IAG 1H25 Results

13 February 2025

"Today's result was delivered in a period of favourable weather and benefited from a $200m release from the COVID Business Interruption provision. Our results reflect the volatility of our sector and the fact we're often subject to factors outside our control - the good years help us weather the bad and be well positioned to pay future customer claims.

We continue to focus on customers as we help keep communities safe and support those experiencing cost of living pressures. Recent storms, floods and the LA fires are a stark reminder of the need to be a well-prepared nation."

IAG Managing Director and CEO Nick Hawkins

Financial highlights

Net profit after tax (NPAT)

$778m

↑ 91.2%: (1H24: $407m)

Insurance profit

$957m

↑ 55.9%: (1H24: $614m)

Gross written premium (GWP)

$8,426m

↑ 6.0%: (1H24: $7, 947m)

Net earned premium

$4,930m

↑ 9.7%: (1H24: $4, 496m)

Interim dividend

12cps

↑ 20%: (1H24: 10cps)

Delivering for our customers

Customer experience[1]

+42.3 Australia
+52.4 New Zealand

Policy renewal[2]

~90%

Claims paid

$5.2bn

Helping customers when they need it most

- Paid over $5.2bn in claims helping customers recover from unexpected loss
- Supported more than 10,000 customers experiencing financial hardship
- Established a state-of-the-art major event command centre to lead our response to severe weather events
- Preparing to help and serve 1.7m RACQ members
- NRMA Insurance - entering centenary year - awarded Australia's most trusted insurance brand for 3rd consecutive year[5]

Building customer and community resilience

- Investing around $5m in education and engagement programs to encourage resilience and preparedness
- Helped over 740,000 people improve their safety and preparedness via NRMA Insurance's Help Nation in Australia, and AMI's New Zealand road and workplace initiatives.
- NRMA Insurance and Australian Red Cross partnered to deliver 276 Australian Red Cross EmergencyRedi™ workshops
- AMI provided 1200 new NZ drivers one-year free roadside assistance

Making Australia and New Zealand safer and stronger

- Successfully placed 2025 catastrophe reinsurance program, complementing long-term natural perils volatility protection secured for FY25-FY29
- Commenced transition of tool-of-trade fleet to electric and hybrid vehicles
- New AgCarE partnership to strengthen rural and regional communities
- Launched global research study into safe use and storage of lithium-ion batteries

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Results overview

IAG today announced its first half results for financial year 2025, reporting a net profit after tax of $778m, up 91% (1H24: $407m).

This increase was mainly driven by the $140m post-tax release of the COVID Business Interruption provision, an increase in net earned premiums, and an improvement in the insurance profit.

The pre-tax insurance profit of $957m was up 56% (1H24: $614m) and equated to a reported margin of 19.4% (1H24: 13.7%). The company's natural perils costs were $215m below allowance for the half and had a significantly positive impact on the insurance profit.

The IAG Board declared an interim dividend of 12cps.

Commenting on the company's performance, IAG Managing Director and CEO Nick Hawkins said:

"We finished 1H25 with strong momentum as we focus on supporting our customers and communities in Australia and New Zealand.

"Today's result reflects the quality of our business as we continue to see consistent, reliable performance across our portfolios and steady progress against our strategic priorities.

"It follows a challenging four-year period for IAG, marked by extreme weather events, volatile investment markets, and COVID related issues that impacted our performance.

"Relatively favourable weather conditions during the half, along with strong investment markets and the release of $200m from our COVID Business Interruption provision, have positively impacted the company's profitability. These more favourable periods allow us to build up reserves to pay future claims when we need to.

"Across our businesses in Australia and New Zealand we continue to improve customer experiences while focusing on underwriting discipline and driving efficiency.

"We've significantly improved our claims management capability to ensure we are there for our customers when they need us most. We are now at our lowest level of unresolved claims since the 2022 floods.

"High customer satisfaction and renewal levels in our retail business reflect the confidence people have in our brands, and the quality of service we deliver.

"In Australia, our strategic alliance with RACQ, once complete[3], will further increase the reach of our retail insurance products through some of the most trusted brands in financial services."

Mr Hawkins said the company is working to minimise the impact of premium increases on customers, particularly those facing financial hardship due to the cost-of-living crisis.

"In the past six months, we have provided financial support to more than 10,000 customers across Australia and New Zealand who are experiencing financial difficulties. We understand the pressures many of our customers are under and are offering tailored assistance.

"Inflation is beginning to ease, which is a positive sign, contributing to a moderation in premium increases across our portfolios. Our investment in our multi-year natural perils protection will help reduce volatility from extreme weather events and further stabilise costs for our customers," he said.

Mr Hawkins said the company's investment in operational initiatives has delivered promising results.

"We have migrated more than three million insurance policies to our Retail Enterprise Platform and adding 300,000 policies each month, delivering significant improvements in customer experience and enabling us to efficiently price and manage risk.

"The Enterprise Platform allows us to execute at scale and will support our future growth across the Group."

Building resilience

Mr Hawkins said recent severe weather events were a stark reminder that customers, communities and nations need to be prepared and resilient in the face of extreme weather.

"The LA wildfires and recent floods in Far North Queensland underscore how critical it is for governments, insurers and communities to work together.

"New IAG research[4] shows the LA fires have heightened awareness and concern across Australia and New Zealand around preparing for and responding to natural disasters.

"Our research shows nearly half (48%) are now more concerned about their safety and protection needs and 86% are more inclined to take action. And 46% are more likely to seek information on the actions they can take to prepare for and respond to a bushfire.

"It's up to us as insurers to help educate our customers on their risks, provide the information they need, lift awareness of discounts available and work with government on upfront mitigation for communities at risk," Mr Hawkins said.

"We have invested significantly in education and engagement programs to encourage resilience and preparedness. This includes EmergencyRedi workshops in partnership with Australian Red Cross and our AgCarE partnership which aims to help strengthen rural communities."

Looking ahead

"We enter the second half of financial year 2025 in a position of strength. With our streamlined structure, investment in technology, and commitment to quality customer service, we have a scalable business ready to grow beyond our current 7.2 million direct and partner customers.

"Our innovative reinsurance agreements enhance our resilience and reduce volatility for our customers. As we move into the next phase of growth, I'm confident in IAG's ability to support our customers, deliver strong returns for shareholders and help build resilience and strength across Australia and New Zealand," Mr Hawkins said.

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Divisional highlights

Retail Insurance Australia (RIA)

GWP growth of 6.1% in 1H25

RIA reported an insurance profit of $476m in 1H25 (1H24: $229m) and a reported insurance margin of 19.0% (1H24: 10.0%). This included an improvement in the 1H25 underlying insurance margin supported by the earn-through of prior period premium increases. Significant progress in addressing supply chain issues resulted in improved customer outcomes and lower underlying claims ratio.

The reported margin was assisted by favourable perils experience of $111m below allowance, partially offset by a modest $16m strengthening of prior period reserves.

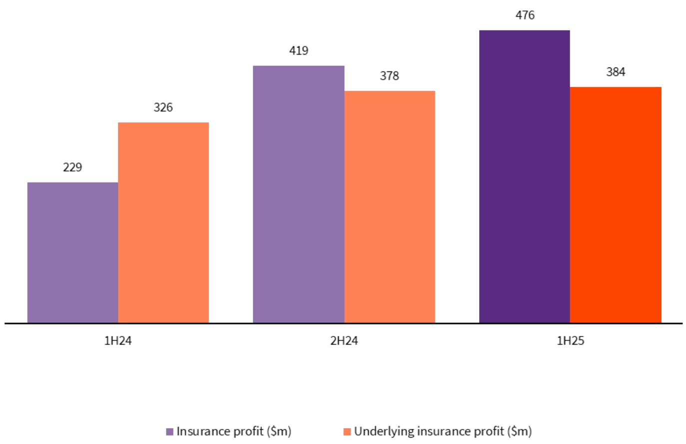
GWP grew 6.1% to $4,305m (1H24: $4,058m). Growth was 8.0%, normalising for the exit of the Coles portfolio.

Personal short tail GWP grew 6.0% (~8% normalising for the Coles exit) to $3,790m, driven by rate increases to cover claims inflation, higher natural perils and reinsurance costs. Renewal rates remain strong at close to 90% in motor and above 90% for home.

Long tail (CTP) GWP increased by 8.6% to $392m mainly driven by higher average premium in NSW and volume growth in ACT and South Australia.

Direct SME GWP was flat at $123m. Investment in the NRMA Insurance brand continues to deliver volume growth through digital channels which is offset by a lower average premium driven by change in policy mix.

RIA – Insurance profit



Intermediated Insurance Australia (IIA)

GWP growth of 10.3% in 1H25

IIA delivered an insurance profit of $171m (1H24: $181m) and a reported insurance margin of 12.8% (1H24: 14.7%). The result featured a $9m prior period reserve release, and a modestly favourable perils experience compared to allowance.

IIA reported GWP growth of 10.3%, reaching $2,233m (1H24: $2,025m).

Commercial short-tail saw GWP growth of 5.2% to $1,267m, principally in commercial motor where new business volumes were strong. This was partly offset by less favourable crop conditions and reduced volumes in strata and some packaged products due to strong competition.

Commercial long-tail saw double digit growth of 24.7% to $636m including the impact of multi-year policies (~$80m) in the workers' compensation portfolio. Normalising for this, long-tail growth was ~8% with rate increases in workers' compensation offset by volume decline in professional risks volumes.

Personal lines GWP grew by 6.1% to $330m, driven by rate increases with modest volume loss.

IIA – Insurance profit

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New Zealand

GWP growth of 1.2% in 1H25

The insurance profit for IAG's New Zealand business was A$311m (1H24: A$204m), equating to a reported insurance margin of 28.6% (1H24: 20.8%). This was driven by a higher underlying margin of 19.5% (1H24: 14.9%), largely due to a materially lower underlying claims ratio and included the benefit of a perils experience A$93m below allowance.

GWP grew by 1.2% to A$1,887m (1H24: A$1,864m). In underlying local currency terms, underlying growth was 4.7%.

NZI (Broker Intermediated Channel) underlying local currency GWP grew around 1.0% to NZ$902m. A softening commercial market impacted premium growth, but the business maintained its underwriting discipline and successfully leveraged NZI's strong brand with value-added services including risk advisory.

The Direct Channel underlying local currency GWP grew ~6.0% to NZ$868m with the home portfolio experiencing strong premium growth, alongside an improvement in new business, while renewal rates have remained steady. Private motor saw low single-digit growth, driven by modest rate increases. New business levels improved, and retention remained steady.

The Bank Partner channels' underlying local currency GWP rose to around ~15.0% to NZ$306m.

New Zealand – Insurance profit

Shareholder returns

Dividend

Interim dividend of 12 cps in 1H25

The IAG Board has declared an interim dividend of 12 cents per share (CPS), franked to 60% (1H24: 10.0 cps, franked to 40%).

The interim dividend equates to a payout ratio of 45% of 1H25 NPAT, excluding the after-tax impact of the business interruption provision release (1H24: 59% of 1H24 NPAT).

The interim dividend is payable on 7 March 2025 to shareholders registered as at 5:00pm Australian Eastern Daylight Time (AEDT) on 20 February 2025.

IAG's dividend policy is to pay out 60% to 80% of NPAT on a full year basis excluding the after-tax impact from releases from the Business Interruption claim provision.

Capital position

IAG has a strong capital position at 31 December 2024, ahead of target benchmarks.

- The Common Equity Tier 1 (CET1) capital was $3,652m (FY24: $3,364m), representing 1.42 times the Prescribed Capital Amount (PCA), well above the CET1 target range of 0.9 to 1.1 times the PCA and the regulatory requirement of a minimum of 0.6 times; and
- The total regulatory capital was $6,164m (FY24: $5,879m), representing 2.4 times the PCA, above the 1.6 to 1.8 times target range.

On a pro-forma basis, adjusting for the interim dividend and proposed strategic alliance with RACQ, the CET1 ratio is 1.09, around the top end of the target range of 0.9 to 1.1.

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FY25 guidance and outlook

Reported insurance profit	Reported insurance margin	GWP growth
$1,400 to $1,600m	**Towards the top end of the 13.5% to 15.5% range**	**Towards lower end of mid-to-high single digit**

IAG's 1H25 results provide confidence in achieving guidance for FY25. This includes reported insurance profit guidance of $1,400m to $1,600m which assumes:

- FY25 natural peril costs of $1,283m with 2H25 costs of $857m (1H25: $426m);
- continued positive momentum in the underlying performance of IAG's businesses;
- no material prior period reserve releases or strengthening; and
- no material movement in macro-economic conditions including foreign exchange rates or investment markets.

The reported insurance margin guidance of 13.5% to 15.5%, based on the factors above, is expected to be towards the top of the range.

GWP growth of 'mid-to-high single digit', based on improving claims trends and lower reinsurance costs driving a moderation in premium increases, is expected to be towards the lower end of the range.

IAG's FY25 guidance aligns to its targets to deliver a 15% reported insurance margin and a reported ROE of 14% to 15% on a 'through the cycle' basis.

These targets 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. As they span several years, these assumptions and dependencies have a greater level of uncertainty than the FY25 guidance.

Important information

This announcement contains general information in summary form and should be read in conjunction with IAG's other announcements filed with the Australian Securities Exchange (available at www.asx.com.au).

This announcement contains forward-looking statements, opinions and estimates, including statements regarding IAG's strategy, guidance, targets, goals, ambitions and expectations regarding results.

Such statements involve risks, uncertainties and assumptions, many of which are beyond IAG's control.

This may cause actual results to differ materially from those expressed or implied in those statements and, consequently, undue reliance should not be placed on those statements. IAG assumes no obligation to update those statements (except as required by law).

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IAG Financial performance

Group results	1H24 A$m	2H24 A$m	FY24 A$m	1H25 A$m	1H25 vs 1H24 Mvt
Gross written premium	**7,947**	**8,453**	**16,400**	**8,426**	**+6.0%**
Gross earned premium	7,550	7,875	15,425	8,366	
Reinsurance expense	(3,054)	(3,127)	(6,181)	(3,436)	
Net earned premium	**4,496**	**4,748**	**9,244**	**4,930**	
Net claims expense	(3,108)	(2,987)	(6,095)	(3,039)	
Commission expense	(418)	(443)	(861)	(453)	
Administration expense	(646)	(660)	(1,306)	(708)	
Underwriting profit/(loss)	**324**	**658**	**982**	**730**	
Investment income on technical reserves	290	166	456	227	
Insurance profit/(loss)	**614**	**824**	**1,438**	**957**	**+55.9%**
Net corporate expense	(7)	-	(7)	200	
Interest	(85)	(100)	(185)	(92)	
Profit/(loss) from fee-based business	(12)	(24)	(36)	(3)	
Investment income on shareholders[5] funds	147	139	286	217	
Profit/(loss) before income tax and amortisation	**657**	**839**	**1,496**	**1,279**	**+94.7%**
Income tax expense	(201)	(257)	(458)	(381)	
Profit/(loss) after income tax (before amortisation)	**456**	**582**	**1,038**	**898**	
Non-controlling interests	(46)	(89)	(135)	(118)	
Profit/(loss) after income tax and non-controlling interests (before amortisation)	**410**	**493**	**903**	**780**	
Amortisation and impairment	(3)	(2)	(5)	(2)	
Profit/(loss) attributable to IAG shareholders	**407**	**491**	**898**	**778**	**+91.2%**

	1H24		1H25	
Insurance margin	**A$m**	**%**	**A$m**	**%**
Reported insurance profit/margin	**614**	**13.7%**	**957**	**19.4%**
Reserve releases/(strengthening)	(59)	(1.3%)	3	0.1%
Net natural peril claim costs less allowance	28	0.6%	215	4.4%
Credit spread movements	31	0.7%	(8)	(0.2%)
Underlying insurance profit/margin	**614**	**13.7%**	**747**	**15.1%**

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1 Customer Experience is measured by transactional net promoter score (tNPS) and correlates to complaints, attrition and GWP. The result is based on average tNPS scores over July to December 2024.
2 In Australia, renewal rates are 90% motor and above 90% for home.
3 Subject to regulatory approval.
4 YouGov Analysis Institute.
5 Roy Morgan Trusted Brand Awards for 2024.