to repatriation of offshore teams and an increase for frontline teams to align with market rates.

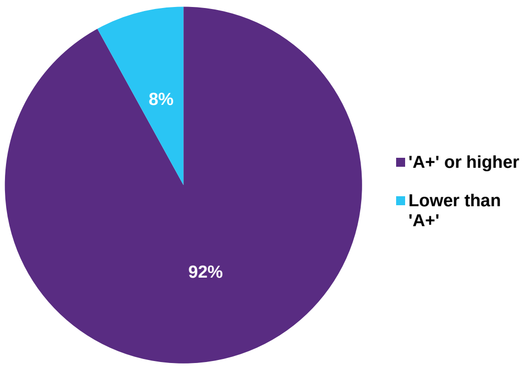
Managing to hold expenses broadly flat

7. REINSURANCE

EXECUTIVE SUMMARY

- Calendar 2022 gross catastrophe cover up to $10bn unchanged from 2021
- Catastrophe cover placed to 67.5% to reflect quota share agreements
- Post-quota share Group maximum event retention (MER) of $135m at 1 July 2022
- FY23 aggregate protection ($236m in excess of $338m, post-quota share)
- 30% CTP treaty renewed and 2.5% whole-of-account quota share extended

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



REINSURANCE STRATEGY

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

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

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

MARKET ENVIRONMENT

Globally, the reinsurance industry experienced an active period of large natural perils losses throughout 2021 and in the first half of 2022. Australia's East Coast was impacted by heavy rainfall and flooding in February and March with significant losses reported across the insurance industry.

Some pricing and capacity pressure on earnings volatility covers

When this loss activity is coupled with low investment yields and claims inflation concerns, there has been a noted decrease in reinsurers' appetite on layers and programs which have experienced loss activity. This resulted in reinsurance capacity continuing to be allocated on a program by program basis influenced by loss experience, risk appetite, terms and relationship longevity.

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

7. REINSURANCE

WHOLE-OF-ACCOUNT QUOTA SHARE

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

- A ten-year, 20% arrangement with Berkshire Hathaway which commenced 1 July 2015; and
- Three agreements for a combined 12.5% from 1 January 2018, with Munich Re, Swiss Re and Hannover Re. IAG has extended the Hannover Re arrangement for a further twelve months. All three quota share agreements will be seeking to be renewed at 1 July 2023.

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

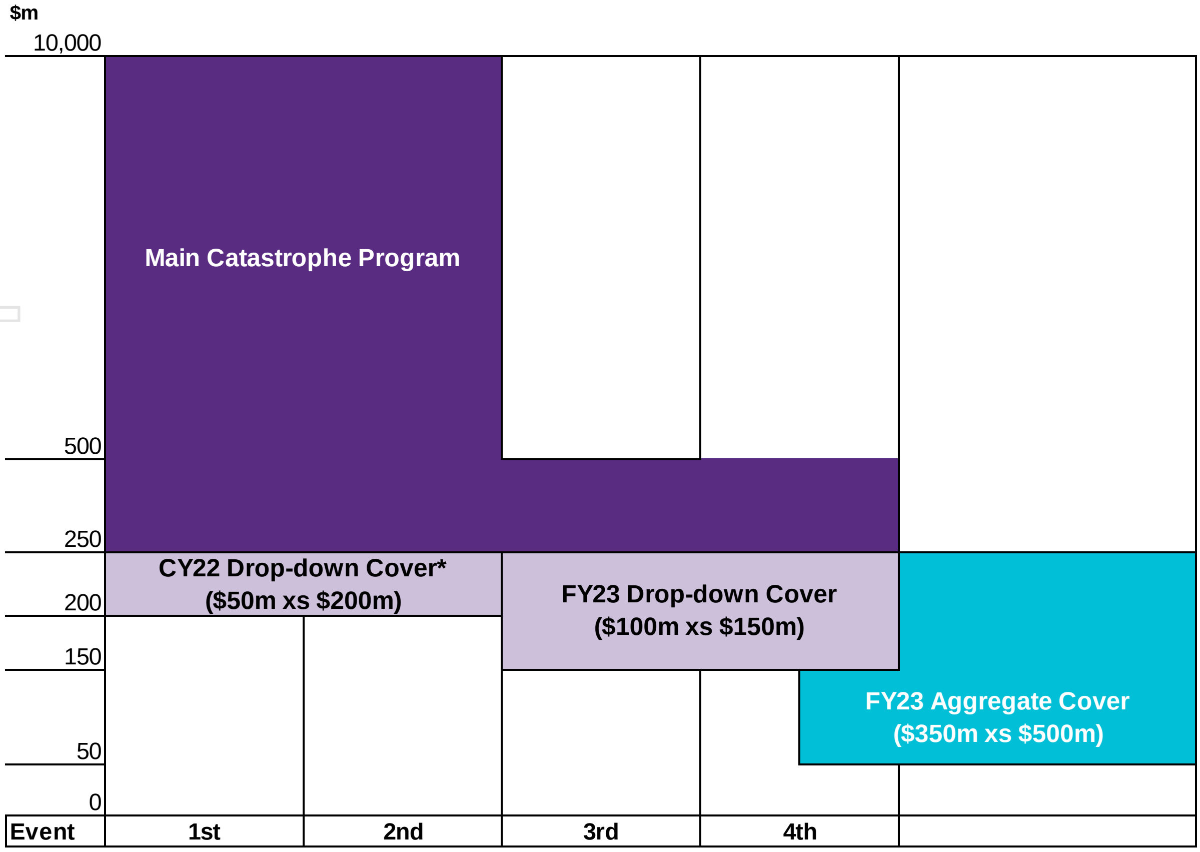
- Reduced earnings volatility, as insurance risk is effectively exchanged for a more stable fee income stream;
- A lower requirement for catastrophe reinsurance limit and reduced exposure to volatility in associated premium rates; and
- A reduction in IAG's regulatory capital needs.

32.5% of consolidated business remains subject to quota share

CATASTROPHE COVER

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

GROSS CATASTROPHE REINSURANCE



*Cover depicted with aggregate erosion as at 30 June 2022

7. REINSURANCE

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

- A main catastrophe cover for losses up to $10bn, including one prepaid reinstatement;
- IAG retaining the first $250m of each loss;
- First and second event drop-down covers of $50m (to 31 December 2022), reducing the cost of these events to $200m;
- Third and fourth event drop-down covers of $100m (to 30 June 2023), reducing the cost of these events to $150m; and
- Three prepaid reinstatements secured for the lower layer ($250m excess of $250m) of the main program.

The aggregate sideways cover for the 12-month period to 30 June 2023 provides $350m of protection in excess of $500m. Qualifying events are capped at $200m excess of $50m per event.

After allowance for the cumulative quota share arrangements in place, the combination of all catastrophe covers resulted in IAG having maximum event retentions (MERs) at 1 July 2022 of $135m, $135m and $101m respectively for a first, second and subsequent event.

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

CATASTROPHE REINSURANCE PROGRAM		
Cover	**Gross**	**Net of quota share (67.5%)**
Main cover	$9.75bn xs $250m	$6.58bn xs $169m
Aggregate cover	$350m xs $500m	$236m xs $338m
Aggregate cover qualifying events	$200m xs $50m	$135m xs $34m
Retentions	**Gross**	**Net of quota share (67.5%)**
First event	$200m	$135m
Second event	$200m	$135m
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 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 has a comprehensive suite of per risk and proportional reinsurances for property and casualty which protect it in all territories in which it underwrites. The structure of the covers renewed at 30 June 2022 were aligned with the expiring placements.

7. REINSURANCE

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

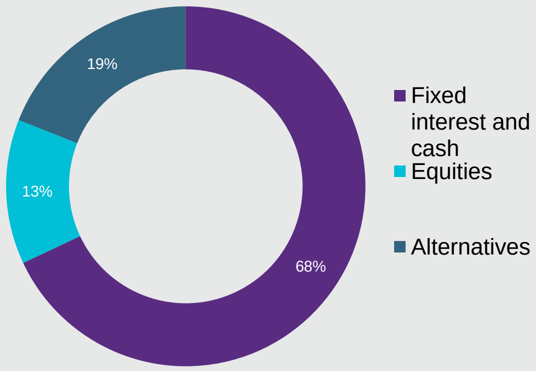
In February 2016, IAG completed reinsurance transactions with Berkshire Hathaway that materially mitigate IAG's exposure to its two largest run-off portfolios: New Zealand February 2011 earthquake and asbestos.

8. INVESTMENTS

EXECUTIVE SUMMARY

- Total investments of $11.8bn as at 30 June 2022
- Investment allocation conservatively positioned
- Technical reserves of $7.7bn invested in fixed interest and cash
- Shareholders’ funds of $4.1bn – defensive asset weighting of ~68%
- Investment return on technical reserves impacted by increase in risk-free rates and credit spreads
- Shareholders’ funds income impacted by negative performance across equity and debt markets

Shareholders' Funds Mix - 30 June 2022



INVESTMENT PHILOSOPHY

IAG’s investment philosophy is to:

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

Technical reserves invested to align with liability interest rate risk

INVESTMENT STRATEGIES

IAG’s overall investment allocation is defensively positioned, with nearly 90% of total investments in fixed interest and cash as at 30 June 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 around 32% of shareholders’ funds at 30 June 2022, ~2% higher than the level at 30 June 2021.

Distinct investment strategies for technical reserves and shareholders’ funds

INVESTMENT ASSETS

Total investments of $11.8bn as at 30 June 2022 reduced by $0.6bn compared to the position at 30 June 2021, reflecting the combined effect of:

- The increase in discount rates and risk-free rates that reduce both balance sheet asset and liabilities;
- Lower equity returns impacting shareholder funds; and
- Operational and earnings changes in the period.

Total investments reduced by $0.6bn due to investment market volatility and operating cashflows

8. INVESTMENTS

GROUP INVESTMENT ASSETS	1H21 A$bn	FY21 A$bn	1H22 A$bn	FY22 A$bn
Technical reserves	7.1	7.4	7.7	7.7
Shareholders' funds	4.6	5.0	4.5	4.1
Total investment assets	**11.7**	**12.4**	**12.2**	**11.8**

ASSET ALLOCATION

Since 30 June 2021, the growth assets mix in shareholders' funds has marginally increased, from ~30% to ~32%.

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

IAG hedges foreign currency exposures within its investment portfolios.

Nearly 90% of total investments in fixed interest and cash

Carbon reduction targets established

ASSET ALLOCATION

SHAREHOLDERS' FUNDS	1H21 %	FY21 %	1H22 %	FY22 %	FY22 A$m
Australian equities	4.4	5.2	5.8	5.1	211
International equities	5.8	7.3	8.4	8.2	339
Alternatives	16.5	17.2	20.0	19.1	791
Fixed interest and cash	73.3	70.3	65.8	67.6	2,799
Total	**100.0**	**100.0**	**100.0**	**100.0**	**4,140**
TECHNICAL RESERVES	%	%	%	%	A$m
Fixed interest and cash	100.0	100.0	100.0	100.0	7,673
Total	**100.0**	**100.0**	**100.0**	**100.0**	**7,673**
TOTAL SHAREHOLDERS' FUNDS AND TECHNICAL RESERVES	%	%	%	%	A$m
Australian equities	1.7	2.1	2.2	1.8	211
International equities	2.3	2.9	3.2	2.9	339
Alternatives	6.5	6.9	7.4	6.7	791
Fixed interest and cash	89.5	88.1	87.2	88.6	10,472
Total	**100.0**	**100.0**	**100.0**	**100.0**	**11,813**

Alternative investments totalled $791m (FY21: ~$860m), or approximately 20% of shareholders' funds. The allocation to alternative investments currently includes higher yielding credit strategies, global convertible bonds, hedge funds and private equity.

8. INVESTMENTS

ALTERNATIVES	1H21 A$m	FY21 A$m	1H22 A$m	FY22 A$m
Global convertible bonds	171	225	229	196
Higher yielding credit	365	381	388	333
Hedge funds	139	139	178	134
Private equity	82	115	120	128
Total Alternatives	**757**	**860**	**915**	**791**

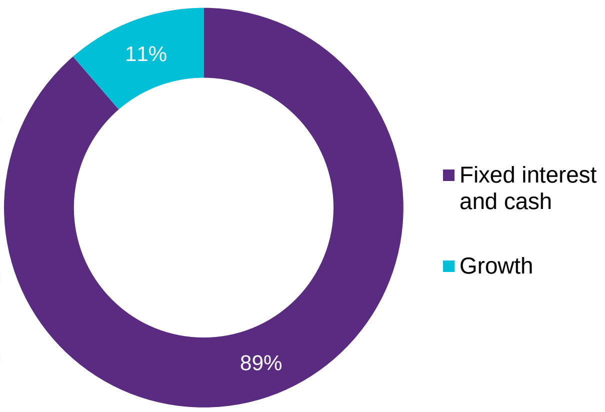
$128m in private equity also includes IAG's residual ~$20m investment in Bohai in China and the Firemark Ventures fund, currently valued at ~$80m.

CREDIT QUALITY OF ASSETS

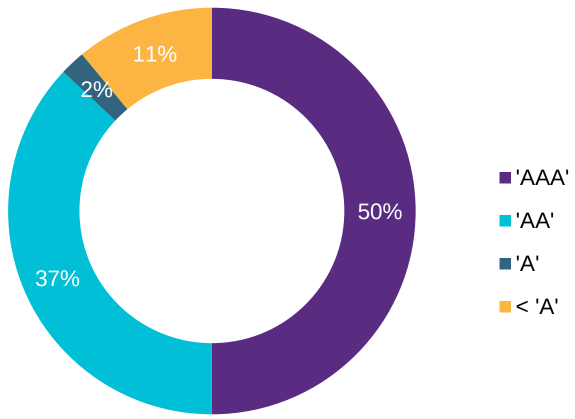
The credit quality of IAG's investment book remains strong, with 87% of the fixed interest and cash portfolio rated 'AA' or higher.

Strong credit quality maintained

ASSET ALLOCATION – 30 JUNE 2022



CREDIT QUALITY – 30 JUNE 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 FY21 was a loss of $238m, compared to a $139m profit in FY21. Influences included:

- Higher average yield of 1.8% on investment assets;
- Negative impact from the increase in risk-free free rates of $331m, predominantly offset by a positive impact on claims costs from higher discount rates; and
- A negative impact of $45m from the increase in credit spreads (FY21: $77m positive).

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

Higher average yield on technical reserves

Investment Income on Shareholders' Funds

Investment income on shareholders' funds was a loss of $105m, compared to a profit of $306m in FY21, reflecting:

Loss on shareholders' funds driven by investment market volatility

8. INVESTMENTS

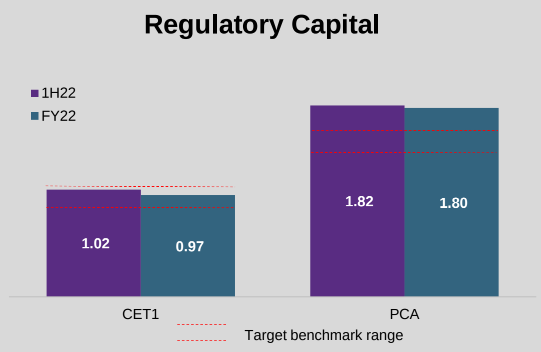
- Negative returns across equity markets during 2H22, mitigated by relative outperformance of IAG's low volatility international equities portfolio;
- A small loss of $7m from the alternative asset classes, primarily from global convertible bonds; and
- Negative returns from the fixed interest and cash, reflecting the impact of rising bond yields and credit spread widening.

SHAREHOLDERS' FUNDS INCOME	FY21 A$m	FY22 A$m
Equities	106	(23)
Alternatives	150	(7)
Fixed interest and cash	31	(68)
Total investment return	**287**	**(98)**
Foreign exchange and interest rate hedging effects	11	-
Ventures - fair value movement	20	(11)
Gain on sale of investments	-	12
Management fees	(12)	(8)
Total shareholders' funds income	**306**	**(105)**

9. BALANCE SHEET & CAPITAL

EXECUTIVE SUMMARY

- Strong balance sheet and capital position
- CET1 multiple of 0.97 vs. benchmark of 0.9-1.1
- PCA multiple of 1.80 vs. benchmark of 1.6-1.8
- S&P 'AA-' rating of core operating subsidiaries



BALANCE SHEET

	1H21 A$m	FY21 A$m	1H22 A$m	FY22 A$m
Assets				
Cash held for operational purposes	418	326	388	350
Investments	11,714	12,417	12,239	11,813
Investments in joint ventures and associates	341	30	31	31
Trade and other receivables	4,223	4,354	4,335	4,580
Reinsurance and other recoveries on outstanding claims	6,868	7,272	7,577	7,886
Deferred insurance expenses	3,594	3,601	3,795	3,834
Goodwill and intangible assets	3,176	3,220	3,310	3,411
Assets held for sale	37	348	305	342
Other assets	1,989	1,881	1,868	1,836
Total assets	**32,360**	**33,449**	**33,848**	**34,083**
Liabilities				
Outstanding claims	12,579	13,312	13,951	13,964
Unearned premium	6,271	6,527	6,596	6,831
Interest bearing liabilities	1,976	1,987	2,023	2,055
Trade and other payables	2,842	2,975	3,032	3,013
Liabilities held for sale	20	19	-	-
Other liabilities	2,000	2,073	1,765	1,720
Total liabilities	**25,688**	**26,893**	**27,367**	**27,583**
Net assets	**6,672**	**6,556**	**6,481**	**6,500**
Equity				
Equity attributable to holders of ordinary shares	6,380	6,246	6,144	6,163
Non-controlling interests	292	310	337	337
Total equity	**6,672**	**6,556**	**6,481**	**6,500**

OUTSTANDING CLAIMS

Net Outstanding Claims Liability

IAG's net outstanding claims liability at 30 June 2022 stood at $6,078m, compared to $6,040 at 30 June 2021. The small increase reflects:

- Increased natural peril claims that remain to be settled;
- Increases in commercial liability reserves; and
- Reduction in the business interruption provision.

Very small movement in net outstanding claims liability

Claims Development

Note 2.2 of IAG's Annual Report includes a claims development table that shows the development of the estimate of ultimate claim costs for the ten most recent accident years at each reporting date. An extract from that table is set out below.

The table shows a history of generally favourable development across the period, as the ultimate claim costs were settled or became more certain. Notable recent exceptions to this include:

- The 2017 - 2019 accident years, which reflect the adverse development in commercial liability long-tail reserves in Australia recognised in FY21 and FY22; and
- The reserving implications of the increased business interruption provision in November 2020, evidenced in the development of the 2020 accident year as business interruption reserves established in FY20 were reassessed.

										Accident Year Ended 30 June		
NET ULTIMATE CLAIMS PAYMENTS DEVELOPMENT TABLE	**2012 and prior A$m**	**2013 A$m**	**2014 A$m**	**2015 A$m**	**2016 A$m**	**2017 A$m**	**2018 A$m**	**2019 A$m**	**2020 A$m**	**2021 A$m**	**2022 A$m**	**TOTAL A$m**
Development												
At end of accident year		5,156	5,590	6,283	4,956	5,255	4,485	3,947	4,215	4,315	4,464	
One year later		5,080	5,594	6,210	4,908	5,200	4,400	4,009	4,757	4,297		
Two years later		5,000	5,507	6,146	4,850	5,166	4,390	4,031	4,657			
Three years later		4,920	5,366	6,030	4,790	5,174	4,406	4,093				
Four years later		4,840	5,297	6,027	4,796	5,210	4,421					
Five years later		4,821	5,279	6,015	4,806	5,237						
Six years later		4,823	5,251	6,018	4,805							
Seven years later		4,805	5,240	6,033								
Eight years later		4,802	5,245									
Nine years later		4,799										
Current estimate of net ultimate claims		**4,799**	**5,245**	**6,033**	**4,805**	**5,237**	**4,421**	**4,093**	**4,657**	**4,297**	**4,464**	
Cumulative payments made to date		4,766	5,177	5,930	4,706	5,071	4,201	3,772	3,767	3,400	2,586	
Net undiscounted outstanding claims payments	**208**	**33**	**68**	**103**	**99**	**166**	**220**	**321**	**890**	**897**	**1,878**	**4,883**
Net discounted outstanding claims payments	**194**	**30**	**63**	**95**	**91**	**155**	**205**	**303**	**841**	**844**	**1,810**	**4,631**
Claims handling costs												420
Risk margin												1,027
Net outstanding claims liability												**6,078**
Gross outstanding claims liability on the balance sheet												13,964
Reinsurance and other recoveries on outstanding claims												(7,886)
Net outstanding claims liability												**6,078**

During FY13 the UK business was sold. The development table above includes claims related to the UK operation up to, and including, the 2012 accident year. Any outstanding claims relating to the UK that remained at the time of divestment have been treated as paid.

During FY18, IAG announced the agreed sale of its operations in Thailand, Indonesia and Vietnam. The development table above includes claims related to those operations up to, and including, the 2018 accident year. Any outstanding claims relating to Thailand, Indonesia and Vietnam at the time of their treatment as discontinued operations have been treated as paid.

Risk Margins

The claims development table also identifies the total risk margin held at 30 June 2022 to allow for the uncertainty surrounding the outstanding claims liability estimation process. The risk margin is set to take into account the correlations assessed between outstanding claim liabilities arising from the various forms of business underwritten by IAG. The aggregated net central estimate of outstanding payments, plus the risk margin calculated on a diversified basis, forms the net outstanding claims liability.

IAG's unchanged policy is for the risk margin to be set to provide an overall probability of adequacy for the outstanding claims liability of 90%, which has been determined having regard to the inherent uncertainty in the central estimate and the prevailing market environment.

The risk margin applied to the net central estimate of the outstanding claims liability was approximately 20% at 30 June 2022 (FY21: 21%).

CAPITAL

Capital Adequacy

IAG remains strongly capitalised with total regulatory capital of $4,380m at 30 June 2022. The CET1 ratio is IAG's primary capital measure and continues to meet targeted levels at 0.97 times the Prescribed Capital Amount (PCA). This compares to a targeted range of 0.9 to 1.1 times and a regulatory minimum requirement of 0.6 times.

IAG remains strongly capitalised

The CET1 ratio has reduced from 1.06 at 30 June 2021, owing to the net effect of:

- Earnings in the year offset by the payment of the dividends;
- Increase in capitalised technology costs;
- An increase in outstanding claims following the natural peril events and accompanying reinsurance recoveries; and
- An increase in the insurance concentration risk charge.

IAG's targeted range for total regulatory capital is 1.6 to 1.8 times PCA.

9. BALANCE SHEET & CAPITAL

GROUP COVERAGE OF REGULATORY CAPITAL REQUIREMENT	1H21 A$m	FY21 A$m	1H22 A$m	FY22 A$m
Common Equity Tier 1 Capital (CET1)				
Ordinary shares	7,385	7,386	7,386	7,386
Reserves	11	13	27	3
Retained earnings	(982)	(1,120)	(1,243)	(1,201)
Technical provisions in excess of liabilities	567	576	617	592
Minority interests	292	310	337	337
Less: Deductions	(4,506)	(4,530)	(4,611)	(4,753)
Total Common Equity Tier 1 Capital	**2,767**	**2,635**	**2,513**	**2,364**
Additional Tier 1 Capital				
Hybrid equities	404	404	404	404
Total Tier 1 Capital	**3,171**	**3,039**	**2,917**	**2,768**
Tier 2 Capital				
Subordinated term notes	1,577	1,576	1,580	1,612
Total Tier 2 Capital	**1,577**	**1,576**	**1,580**	**1,612**
Total Regulatory Capital	**4,748**	**4,615**	**4,497**	**4,380**
Prescribed Capital Amount (PCA)				
Insurance risk charge	1,089	1,143	1,167	1,158
Insurance concentration risk charge	169	192	169	211
Diversified asset risk charge	1,273	1,389	1,347	1,262
Aggregation benefit	(571)	(614)	(605)	(592)
Operational risk charge	371	377	390	400
Total Prescribed Capital Amount	**2,331**	**2,487**	**2,468**	**2,439**
PCA multiple	**2.04**	**1.86**	**1.82**	**1.80**
CET1 multiple	**1.19**	**1.06**	**1.02**	**0.97**

Total deferred tax losses for the Group stood at ~$600m at 30 June 2022.

Allowing for the final dividend which will be paid in September 2022, the CET1 ratio at 30 June 2022 would reduce to 0.92. The sale of AmGeneral in July 2022 results in increase in IAG's regulatory capital position of approximately $150m, a ~0.06 improvement in the CET1 ratio.

Interest Bearing Liabilities

IAG's interest bearing liabilities stood at ~$2bn at 30 June 2022, with a small increase in the year reflecting the issue of NZ$400m of subordinated debt and the redemption of NZ$350m of subordinated debt.

9. BALANCE SHEET & CAPITAL

INTEREST BEARING LIABILITIES	1H21 A$m	FY21 A$m	1H22 A$m	FY22 A$m
Subordinated debt	1,577	1,576	1,580	1,612
Capital Notes	404	404	404	404
Subtotal interest bearing liabilities	**1,981**	**1,980**	**1,984**	**2,016**
Capitalised transaction costs/other	(5)	7	39	39
Total interest bearing liabilities	**1,976**	**1,987**	**2,023**	**2,055**

	Principal amount		Interest rate	Rate	First Call or Exchange date	Maturity date	S&P rating
GROUP DEBT & HYBRID CAPITAL	$m	A$m	%				
Subordinated fixed rate notes (issue Apr-22)	NZ$400	362	5.32%	Fixed	Jun-28	Jun-38	'BBB'
Subordinated term notes (issue Mar-18)[1]	A$350	350	3.81%	Variable	Jun-24	Jun-44	'BBB'
Subordinated term notes (issue Mar-19)[2]	A$450	450	4.06%	Variable	Jun-25	Jun-45	'BBB'
Subordinated term notes (issue Aug-20)[3]	A$450	450	4.16%	Variable	Dec-26	Dec-36	'BBB'
Total Debt		**1,612**					
Capital Notes (IAGPD)[4]	A$404	404	4.93%	Variable	Jun-23	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 pay floating rate quarterly interest. The interest rate shown is the current cash distribution rate. If mandatory conversion conditions are met, Capital Notes will be converted into IAG ordinary shares on 16 June 2025.*

Capital Mix

Currently IAG measures its capital mix on a net tangible equity basis after deduction of goodwill and intangibles.

CAPITAL MIX	1H21 A$m	FY21 A$m	1H22 A$m	FY22 A$m
Shareholder equity	6,672	6,556	6,481	6,500
Intangibles and goodwill	(3,176)	(3,220)	(3,310)	(3,411)
Tangible shareholder equity	**3,496**	**3,336**	**3,171**	**3,089**
Interest bearing liabilities	1,976	1,987	2,023	2,055
Total tangible capitalisation	**5,472**	**5,323**	**5,194**	**5,144**
Debt to total tangible capitalisation	**36.1%**	**37.3%**	**38.9%**	**39.9%**

IAG's debt to total tangible capitalisation ratio at 30 June 2022 was 39.9% towards the top of the previous 30-40% range. Going forward, IAG will no longer target a specific debt to total tangible capital ratio. As IAG's borrowings are substantially in the form of Additional Tier 1 and Tier 2 regulatory capital securities, IAG's capital mix is defined by regulatory capital targets which will remain the focus. Subject to market conditions, during FY23 IAG may consider a new issue of Capital Notes intended to qualify as Additional Tier 1 regulatory capital. IAG's intent remains to manage regulatory capital to its 1.6 to 1.8 times PCA benchmark over the longer term.

Capital mix going forward will focus on regulatory capital targets

9. BALANCE SHEET & CAPITAL

Credit Ratings

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

Retain intent to manage capital to benchmark ranges over longer term

10. CLIMATE CHANGE AND ESG

IAG insures individuals, households, and businesses against the impacts that climate-related hazards can have on their assets, playing a key role in the economy to help build stronger, more resilient communities. To ensure IAG can continue to act in this role and deliver for its customers, climate change and ESG risk management are embedded in IAG's strategy. This also helps to guide decision-making and ensures that value is being created for both the community and the business.

Climate change and ESG risks are assessed as part of IAG's enterprise-wide risk management framework. The Enterprise Risk Profile (ERP) articulates risks that can impact IAG's ability to deliver on its strategic objectives. The FY22 ERP process revalidated an 'Inadequate Climate Change Response' as a critical enterprise risk. The ERP is assessed and reported to the Board annually, enabling informed decisions that are consistent with IAG's Risk Management Strategy and Risk Appetite Statement.

CLIMATE & DISASTER RESILIENCE

Climate & Disaster Resilience Action Plan

IAG's priority focus on climate and disaster resilience is aligned to the outputs from its materiality process and reflects the growing challenge posed by increasingly frequent and severe natural peril events. In November 2021 IAG launched its FY22-24 Climate & Disaster Resilience Action Plan (Action Plan), which details the framework, commitments, and activities for IAG to help mitigate and adapt to the impacts of climate change. The below table is a snapshot of the activities underway that will enable delivery of the commitments under the three focus areas of the Action Plan. Further details are in the Climate-related disclosure, and the Annual Review and Sustainability Report, which can be found at www.iag.com.au/safer-commnities.

10. CLIMATE CHANGE AND ESG

Activity and progress

Rethinking risk

Embedding climate change into insurance pricing: IAG is integrating climate risk management into its portfolio choices, underwriting, product, and pricing approach. Signalling climate risk exposure supports decision making in high-risk peril areas where insurance affordability and availability are exacerbated.

Rebuilding resilience: IAG is identifying opportunities to scale solutions to help customers adapt to a changing climate. IAG partnered with the Bushfire Building Council of Australia to release free architectural drawings, specifications, and handbooks to make it easier and more affordable for Australians to build sustainable houses resilient to natural perils. The resources have been developed as part of the *FORTIS House* project.

NRMA Insurance Carbon Offset Program: In May 2022, the NRMA Insurance Carbon Offset Program was launched to enable motor customers to offset their yearly driving emissions, contributing to NRMA insurance customer growth and towards IAG's net zero commitment.

Preparedness action

Leading by example: In New Zealand, IAG is chairing the new Climate Adaptation Working Group alongside the Climate Leaders Coalition (CLC) and Sustainable Business Council (SBC), promoting greater focus on climate adaptation. In Australia, IAG guided the latest Insurance Council of Australia (ICA) report, *Flooding and Future Risks*, which highlights the mounting cost of flood events and the role of climate change.

Improving land planning, building codes and construction to be climate resilient: IAG is leveraging its experience in risk assessment and claims response to provide valuable information and resources to advise various levels of government on controls for the built environment and land planning.

Customer and community preparedness: IAG's partnerships and programs support scaled action on disaster resilience through the launch of the Australian Resilience Corps and publication of the Wild Weather Tracker in both Australia and New Zealand to help reduce the costs of disaster response and recovery.

Reducing our emissions

Net zero target: IAG is committed to net zero emissions by 2050, with 50% emissions reduction by 2030. IAG is updating its Net Zero Roadmap to detail the activities needed to achieve scope 1 and 2 science-based emissions reduction targets as well as activities to identify, manage, and reduce the most material scope 3 emissions across IAG's value chain.

Scope 1 and 2 emissions: IAG is focused on introducing more renewable energy into its Australian energy mix over the next three years and transitioning its New Zealand fleet to electric and hybrid vehicles.

Scope 3 emissions: IAG is committed to achieving its existing underwriting target and continues to make progress with exposure to fossil fuels currently <0.01% of GWP.

IAG has also reduced the normalised carbon footprint and carbon intensity of its equity portfolios, exceeding its reduction targets set until 2025. Refer to the ESG targets table below.

There is more work needed to improve understanding of IAG's emissions footprint across its supply chain and underwriting portfolios to support further emissions reduction activities. IAG is committed to developing a plan to achieve this goal. A key focus is participating in activities of the UN-convened Net-Zero Insurance Alliance to develop an industry-appropriate methodology to support a just transition to net zero.

Influence, partnership and collaboration

IAG continues to advocate for innovation and change that supports the management of climate risks and opportunities. In doing so IAG collaborates with a range of regional and international peak bodies, across all levels of government and community organisations to help catalyse action and build disaster resilience among customers and communities. Across FY22, this included:

Joined the Net Zero Insurance Alliance

- Engaging with the Australian Sustainable Finance Institute (ASFI), alongside senior government executives, to help mobilise investments for Australia's net zero target.
- Participating in a cross-sector panel of the National Recovery and Resilience Agency that is developing the Second National Action Plan for Disaster Risk Reduction.
- Providing IAG's natural perils' expertise in support of the newly established NSW Northern Rivers Reconstruction Corporation to help reduce flood risks in the area.
- Becoming a member of the Net Zero Insurance Alliance (NZIA) convened by the United Nations, ensuring that IAG can contribute to and access emerging best practice in assessing scope 3 emissions.
- Partnering with emergency services and disaster resilience organisations to improve customer and community resilience to the impacts of extreme weather events.

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

ENVIRONMENT SOCIAL AND GOVERANCE

Alongside its priority on climate and disaster resilience, IAG continues to embed broader ESG risk management and governance processes across the organisation. IAG has a clear governance structure across Board and Group Leadership to support identification, understanding and management of climate change and ESG risks and opportunities The table below includes progress against IAG's ESG targets and highlights the key activities in the past year. For a complete review, see IAG's FY22 Annual Review and Sustainability Report, at www.iag.com.au.

Benchmarking IAG's performance

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

* Member of Australia Index
** 85th Percentile

CDP

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

10. CLIMATE CHANGE AND ESG

IAG is committed to developing a plan to meet its net zero ambitions. Reducing emissions to reach net zero is complex. Good progress is being made, but there will be yearly fluctuations as methodologies for capturing and measuring emissions evolve. IAG will respond and adapt to these developments accordingly.

ESG	Targets and activities	FY22 Progress	
Environment			
Net zero by 2050 with 50% emissions reduction by 2030	Reduce Scope 1 & 2 in line with science-based targets: - 43% reduction by 2025 (19,360 tCO2e) - 71% reduction by 2030 (9,993 tCO2e) - 95% reduction by 2050 (1,972 tCO2e) IAG's Net Zero Roadmap is being expanded to include the introduction of scope 3 emissions for supply chain and customers	Scope 1 & 2: 15,771 tCO_2e, reduced by 13% year-on-year	◓
Disaster resilience action	1 million Australians and New Zealanders have taken action to reduce their risk from natural hazards by 2025	Progress to be reported in FY23	
Social			
Customer Equity Program	Incorporation of the key initiatives of the newly developed Customer Equity Principles and Maturity Model. These include embedding equity into ways of working and uplifting internal and external measurement and reporting standards for customer equity.	Metrics to be developed in FY23	
Women in Senior Leadership	Increase Women in Senior Leadership to 50% by FY23	44%	◓
Indigenous Engagement Program	Increase Indigenous employment to 3% of Australian employees by the end of 2023. - In June 2022 IAG launched its fourth Reconciliation Action Plan (RAP), supporting delivery of IAG's Indigenous Engagement Strategy	1.3%	◓
Indigenous suppliers	Increase the number of Aboriginal & Torres Strait Islander owned businesses in IAG's supply chain to 45 by the end of 2023	32	◓
Safety & Wellbeing of IAG people	Reduce lost-time injury frequency rate (LTIFR) to 1.47 in Australia and 0.85 in New Zealand for 2022	AU: 0.96 NZ: 0.17	●
Governance			
Responsible Underwriting	Cease underwriting entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels by the end of FY23. - The Chief Underwriting Office is leading the development of an enterprise-wide approach to responsible underwriting, including a focus on reducing insured emissions.	<$1m, or <0.01% of total GWP	◓
Responsible Investment	Reduce the normalised carbon footprint and carbon intensity for IAG's Australian and Global listed equity mandates: - reduce by 25% versus 2020 relevant index level baselines until 2025 - reduce by 50% versus 2020 relevant index level baselines by 2030 At the end of FY22, IAG held $217 million in green bonds, financing energy efficiency, clean energy, adaptation to climate change and climate resilient infrastructure.	Carbon footprint: AU and Global equity portfolios reduced by 63% and 48% respectively vs 2020 baseline	◓
Sustainable Procurement	At the end of FY22, 100% of managed suppliers had received the Supplier Code of Conduct and >50% of high/material risk suppliers had completed supplier risk assessment questionnaires.	276 supplier risk assessments completed in FY22	◓

● Achieved | ◓ On track |

11. GLOSSARY

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

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

11. GLOSSARY

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

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.

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 peril events include, but are not limited to, storm, wind, flood, earthquake and bushfire.

NATURAL PERILS ALLOWANCE
The natural perils expense forecast to be incurred within a specified period of time based upon previous experience and management judgement, which is reflected in the pricing of related insurance products for the same period.

NATURAL PERILS EXPENSE
Losses arising from natural perils after deducting any applicable reinsurance recoveries.

NET CLAIMS EXPENSE
Insurance claim losses incurred plus claims handling expenses, net of recoveries from reinsurance arrangements.

NET EARNED PREMIUM (NEP)
Gross earned premium less reinsurance expense.

11. GLOSSARY

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 company. These are primarily for the purposes of meeting share-based remuneration plan obligations.
TSR	Total shareholder return.
UNDERLYING MARGIN	IAG defines underlying margin as the reported insurance margin adjusted for: • Net natural peril claim costs less related allowance; • Prior year reserve changes; and • Credit spread movements. The underlying margin is non-IFRS financial information that has not been audited or reviewed. It is provided to give management's view of normalised performance and can also be referred to as underlying result, underlying performance, underlying insurance profit or underlying profitability.
UNDERWRITING	The process of examining, accepting or rejecting insurance risk, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.
UNDERWRITING EXPENSES	Those expenses incurred as a result of underwriting activities, including risk assessment and other acquisition expenses.
UNDERWRITING PROFIT/(LOSS)	Net earned premium less net claims expense, commission expenses and underwriting expenses.
UNEARNED PREMIUM	Premium applicable to the unexpired portion of an insurance contract, which has not been recognised in the income statement and is identified in the balance sheet as an unearned premium liability. The unearned premium liability is to meet the costs, including the claims handling costs, of future claims that will arise under current general insurance contracts and the deferred acquisition costs that will be recognised as an expense in the income statement in future reporting periods.
WACC	Weighted average cost of capital.

DIRECTORY

SECURITIES EXCHANGE LISTINGS

ASX Limited (ASX):

- Ordinary Shares (**IAG**): 2,465,100,206 on issue at 30 June 2022
- Capital Notes (**IAGPD**): 4,041,265 on issue at 30 June 2022

NZX Limited (NZDX):

- Unsecured Subordinated Convertible Notes due 2038 (**IAGFC**): NZ$400m outstanding at 30 June 2022

KEY DATES

Final dividend – ordinary shares	
• Ex-dividend date	18 August 2022
• Record date	19 August 2022
• DRP record date	22 August 2022
• Payment date	22 September 2022
Payment date for IAGPD and IAGFC quarterly distributions	15 September 2022
Annual General Meeting	21 October 2022
Payment date for IAGPD and IAGFC quarterly distributions	15 December 2022
Announcement of half year results to 31 December 2022	13 February 2023*
Interim dividend – ordinary shares	
• Ex-dividend date	16 February 2023*
• Record date	17 February 2023*
• DRP record date	20 February 2023*
• Payment date	23 March 2023*
Payment date for IAGPD and IAGFC quarterly distributions	15 March 2023
Payment date for IAGPD and IAGFC quarterly distributions	15 June 2023
Announcement of full year results to 30 June 2023	21 August 2023*

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

CONTACT DETAILS

Investor Relations

Mark Ley
Mobile: +61 411 139 134
Email: mark.ley@iag.com.au

Nigel Menezes
Mobile: +61 411 012 690
Email: nigel.menezes@iag.com.au

or investor.relations@iag.com.au

Media

Amanda Wallace
Mobile: +61 422 379 964
Email: amanda.wallace@iag.com.au

Registered Office

Tower 2, Darling Park, 201 Sussex Street
Sydney NSW 2000
Telephone: +61 2 9292 9222
Website: www.iag.com.au

Investor Information / Administration

Computershare Investor Services Pty Limited
GPO Box 4709
Melbourne VIC 3001
Telephone: 1300 360 688
Email: iag@computershare.com.au
Facsimile: +61 3 9473 2470